

6. Consolidated non-financial statement

Introduction

On 22 October 2014, the European Parliament and the Council of the European Union approved Directive 2014/95/EU (the Barnier Directive) regarding the disclosure of non-financial information by companies. The Directive was created to improve the uniformity and comparability of non-financial information, and to map and monitor risks associated with business activities and thus facilitate investors' access to such information.

The Directive was implemented in the Italian legal system by Legislative Decree 254 of 30 December 2016, which obliges large companies that are public interest entities to provide a non-financial statement "*insofar as necessary to ensure understanding of a company's activity, its performance, results and the impact it produces*".

The purpose of Poste Italiane's Non-Financial Statement (NFS or "Statement"), prepared for the first time with reference to the financial year ended 31 December 2017, is to ensure that the Group's organisational model, activities, main risks and performance indicators are understood with regard to environmental, social, personnel, and human rights aspects as well as the fight against active and passive corruption, and that they are relevant to the Company's activities and characteristics.

The main topics relating to business sustainability, which, on the one hand, are key elements for a more in-depth analysis of the Non-Financial Statement and, on the other, are part of the economic and social scenario in which the Poste Italiane Group carries out its mission and tackles its business challenges, are summarised below

Sustainability challenges

Digitalisation, globalisation, new demographic phenomena and lifestyles, climate change and depletion of natural resources, are just some of the current trends. Understanding, interpreting and responding to these social, environmental and economic changes, integrating sustainability into the business to improve competitiveness and ensuring long-term profitability by creating shared value, add up to the challenge companies are facing in the third millennium.

The digital future is now

Digitalisation is a key element for the modernisation and sustainability of a country, as it helps to reduce environmental impacts and meet social needs, such as inclusion, through new ways of accessing information, and products and services. Digitalisation also has an extraordinary impact on business, operating and service models in the various sectors in which the Group operates. In the mail and parcel sector, for example, ways of interacting with customers and suppliers have changed in supply chains that are increasingly complex and integrated by automated digital processes, in order to cope with the rise of e-commerce.

In the financial sector, regarding Payments, Mobile & Digital, new payment methods, faster and more efficient transactions, security and personal data protection have been promoted with the introduction of PSD2 (the Revised Payment Service Directive), the EU directive on the retail payment system, which has been in force since January 2018.

In the insurance sector, the Internet of Things (IoT)¹⁶ enables new offering models regarding e-health, home insurance and third-party motor insurance. Analysis of Big Data also has potential linked to the monitoring of policyholders' behavioural data, which is reflected in innovative policies and services aimed at improving the customer experience.

16. The Internet of Things (IoT) is the expression used to define all electronic equipment and devices, other than personal computers, that are connected to the internet (e.g. cars, fitness sensors, air-conditioning systems, etc.).

Digitalisation creates a need for increasingly advanced protection systems to combat cybercrime via cyber security tools, methodologies and processes to protect personal data, strategic services and the intellectual property of citizens, companies and the Public Administration. Therefore, it is vital that companies adopt adequate prevention and protection systems to safeguard their tangible and intangible assets and those of their stakeholders.

New business approaches to meet the social challenges of the third millennium

Growing life expectancy, a low birth rate and immigration are changing Italian society and the approach to the development of products and services, especially in the banking and insurance sector. Immigration is a structural phenomenon in terms of its size and the effect it has on Italy's economic and social fabric, while financial inclusion is an important incentive for accelerating the process of integrating immigrants. The financial inclusion rate among the adult population in Italy is 87%, while the percentage of adult foreign citizens holding a current account is 73% (source: World Bank).

Health and healthy lifestyles are some of the issues covered by the new insurance sector models that are emerging in Europe, based on incentives for virtuous customer behaviour that can generate positive impacts on the community and insurance companies' costs.

The labour market has entered the "fourth industrial revolution", a set of transformations that, thanks to robotics, digital innovation and artificial intelligence, is changing not only companies' business models, but also the way human capital is used. Today, companies have to manage a complex "ecosystem" of people as a result of the steady rise in the retirement age and the consequent longer period spent in the world of work, which entails the simultaneous presence of five generations who all have different values, experiences and aspirations that need to be managed. Recognising and valuing all forms of diversity has a strategic objective that brings advantages in terms of internal atmosphere, a sense of belonging, productivity and innovation.

Climate change

With the 2016 Paris Climate Agreement, 195 countries committed to keeping the global temperature increase well below 2 degrees Celsius compared to pre-industrial times. It is estimated that emissions of 26 billion tonnes of CO2 equivalent would have to be cut by 2030 to remain below 1.5 degrees. Companies are called upon to assess the possible risks and opportunities (e.g. energy efficiency, sustainable mobility, and green financing and insurance services) associated with their business, taking into account national and international developments.

The postal sector is experiencing a continuous and rapid increase in the volume of parcels in circulation due to the increase in e-commerce, and this affects the need for sustainable transport and logistics to minimise emissions into the atmosphere. The mail segment, which has seen a steady decline in volumes due to the replacement of traditional physical postal services (so-called e-substitution) by electronic services, and the creation of new innovative digital services such as online mail advertising and electronic notification services, can also undoubtedly make a significant contribution to reducing environmental impact.

The creation of shared value

Given the deterioration of ecological balances, the persistence of social inequalities and sustainable de-growth processes, business models are being renewed to create shared value. The shared value approach developed by Michael Porter, a professor at Harvard Business School, is based on the assumption that it is necessary to identify a new model of capitalism, overwhelmed as we are by the economic and financial crises of recent years. Based on their own mission, companies with a public service role are increasingly called upon to redefine productivity in the value chain and evaluate forms of investment that aim to obtain positive results in financial, social and environmental terms, and also to support the nation's economic system. In recent years impact investing, namely investments into companies, organisations and funds with the intention of generating a measurable and favourable social or environmental impact together with or instead of a financial return¹⁷, is becoming more reliable, to the extent that banks, insurance companies and pension funds are unanimously promoting it.

17. Cambridge Associates and Global Impact Investing Network (GIIN).

The topics relevant to us [GRI 102-46 GRI 102-47; GRI 103-1]

Poste Italiane has begun the due process to ensure compliance with the regulatory requirements set out in Legislative Decree 254/2016 which also specifies that the reporting standards – issued by authoritative supranational, international or national bodies, both public and private – used to comply with non-financial reporting requirements should be clarified. The Group chose to adopt the approach recommended by the Global Reporting Initiative (GRI), which is the most widely used standard at international level, given that, in addition to covering the aspects required by the EU Directive and consequently by Decree 254, it expresses the concept of materiality, another important element of convergence with the Decree.

In 2017, the Group carried out a materiality analysis in order to identify the relevant topics to ensure understanding of its activities, performance, results and impact. Indeed, materiality is the threshold beyond which a topic becomes sufficiently relevant to be reported.

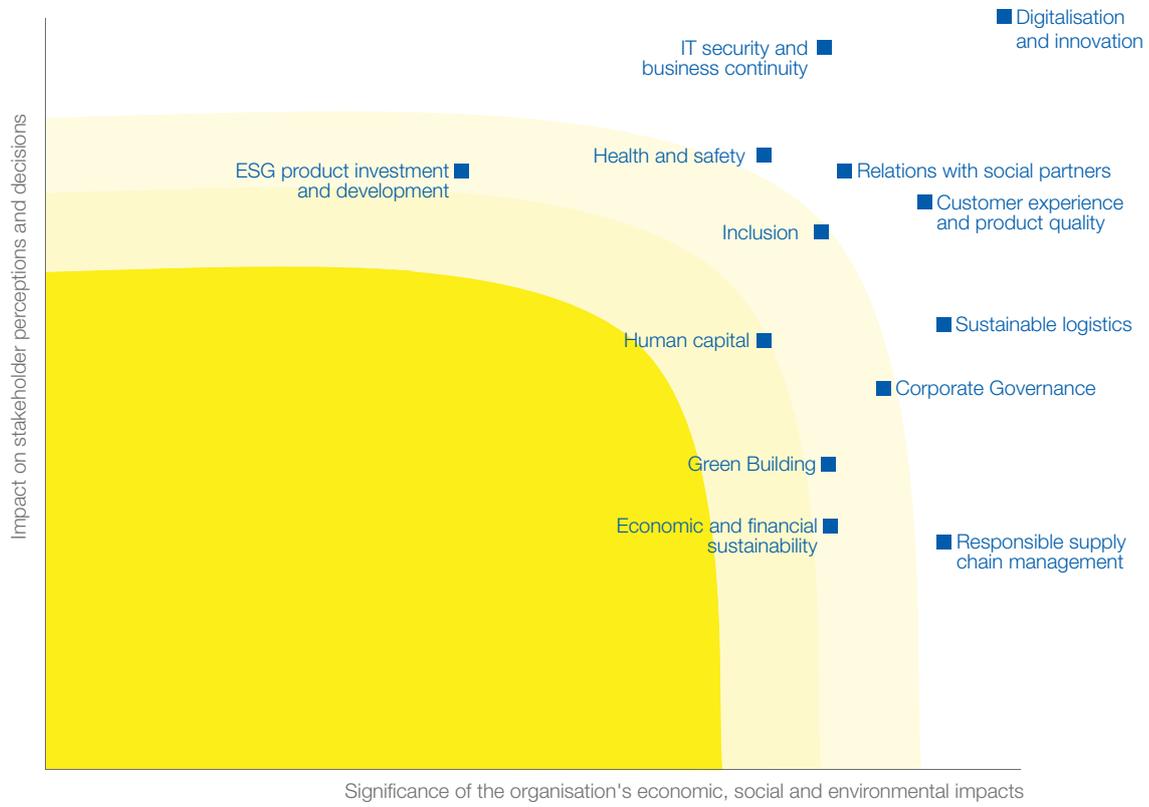
The process that led to definition of the material topics was broken down into three phases:

- **Identification of relevant topics**, based on analysis of the external scenario and comparable companies, sustainability trends, commitments already made by the Group and communicated in public documents, stakeholder expectations, and international standards (Sustainability Accounting Standards Board, RobecoSAM).
- **Attribution of relevance** of the topics identified based on internal analysis of corporate documentation and policies, interviews with the various corporate departments, and the expectations of key stakeholders via listening and engagement initiatives.
- Positioning of the relevant topics within the materiality matrix and **identification of the material topics**.

The Materiality Matrix and a description of the material topics identified and used in the Non-Financial Statement are provided below, except for the topics of Economic and Financial Sustainability and Corporate Governance, which are dealt with in the Report on Operations and in the Report on Corporate Governance and the Ownership Structure.

The impact of the material topics identified are all caused by the organisation, with the exception of the topics relating to sustainable logistics and health and safety, which are also caused by suppliers who operate on behalf of Poste Italiane, accounting for a significant part of the Group's operations.

The Poste Italiane Group's materiality matrix



Material topics	Brief description
Digitalisation and innovation	Responding to new customer needs through innovation of the products and services provided, as well as of processes, especially via the opportunities offered by digitalisation.
IT security and business continuity	<p>Guarantee the confidentiality of customers' data, safeguard intellectual property and protect assets from cyber attacks inside or outside the organisation.</p> <p>Prevent operational disruptions through implementation of disaster recovery plans, and promote the fight against terrorism through data analysis. Plan business continuity through the prevention and management of process interruptions that may cause inconvenience to customers and business partners, as well as loss of revenue.</p>
Relations with social partners	Establish relations with labour unions, based on principles of fairness and respect for roles, with the aim of finding shared solutions aimed at achieving growth, competitiveness and business continuity.
Health and safety	<p>Ensure high standards of health, safety and security for workers and custo</p> <ul style="list-style-type: none"> ■ in all the Group's premises; ■ on the means of transport used, including by suppliers, for delivery services; ■ when staff are travelling.
Customer experience and product quality	Adoption of service models aimed at promoting the quality of the products and services offered. Systematic engagement, satisfaction surveys and effective complaints management, which are essential elements in enhancing the relationship with customers and responding to their needs. Offer a unique and distinctive experience that goes beyond traditional product and service provision.
Inclusion	<p>For the Group, inclusion means:</p> <ul style="list-style-type: none"> ■ promoting access to financial and insurance services for the most excluded groups; ■ contributing to the process of integration of the most vulnerable groups; ■ promoting access to new information technologies and digital literacy (e.g. Education 2.0 in schools).
Sustainable logistics	Provide logistics solutions that reduce atmospheric emissions and the use of non-renewable natural resources, with particular reference to the mail and parcel delivery sector.
Human capital	Identify the best talents, promote training courses and strategies for professional enhancement and development. Protect the Group's intellectual assets, skills, know-how, experience and organisational knowledge.
Corporate Governance	Maintain a sound Corporate Governance system consisting of rules, standards, practices and a monitoring system, to reduce the risk of behaviours and decisions that may compromise the organisation's value and operating performance. Comply with current legislation regarding combating all forms of active and passive corruption.
Green building	Minimise the environmental impact of the Group's offices and buildings, in terms of energy use, water consumption, waste, and raw material consumption. Promote green procurement by incorporating "minimum environmental criteria" in all phases of the goods and services procurement process.
Responsible supply chain management	Guarantee ethical behaviour within the supply chain, with particular reference to: legislative compliance; measures to combat fraud and corruption; working conditions and health and safety; and environmental aspects.
Economic and financial sustainability	Guarantee long-term economic results and safeguard the stability, strength and profitability of the Group in the long term.
ESG product investment and development	Integrate sustainability into the development of new services and products and incorporate Environmental, Social and Governance (ESG) criteria into investment decisions, in order to create social and environmental value as well as generating profits.

Our stakeholder [GRI 102-40 GRI 102-41 GRI 102-42 GRI 102-43 GRI 102-44]

The stakeholder dialogue and engagement procedures are based on respect for Poste Italiane's policies and organisational models, which are essential for guiding relations with the various stakeholder categories, taking into account expectations and integrating them within corporate strategies.

The following table shows the main stakeholder categories and engagement methods, as well as the types of activity through which Poste Italiane constantly communicates and interacts, based on an approach that takes into account the legitimacy of a relationship, proximity, influential power and impacts linked to its activities.

Listening tools and engagement with key stakeholders

Stakeholder	Engagement and communication methods
Shareholders, investors and lenders, and the financial community	<ul style="list-style-type: none"> ■ Shareholders' Meeting ■ Road shows and dedicated meetings ■ Financial relations and periodic presentations ■ Corporate Governance Report ■ Company website ■ Press releases
Customers	<ul style="list-style-type: none"> ■ Periodic customer satisfaction and customer experience surveys
Staff	<ul style="list-style-type: none"> ■ Internal communication tools (newsletters, intranet, mailing, etc.) ■ Internal and external events dedicated to staff
Labour unions	<ul style="list-style-type: none"> ■ Periodic meetings ■ First- and second-level bargaining
Suppliers	<ul style="list-style-type: none"> ■ Specific meetings
Public Sector and local authorities	<ul style="list-style-type: none"> ■ Specific meetings ■ Conferences ■ Corporate communication
Central, local and international institutions National/international industry associations and other organisations Supervisory and regulatory authorities	<ul style="list-style-type: none"> ■ Periodic communications ■ Meetings on specific issues and participation in working groups ■ Organisation of events and meetings on specific issues
Local communities	<ul style="list-style-type: none"> ■ Partnerships ■ Community projects, sponsorships, donations ■ Dialogue with local institutions
Media	<ul style="list-style-type: none"> ■ Press releases ■ Contacts during the launch of relevant projects, publication of documents, interviews, events

Explanatory notes

[GRI 102-11; GRI 102-45; GRI 102-46; GRI 102-50 GRI 102-51 GRI 102-52 GRI 102-53 GRI 102-54]

Poste Italiane's Consolidated Non-Financial Statement ("NFS" or the "Statement"), which was prepared for the first time with reference to the year ended 31 December 2017 in compliance with the requirements of Legislative Decree 254/2016, and was approved by Poste Italiane SpA's Board of Directors on 29 March 2018, pursuant to art. 3, paragraph 10 of the Decree, requires a separate assurance report from the independent auditors, PricewaterhouseCoopers SpA.

As already mentioned, for the preparation of the NFS the GRI Sustainability Reporting Standards have been adopted, in accordance with the core option, published in 2016 by the GRI - Global Reporting Initiative. The standards' indicators, which correspond to Poste Italiane's material topics, are shown at the beginning of each section and next to the headings of the tables regarding quantitative data linked to the material topics.

It should be noted that Poste Italiane's operational organisational model serves the development of synergies within the Group and provides for the focus of Poste Italiane SpA (the Parent Company) on management and coordination activities.

The terms "Poste Italiane", "Group" or "Company" are used in the NFS to refer to the Poste Italiane Group.

Implementation of the obligations set out in Legislative Decree 254/2016 entails application of new criteria and methods, which may be based on subjective assessments and estimates linked to the Company's specific historical experience and on assumptions that are deemed reasonable and realistic with respect to the relevant circumstances, on a case-by-case basis. Application of these estimates and assumptions might influence the values shown in the NFS, so Poste Italiane has opted to use estimated indicators as little as possible. The estimated data regard certain items relating to energy consumption inside and outside the organisation. In particular, data regarding electricity consumption (for security purposes and relating to out-sourced data centres), natural gas and district heating for the Group's real estate facilities have been calculated taking into account costs incurred and average tariffs, while consumption of diesel and LPG have been estimated on the basis of historical data and the actual amounts pumped into tanks. All the consumption connected with logistics is estimated in terms of distance travelled and/or the average consumption of a vehicle and the load transported, except for company cars.

The Poste Italiane Group will closely monitor upcoming regulatory and interpretative developments, as well as the best market practices that will gradually become available, and assess any consequent effects on possible estimates and the information contained in future non-financial statements.

The scope of reporting includes companies consolidated on a line-by-line basis for financial reporting, and the reporting year is 2017. Comparable quantitative data for 2016 is provided. For each material topic, if applicable, information has been provided on the relevant management and organisational model, policies, including due diligence policies, and the results achieved through their application, as well as certain non-financial performance indicators.

The Poste Italiane Group guarantees its stakeholders that its business will be conducted in line with the objectives set by the Board of Directors, in awareness of the risks that may affect the achievement of these objectives and the value of the Company. The principal risks associated with material topics deriving from the Group's activities are shown in the table below.

Material topics	Principal risks
Digitalisation and innovation	Delayed innovation of products and services offered to customers and of related operating processes, resulting in negative perception of the Company by stakeholders.
IT security and business continuity	Malfunctions and/or deficiencies in the security of IT systems that may lead to personal data breaches, loss or impairment of data, operational freezes or slowdowns, and customer service disruptions.
Relations with social partners	Risks related to industrial unrest and labour union strikes that may have an impact on business continuity and on stakeholders' perception of the Company.
Health and safety	Risks of non-compliance with regulations that protect workers' health and safety, which may lead to criminal, civil and/or administrative sanctions, as well as financial, economic and/or reputational damage to the Company.
Customer experience and product quality	Limited satisfaction of business and consumer customers needs, regarding the various products and services, throughout the customer life cycle, as well as provision of poor quality and failure to comply with regulatory and contractual standards, resulting in the payment of fines and penalties.
Inclusion	Risks connected with lack of attention to inclusion issues, leading to negative impacts on the Company's reputation.
Sustainable logistics	Risks connected with inadequate management of the Group's logistics and production processes, including in terms of environmental sustainability, which might influence stakeholders' perception of the Company.
Human capital	Risks connected with a lack of/inadequate staff management in terms of professional enhancement, training and development.
Corporate Governance	Risks connected with a Corporate Governance system that is not in line with leading practices, resulting in negative impacts on the Company's reputation.
Green building	Risks connected with inadequate management of the Group's buildings, including in terms of environmental sustainability, which may influence stakeholders' perception of the Company.
Responsible supply chain management	"Risks connected with relations with suppliers, with possible impacts in terms of compliance and financial damage due to fraudulent behaviour."
Economic and financial sustainability	"Deterioration of the Company's reputation in the financial community (rating agencies, investment banks, analysts, etc.) which could have a negative impact on the share price."
ESG product investment and development	Risks connected with inadequate assessment of social and environmental impacts in the development of new products and services, which may influence stakeholders' perception of the Company.

Regarding the material topics identified, compared to the others, the ESG product investment and development topic, which particularly concerns Poste Vita Group companies and Banco Posta Fondi SGR, will follow a more significant development path in the short to medium term, also in line with national and international best practices.

The following table shows the link between the areas specifically required by Legislative Decree 254 and the sections of the NFS in which they are dealt with.

Legislative Decree 254/2016, art. 3, para. 1, areas	References
Energy consumption, water consumption, GHG emissions, polluting emissions, other environmental aspects)	§ Green building § Sustainable logistics
Aspects relating to personnel management, gender equality, international and supranational employment conventions, dialogue with social partners, impact on health and safety, other personnel matters)	§ Human capital § Relations with social partners § Health and safety
Respect for human rights	§ Inclusion § Responsible supply chain management
Social aspects	§ IT security and business continuity
	§ Customer Experience and the quality of products
	§ Digitalisation and Innovation
	§ Inclusion § Responsible supply chain management
Combatting active and passive corruption	§ Combatting corruption

The 13 material topics identified above have been grouped into three value areas, which comprise the way in which the Poste Group is integrating sustainability into its core business, including:

- Looking to the future
- Valuing people
- Taking care of the world around us

and are summarised in the following table through the macro-initiatives that are used in applying the values in the Group's operations.

Topics relevant to us	The forms they take
LOOKING TO THE FUTURE	
Digitalisation and innovation	Digital transformation
	Dematerialisation of contracts and transactions
	Dematerialisation of communications
	Digitalisation of relations between citizens and the Public Administration
	National Traffic Police Violation Centre
IT security and business continuity	Permanent security plan
	Activities to combat cybercrime and regarding innovation in the security field
	Business continuity plans
Customer experience and product quality	Relations with consumer associations
	Keeping in touch with customers
	Post office waiting times
Corporate Governance	Fighting corruption
	Whistleblowing
	The Audit, Risk and Sustainability Committee
Economic and financial sustainability	Directors' Report on Operations: - Group operating and financial performance - Operating results by sector of activity

Topics relevant to us	The forms they take
VALUING PEOPLE	
Relations with social partners	National Collective Labour Agreement
	Paid leave for union duties
	Labour union safeguards
	Bilateral Agencies
	European Social Dialogue
	Strengthening of sorting and delivery processes
Health and safety	Vehicle safety
	Post office security
	National security
	Security training for staff
	Occupational injuries
Human capital	Poste Italiane's workforce numbers
	Development activities
	Professional training programmes
Responsible supply chain management	Occupational injuries
	Social and environmental clauses in contracts
	Green procurement
	Transparency
TAKING CARE OF THE WORLD AROUND US	
Inclusion	Equal opportunity access to services
	Cultural integration
	Financial inclusion of citizens in difficulty
	Inclusion of minors
	<i>Il Risparmio che fa Scuola</i> (savings education project)
	Inclusion of senior citizens
	Insurance inclusion
	Gender inclusion
	Equal Opportunities Committee
Inclusion of disabled people	
Sustainable logistics	Energy consumption and emissions
	Partnerships at international level
	Waste management
	Water
	Postel – the materials used
Green building	Mail and parcels logistics
	Vehicle fleet numbers
	Logistics under contract
	Mistral Air aircraft fleet
	Mobility management
ESG product investment and development	To be defined in the next sustainability plan

Looking to the future

Digitalisation and innovation

Responding to new customer needs through innovation of the products and services provided, as well as of processes, especially via the opportunities offered by digitalisation.

Against a backdrop of change that requires development of its business and, above all, focusing on its customers, Poste Italiane has launched an important process of digitalisation involving the entire Group, given the complexity and variety of the sectors in which it operates. To this end, the Company has identified organisational responsibilities and adopted specific policies to ensure adequate oversight of the issue.

The importance given to aspects relating to innovation and digitalisation of business processes and of the products and services provided is confirmed by the Group's mission, which is a *driver for inclusive development in Italy, accompanying citizens, businesses and the Public Administration on the road towards the new digital economy by offering simple, high-quality, transparent and reliable services.*

The commitment to digital innovation is translated into concrete terms in the Deliver 2022 Strategic Plan, which presented the new corporate organisation with the establishment of a new Payment, Mobile & Digital operating segment, created to best meet the competitive challenge that will arise with implementation of the new European PSD2 directive.

Digitalisation

Digital initiatives improve process efficiency and customers' perception of quality, and enable reductions in environmental impacts relating, for example, to travel and paper consumption.

Digital is now a key driver in the relationship with consumers who interact with Poste Italiane using multiple channels, both physically through the network of 12,822 post offices and 28,635 postmen and women, and using the website via computers and apps for smartphones or tablets.

The digitalisation process aims to enhance the post office network, develop multi-channel access methods and tools to interpret and anticipate customer needs, qualify the Company as a key stakeholder for the Public Administration, and encourage the inclusion and development of the digital economy. The main services that have been implemented it in recent years include:

Financial and insurance services

- the payment portal, which may be accessed from the poste.it website, is a single environment where users can easily pay bills, utilities and charges to companies and the Public Administration, and have the receipts delivered directly to their mailboxes;
- the new platform in the home banking area of the Poste.it/consumer website;
- Ordinary and Smart Postal Savings Books which may be issued in paper or dematerialised form, as may Interest-bearing Postal Certificates;
- the Remote Banking BancoPostaImpresa Online (BPIOL) service, dedicated to professional and entrepreneurial activities, the non-profit sector and the Public Administration;
- the Poste Vita pension simulator, a digital platform that enables users to assess their pension contributions situation and build up supplementary pension income by constantly monitoring results obtained.

Postal services

- the Digital Pick-up service for undelivered registered mail, which enables the addressee to collect a registered item in the event of non-delivery due to the addressee's absence, as an alternative to the physical process, via the SPID enabled PostelD Digital Identity service;
- the Electronic Postman service, which enables direct payment of pre-paid bills for the main utilities to postmen and women at one's own home, topping up telephone and Postepay cards, and booking collection of registered mail or a PosteMobile SIM card by making an appointment on the toll-free number 803.160 or via the www.poste.it website;
- hybrid electronic mail, which breaks down into these phases: electronic acceptance, electronic sorting, printing, enveloping and delivery of a message in paper form.

Across all business segments, and therefore by distribution channel

- Postepay, BancoPosta, Post Office and PostelD apps, which enable various functions, including management of BancoPosta current accounts and Postepay prepaid cards; telephone top-ups; the payment of bills; booking your turn at a post office counter; sending money in Italy and around the world (p2p); secure online access to public services; tracking sent parcels and mail; and sending telegrams, registered mail, mail and parcels on the move;
- free Wi-Fi available at 4,119 post offices (32% of the total), 895 of which were activated in 2017 alone, and may be accessed with a single registration for a maximum of three hours per day;
- VoIP technology installed at 7,100 post offices, which makes it possible to have a telephone conversation via an internet connection.

Digital services in numbers

Category	2016	2017
Customers registered on Poste Italiane's digital channels (websites and apps) (millions)	12.5	15
Digital identities issued (millions)	0.6	1.8
Postepay apps downloaded ^(*) (millions)	4.4	6.1
Bancaposta apps downloaded ^(*) (millions)	2.1	3
Post Office apps downloaded ^(*) (millions)	0.8	1.8
PostelD apps downloaded ^(*) (millions)	0.7	1.4
PosteMobile apps downloaded ^(**) (millions)	2.0	2.7
Transactions carried out via consumer digital channels (websites and apps) ^(***) (millions)	33	39
Focus – Poste Vita customers		
Poste Vita Insurance Group customers registered in the reserved area (no.)	316,436	417,657
Customers who use Poste Vita and Poste Assicura services via mobile devices (%)	28.1	31.6

(*) App downloads refer to iOS and Android users who have downloaded the app from the launch of the first version until the date indicated (31 December 2016 and 31 December 2017).

(**) App downloads refer to iOS, Android and Windows users who have downloaded the app from the launch of the first version until the date indicated (31 December 2016 and 31 December 2017).

(***) Including SEPA and overseas bank transfers and certified transfers qualifying for tax relief, giro transfers, the electronic payment of bills, tax returns, Postepay top-ups, Moneygram, money transfers, telephone top-ups.

Dematerialisation of contracts and transactions

The Electronic Management of Contracts and Transactions (EMCT) project aims to implement complete electronic processing, which will enable elimination of the printing and paper storage of millions of pages of documents in post offices, and notification of customers via email regarding their contract copy with the introduction of electronic originals signed by electronic signature and stored in accordance with regulations. In 2017, dematerialisation procedures were extended to new contracts and transactions.

At the end of 2017, the new dematerialised management procedures were extended to 9,943 post offices (78%) and approximately 5,000 Consulting Rooms (75%) and now cover 90% of the main procedures carried out by customers and 96% of the corresponding transactions.

The environmental benefits include lower consumption of resources (paper) and waste generation (toner cartridges), less energy used for printing, and reduced CO2 emissions. In terms of improved operational efficiency, benefits include more rapid consultation of documents and quicker access to information, and shorter response times for checks and assessments. For customers, dematerialisation means that the process of entering into a contract is simplified (e.g. opening a current account in real time).

Dematerialisation of procedures and corresponding transactions

Types of procedure (data in thousands)	2016		2017	
	No. Procedures	% dematerialised	No. Procedures	% dematerialised
Certificates	819	89%	1,289	94%
Current accounts	705	84%	417	86%
Savings Books	417	78%	674	93%
Postepay Evolution *	-	-	1,227	91%
Life insurance policies*	-	-	274	70%
MiFID	1,270	96%	2,571	96%
Poste Mobile	22	44%	815	70%
Total procedures **	3,233	89%	7,267	90%

Corresponding transactions ***	2016	2017
Total transactions (millions)	28.0	31.5
Total electronic transactions (millions)	27.0	30.3
Dematerialised transactions (%)	96.4%	96.2%

* Dematerialisation services activated in the second half of 2016.

** The increase in the volume of dematerialised procedures in 2016 and 2017 is linked to the increase in the number of post offices equipped to handle them (around 8,000 in 2016 and around 10,000 in 2017), and to the addition of new types of contract.

*** The increase in the volumes of electronic transactions in 2016 and 2017 is due to the "digitalisation" of certain transactions, resulting in the elimination of receipts. Indeed, in 2017, digitalised transaction volumes totalled approximately 30 million.

Dematerialisation of communications

The Group company, Postel SpA, provides communications services to businesses and Public Administration entities, offering a full range of services including mass printing and enveloping, electronic document management, direct marketing and commercial printing. Postel provides its customers with a technology platform for the digitalisation of communications and document management processes, enabling the dematerialisation and electronic processing of documents – including receipt, creation, collation, classification, storage and custody – regardless of the method or channel through which they arrive at the Company.

Communications are stored electronically at the Postel Data Centre and made available to the addressee. The dematerialisation of mail enables verification and monitoring of the receipt of sent documents at all stages of the process.

Moreover, the Digital Pick-up service enables addressees to digitally collect registered mail that was undelivered due to their absence, as an alternative to the physical process.

Digitalisation of relations between citizens and the Public Administration

With a view to simplifying relations, Poste Italiane, which acts as an intermediary between citizens and the Public Administration, operates as an Identity Provider, via the PostelD Digital Identity service, which is enabled by the Public Digital Identity System (SPID).

The SPID enabled **PostelD Digital Identity** service enables users to create a digital profile to access all of Poste Italiane's online services and apps, as well as the services of Public Administration entities and private providers that are registered users of SPID. A SPID enabled PostelD Digital Identity may be applied for online by all adult Italian citizens who have been visually recognised at a Poste Italiane post office, as they have previously purchased, for example, a BancoPosta financial product, or have a National Services Card (NSC), an Electronic Identity Card (ICE), or a digital signature, or have directly registered online at a post office, or at home using a postman or woman's palmtop computer, for those citizens who do not have a recognised online identification device.

The **Sportello Amico** network, which is present in 5,734 post offices (45%), offers services including payment for healthcare, the printing of birth, death and other certificates, the issue of land surveys, and the issue or renewal of Electronic Residence Permits. In 2017, 894,000 residence permit applications were handled, and subsequently dematerialised and sent to the relevant police headquarters.

National Traffic Police Violation Centre: The Group supports the Traffic Police in the management of the entire fines process relating to offences deriving from automatic detection systems (Tutor), by providing an IT platform to support the authority with regard to complete digitalisation of all incoming procedures. This platform enables a reduction in document processing time, and thus reduces the time required to respond to complaints and contributes to optimal use of the Public Administration's resources.

The Centre handles an average of 1,200 procedures per day, 60% of which are paper and 40% via certified e-mail, with an annual total of over 700,000 records.

IT security and business continuity

Guarantee the confidentiality of customers' data, safeguard intellectual property and protect assets from cyber-attacks inside or outside the organisation. Prevent operational interruptions by implementing procedures regarding the management of security incidents and disaster recovery plans, with a view to preventing and managing process interruptions that could cause inconvenience to customers and business partners, as well as a loss of revenue.

Poste Italiane has always considered IT security and business continuity to be priority and strategic components, due to the nature of the services offered and the large number of customers served. Therefore, the Company has identified organisational responsibilities and adopted specific policies to ensure adequate management of the topic.

The main objective in managing IT security is to guarantee adequate levels of confidentiality, integrity, and availability of the data and services provided. In order to pursue this objective, in addition to technological measures, organisational and regulatory provisions have also been adopted for operating processes, thus guaranteeing an adequate level of protection, as well as a constant flow of information to internal auditing bodies and/or the relevant authorities.

To monitor the risks relating to information security and information systems, within the Corporate Protection function:

- a single contact person, the Chief Information Security Officer, has been identified for risk connected with IT security;
- integrated management of cyber security risk is in place;
- greater operating effectiveness and efficiency is guaranteed by reducing the fragmentation of operating processes among functions.

The IT security framework adopted by Poste Italiane breaks down into various levels of intervention:

- The IT Security Policy is the documentation system through which objectives and strategic guidelines are expressed, aimed at directing the security management of IT resources and processes that support business services, in order to contain, within predefined acceptable limits, the risk of compromising their confidentiality, integrity and availability, in terms of business protection and also in contributing to the fight against cybercrime incidents.
- Assessment of IT risk, aimed at identifying and evaluating potential breach scenarios regarding the confidentiality, integrity and availability of ICT resources that support business services, as well as guiding the implementation of appropriate vertical risk reduction measures on applications and individual IT assets (middleware, operating systems, databases, etc.) in accordance with the IT risk propensity threshold defined for the business services which use the ICT resources concerned.
- The Permanent Security Plan (PSP), consisting of all the cross-cutting interventions and technological projects required to guarantee the presence, update and correct functioning of security platforms, to provide operational security processes, and to carry out all the necessary checks and assessments to maintain the risk profile at acceptable levels over time;
- Security by Design activities which – during the analysis, design, implementation and production phases of new services or modification of existing services, as well as within the change processes of IT systems – are aimed at identifying the security requirements to ensure adequate protection of the ICT resources involved. The ultimate goal of Security By Design activities is to affect the entire value chain and ensure compliance with legal regulations and IT security standards, as well as to integrate IT security within IT and service creation processes.
- Cross-cutting security technology infrastructure. The security infrastructure platforms serve to guarantee and protect corporate IT resources against targeted cyberattacks, while at the same time ensuring the Company's compliance with laws and regulations.
- Management of IT security incidents regarding prevention of, response to and management of IT security incidents through a single synthesis and activity coordination hub, via integrated management of information flows deriving from the various IT security controls, thus providing a single operational interface for security information sharing activities externally, and continuous security support internally.
- Third party certification. Faced with external influences, due to the increasing complexity of the business and changes in legislation and regulations, as well as developments in the internal environment, aimed at boosting technological leverage and raising the quality of its offering, Poste Italiane guarantees structured oversight of quality issues in the IT and security areas. This oversight is based on the application of an Integrated IT and Security Quality Management System that incorporates the aspects highlighted by international standards and industry benchmarks.
- Innovation projects in the security area. Poste Italiane pursues innovation in the field of IT security by carrying out scenario studies and research into vertical security issues, with a specific focus on identity management, mobile security and distributed ledgers (blockchain technology).

Specifically, the **Information Security Policy** contains the strategic IT security management guidelines that all Group companies have adopted with respect to the specific nature of their business. The policy defines security objectives and requirements regarding regulatory and voluntary compliance with industry standards and best practices. Based on this policy, a documentation system has been defined, including: safety requirements and rules, technical and organisational standards, procedures and instructions that explain the operating procedures of safety processes, and details of the tasks and activities performed by operating personnel.

Poste Italiane has obtained certification for its integrated management system regarding IT and security service provision processes, **in accordance with the ISO 27001** (IT Security), **ISO 20000** (IT processes) and **ISO 9001** (Quality international standards).

IT risk analysis is aimed at identifying and assessing potential breach scenarios regarding the confidentiality, integrity and availability of the ICT resources that support business services. The methodology is broken down into several macro-phases involving identification of analysis areas and the related scope of the assets, identification and assessment of impacts, threats and vulnerabilities, calculation of potential risk, actual risk and the treatment of residual risk.

With particular attention paid to the scope of Bank of Italy Circular 285/13, the annual IT risk analysis update regarding BancoPosta's ICT assets was carried out, including a focus on the assets that support online payment services in compliance with Guideline 2.1 issued by the European Banking Authority (EBA).

This activity led to preparation of a Synthesis Report on IT risk analysis for 2017, which was approved by Poste Italiane's Board of Directors in December.

Through **Security by Design** activities, the Group identifies requirements relating to the design of a new service or the modification of existing services, with the aim of safeguarding ICT resources throughout the value chain. With regard to aspects relating to Security by Design, security requirements were provided for more than one thousand development initiatives.

In addition, security requirements were provided not only for IT but also for the process relating to provision of new business products and services during the "Service Creation" phase, including SPID, the new Poste.it Business portal, and Personal Financial Management in the BancoPosta app.

In compliance with current legislation regarding data security, and the prevention and combating of cybercrime, specific **incident handling** procedures have also been set up regarding the prevention, management and escalation of cyber security incidents that cause damage to the Company's IT assets, violation of internal policies and/or regulations, and the loss, modification or unauthorised disclosure of or illicit access to personal data transmitted, stored or otherwise processed. The management of IT security incidents is formalised via a specific operating procedure that enables security incidents to be monitored and dealt with.

Regarding **personal data protection**, Poste Italiane has adopted preventive security measures to minimise the risks of destruction, loss, unauthorised access and unauthorised processing of personal data, in compliance with the requirements of Legislative Decree 196/2003.

GRI 418-1 Privacy violation and data leaks

	2016	2017
Total number of complaints received regarding violations of privacy	12	6
Number of complaints received from third parties and recognised by the organisation	12	6
Number of complaints received from regulatory bodies	0	0
Total number of breaches of customer privacy and losses of customer data identified	0	0

Permanent security plan

The 2015-2019 Permanent Security Plan (PPS), which is revised and updated annually, has been drawn up to manage important IT security activities, initiatives and projects, in order to protect ICT resources and to adapt the countermeasures provided for by the various regulations and reference standards. It deals with the continuous evolution of IT risks on a permanent basis, and includes processing activities as well as projects regarding implementation of cross-cutting technological infrastructures to support all the services provided.

In 2017, a series of project initiatives were managed and monitored at the 11 sites where the permanent plan is in place, thus enabling various initiatives to be completed:

1. IT Security and Risk Assessment
2. Infrastructure security
3. Environment segregation
4. Applications security

5. User Identity and Access Management (IAM)
6. Digital security
7. Critical applications security
8. ICT security compliance
9. Environment certification security
10. Internal auditing system
11. Corporate customers' security

In addition to the implementation projects, the initiatives that have been fully deployed include:

- the **Secure Code Review**, which entails a security review of the application code to ensure that security checks are in place, that they execute what has been requested, and that the code has been developed in line with the principal secure development best practices.
- the process of **masking personal data** in a non-production environment, guided via the SeDaM (Secure Data Masking) platform, which is aimed at reducing the risk of exposure of real production data to third parties and/or unauthorised parties through processes and procedures to reduce the use of real data in non-production environments, to anonymise real data in non-production environments, and to mask said data.
- activities regarding the security of all apps displaying trademarks attributable to Poste Italiane that may be used through official (Google Play Store and Apple Store) as well as alternative markets, with the aim of analysing the types of data collected and possibly transmitted, and preventing customers' exposure to direct or indirect violations (e.g. fraud or reputational damage) attributable to their misuse.

Combatting cybercrime and innovation in the security field

In recent years, the Company has set up three technological hubs to guarantee and monitor cyber security:

Poste Italiane's **Computer Emergency Response Team (CERT)** is made up of a team of security experts and is responsible for coordinating all activities to respond to computer emergencies. The CERT is aimed at security specialists and large organisations, as well as customers and consumers, to whom it offers its experience and expertise to ensure that the internet is used correctly. In particular, the Centre deals with prevention, analysis and protection from cyber threats; it coordinates all activities in response to cyber emergencies and builds up relations with private individuals with a view to sharing knowledge in the field of cyber security. For example, information sharing in 2017 enabled useful information to be shared on newly detected threats and related Indicators of Compromise (IoC), with regard to specific threats, attacks and vulnerabilities with a potential impact on the Company's infrastructure and assets.

The **Security Innovation Lab** set up in Trento in collaboration with the Italian hub of EIT Digital – a core partner of the European Institute of Innovation and Technology (EIT) – is engaged in applied research and has launched numerous project initiatives as part of the European FP7 programmes – the Seventh Framework Programme for Research and Technological Development – and Horizon 2020, the European Framework Programme for Research and Innovation (2014-2020).

The **Cyber Security Technological Cluster** in Cosenza, set up as part of the Research and Competitiveness 2007-2013 National Operational Programme financed by the Ministry of Education, Universities and Research. Its purpose is to implement solutions to safeguard electronic payments. The Cluster's primary objective is to study, define and implement models, methodologies and developmental prototypes for the analysis of cyber threats and the protection of personal data, in order to enhance Poste Italiane's defence and response capabilities and ensure effective and efficient management of privacy matters within the Group, also by virtue of the issue of EU data protection regulations (EU Regulation 2016/679).

In recent years, Poste Italiane has also launched several IT security projects financed via EU programmes, including the Waffle project as part of the EU's EIT Digital 2017 initiative to prevent phishing attacks aimed at persuading users to reveal their confidential information and then steal their identity.

The objective is to manage – from a protection but also and above all from a prevention perspective – new emerging risks in a

context that for business growth requires products, processes and services with innovative characteristics, new technologies, and a high level of competitiveness. Participation in these projects has brought technological, procedural and economic benefits, as well as enabling Poste Italiane to be part of a network of over 50 partners in the various member countries, including universities and research centres, public institutions (ministries and agencies) and private companies.

Poste Italiane's commitment to cyber security is also reflected in its participation in international sectoral organisations, including the European Electronic Crime Task Force (EECTF)¹⁸ and the Global Cyber Security Center (GCSEC)¹⁹.

During 2017, the Company also organised various training activities, which were carried out via 7 workshops that regarded the new Privacy Regulations and their requirements, information resilience and business protection, the Internet of Things, the human factor and cyber security, open data and data science, security in the new digital bank, and finally the issue of trust in the digital age.

Business continuity plans

Pursuant to Bank of Italy Circular 285/13, the Group has developed the following plans, which are held ready to be activated:

- a BancoPosta **Business Continuity** plan, which aims to illustrate the decisions made with regard to strategic and organisational issues and the assignment of roles and responsibilities with regard to business continuity;
- a **Disaster Recovery** plan, which defines technical and organisational measures to deal with events that could cause the unavailability of data processing centres that support operations;
- a **Crisis Management** plan aimed at supporting the various corporate actors involved in an emergency situation that impacts financial services.

Business continuity plan resources

	2016	2017
Investment (€m)	4.1	3.6
Drills (no.)	4	5
Number of persons involved	180	180
Mainframe services (open services under development) covered by disaster recovery plans (%)	100%	100%

Investment refers to business continuity management and technology disaster recovery planning.

18. Founded in 2009 by Poste Italiane, in agreement with the Postal and Communications Police, the Department of Public Security of the Ministry of the Interior and the United States Secret Service, with the aim of building a strategic alliance at European level to suppress and prosecute activities related to cybercrime.
 19. Not-for-profit organisation, created to promote cyber security in Italy and the rest of the world. The Centre was founded and financed by Poste Italiane and other associated companies.

Customer experience and the quality of products

Adoption of service models aimed at promoting the quality of the products and services offered. Systematic engagement, satisfaction surveys and effective complaints management, which are essential elements in enhancing the relationship with customers and responding to their needs. Offer a unique and distinctive experience that goes beyond traditional product and service provision.

Poste Italiane's approach to quality is based on the principle of providing simplified and transparent information to customers, and the equality and impartiality of the services provided to all customers without discrimination.

Poste Italiane has identified organisational responsibilities and adopted specific policies to ensure adequate management of this issue.

The objective is to guarantee a qualified and competent response to the needs of customers and the market, via adoption of technological and organisational solutions. The commitment to quality and the Customer Experience is specifically implemented in the areas of responsibility assigned within the organisation. In order to strengthen the supervision of product quality, the Corporate Reliability function was established, which, among other things, is responsible for verifying the actual compliance of operating and commercial processes with the service levels set out in the quality and performance indicators.

A quality management system has been adopted in compliance with the ISO 9001 international standard, in all the sectors in which the Group operates.

Two new customer experience indicators were introduced into the Company in 2015: the Net Promoter Score (NPS) to measure the performance of business units (BancoPosta, Mail, Communications and Logistics and Poste Vita) and the Customer Effort Score (CES) to monitor the various channels (post offices, call centres and the internet).

Based on the information from customer surveys, a detailed analysis and priority list is developed, which is useful for planning improvement activities.

The Company also set out a customer-centred design process, aimed at obtaining simple and effective user interaction at the various touch points (including post office layout, apps and the internet), which puts customers at the centre of design activities, involving them from the outset through needs analysis, and verification of the concept and the usability of the prototypes created.

Since 2016, improvement of the process of monitoring the quality of customer relations has been integrated with Lean Six Sigma methodology, which is based on analysis of a large amount of data and the use of statistical tools to identify the causes of problems encountered by customers.

The quality of the Universal Postal Service

Product	Delivery within	2016		2017	
		Target	Actual	Target	Actual
Posta 1 - Priority	1 giorno	80.0%	83.9%	80.0%	82.2%
Posta 1 - Priority	4 giorni	98.0%	99.2%	98.0%	99.1%
Posta 4 - Ordinary ⁽¹⁾	4 giorni	90.0%	96.0%	90.0%	91.2%
Bulk mail	4 giorni	90.0%	97.0%	90.0%	96.7%
Registered mail	4 giorni	90.0%	97.0%	90.0%	95.1%
Insured mail	4 giorni	90.0%	99.8%	90.0%	99.6%
Standard parcels	4 giorni	90.0%	96.8%	90.0%	92.2%

(1) Based on data certified by IZI at the request of AGCom.

The relationship with consumer associations

In 2011, Poste Italiane and representatives of the 19 consumer associations that belong to the Advisory Committee signed a framework agreement, which was renewed in 2014, that defined rules for dialogue and established Cantiere consumatori, a permanent advisory working group, aimed at constantly improving the quality of the products and services offered to customers. The agreement guarantees stability in relations with consumer associations, and has boosted dialogue and cooperation. The permanent working group has given rise to various projects to provide joint information to customers on important issues such as new products, tariffs and service reorganisation, while settlement procedures have continued to be a tool for the amicable settlement of disputes. Since 2015, settlement procedures have been part of the AGCom (Italian Communications Authority) dispute management system and are among the list of alternative dispute resolution (ADR) procedures recognised by law, including with regard to the European Union. In the last two years, Group company settlement procedures have generated a total of 3,043 applications for conciliation, of which 2,452 have been discussed. Taking into account the outcomes over the last two years, agreement has been reached by the parties in 75% of cases.

Settlements

	2016	2017
Retail postal product disputes discussed	678	831
<i>of which settled</i>	88%	84%
Business postal product disputes discussed	37	94
<i>of which settled</i>	68%	88%
Bancaposta product disputes discussed	352	370
<i>of which settled</i>	51%	49%
PosteMobile product disputes discussed	17	38
<i>of which settled</i>	71%	61%
IRS Real Estate Fund disputes discussed	n.a.	35
<i>of which settled</i>	n.a.	100%
Total disputes discussed	1,084	1,368
<i>of which settled</i>	811	1,022

Keeping in touch with customers

The cooperation of customers in the submission of complaints is essential in identifying and eliminating the causes of inconveniences and putting in place the necessary corrective actions to improve processes. All Group companies have implemented specific procedures that set out principles and rules for handling complaints, which are approved and periodically reviewed by the Boards of Directors.

In 2017, the “Poste Risponde” Contact Centre handled more than 26 million contacts (21 million in 2016). Assistance is provided regarding financial and postal services, insurance and pension services and the mobile telecommunications services provided by Poste Mobile. In 2017, two new toll-free numbers were dedicated to customer care and the start-up of Health Card-related services at post offices. Customer care campaigns were conducted, involving approximately 15,000 calls aimed at gathering opinions on specific after-sales processes.

In 2017, Poste Italiane and 12 other large companies signed a memorandum of understanding regarding call centres, which set out good social and commercial practices for managing customer contact services, either directly or indirectly. The objective is to limit relocation “by setting the threshold for services provided in Italy at 80%”, and also by establishing that “95% of direct activities are carried out in Italy within six months of signing a contract, and that for new contracts at least 80% of the outsourced activities are carried out in Italy”.

Customer complaints by type

	2016	2017
Post offices		
Complaints received (no.)	9,880	10,096
Average reply time (days)	n.d.	32
Mail		
Complaints received (no.)	96,177	89,681
Average reply time (days)	22	34
Parcels		
Complaints received (no.)	92,300	122,580
Average reply time (days)	21	14
Financial services		
Complaints received*	60,961	76,107
Average reply time (days)	35	21
Insurance services		
Complaints received (no.)	3,658	2,577
Average reply time (days)	16	16
Investigations initiated by the Insurance Regulator (no.)	299	169
Poste Mobile complaints		
Mobile telephone complaints received** (no.)	141,356	33,098
Average reply time (days)	12	3
Landline complaints received (no.)	n.a.	469
Average reply time (days)	n.a.	6

* The increase in BancoPosta complaints (the figures do not include appeals to the extrajudicial Financial and Banking Ombudsman and Financial Disputes Ombudsman) primarily regarded these products: Savings Books, due to the lowering of interest rates and an increase in the number of ISEE (Equivalent Economic Status Indicator) checks on deposits; prepaid cards due to the gradual introduction of Postepay Evolution, which offers more services to customers; Interest-bearing Postal Certificates, due to customers' differing yield expectations.

** The high volume of mobile telephone complaints in 2016 is connected with technical malfunctions occurring during initial trials of the mass migration of customers from the ESP to the FULL platform. In 2017, complaints decreased thanks to certain measures taken, implemented from the end of 2016.

Post office waiting times

The new queue management system, present in 2,948 post offices (23%), is a multi-channel system that cuts service provision and use times by scheduling priorities and flows based on the number of users in a queue. The new technology enables the use of various channels to access a post office, including a service selection kiosk, a reader for BancoPosta, Libretto and Impresa cards, digital channels (apps and websites) for booking appointments, and QR code scanning for collecting mail and parcels held at post offices.

Customers' experience in post offices

	2016	2017
Average waiting time in post offices (minutes)	8.61	8.97
Customer served within 15 minutes (%)	82.9	81.9
Waiting times (1-10)*	7.9	8.0
Overall post office experience*	8.4	8.7

* Source: Post Office Barometer 2017, 5,069 interviews with post office users, Doxa.

Combatting corruption

Comply with current legislation regarding combatting all forms of active and passive corruption.

Corruption is an unacceptable obstacle to business efficiency and fair competition. Poste Italiane has identified organisational responsibilities and adopted specific policies to ensure appropriate management of this issue. To this end, the Company has set up a Fraud Management and Security Intelligence function, which is an operational and functional reference point for corporate structures to report illegal or suspicious events, and constantly provides an anti-fraud service engaged on several fronts: analysis and assessment of fraud risks; direct collaboration with the police, the judicial police and the judicial authorities; support for other corporate functions such as business and money laundering prevention; in-depth digital forensics analysis for IT incidents; implementation of project initiatives aimed at ensuring improvement of security levels and supervision of activities designed to prevent, mitigate and combat fraud; activities for detecting, monitoring and combatting fraudulent attacks on digital service customers and on the physical channel; monitoring and blocking suspicious/fraudulent transactions; reporting aimed at monitoring performance levels and fraud trends; specialist anti-fraud support for the analysis and definition of security requirements for new products and services. In addition, it provides support to the Supervisory Board regarding investigations of reports of offences, as provided for by Legislative Decree 231/01.

In line with national and international best practices and the relevant legal and regulatory framework, in 2016 and 2017, during the risk assessment phase the Internal Auditing function analysed 100% of the processes, identifying 30 processes at risk of corruption, including the procurement process, corporate finance and human resources management. Moreover, by carrying out audits, the Internal Auditing function has guaranteed various coverage levels for processes at risk of corruption, which in 2017 amounted to 94%.

Percentage of coverage* of processes at risk of corruption by auditing initiatives [GRI 205-1]

	2016	2017
High coverage	67%	94%
Medium coverage	33%	3%
Low coverage	0%	3%

* The coverage represents the number of audits as a percentage of total corporate processes.

Total number of employees involved in specific training activities regarding corruption prevention issues*

	2016	2017
Total staff	99,963	56,052
<i>of which:</i>		
Executives	179	261
Middle managers	12,441	6,726
Operational staff	87,343	49,065

* The content on this matter in the online course on "Legislative Decree 231/01" was considered to be anti-corruption training.

Whistleblowing

Whistleblowers are employees who decide to report illegal conduct or a danger that might damage their organisation of which they have become aware during the course of their work. Ensuring the necessary protection measures and, even more, encouraging workers to report, can be decisive in combating corruption.

Poste Italiane has adopted guidelines (available on the Company's website at www.posteitaliane.it) aimed at regulating the internal whistleblowing system, regarding reporting, including anonymously, of actions or events relating to:

- violations of the internal and external rules that govern Poste Italiane's business and/or of the principles and rules of conduct contained in the Code of Ethics;
- illicit or fraudulent conduct carried out by employees, members of corporate bodies, or third parties (suppliers, consultants, collaborators, etc.) that may directly or indirectly cause business or financial damage and/or damage to the Company's image.

The aim is to encourage the spread of ethical behaviour in the workplace, strengthen compliance with the rules and corporate governance, and protect investors and the various categories of users of the services offered. The guidelines adopted are intended to guarantee the confidentiality of the personal data of the person making the report and of the person allegedly responsible for the violation, without prejudice to the rules governing investigations or proceedings initiated by a judicial authority in relation to the facts reported.

Reports may be sent, including anonymously, via traditional mail to this address: Comitato Valutazione Segnalazioni, Viale Europa no. 175 00144 Rome, or to this e-mail address: ComitatoValutazioneSegnalazioni@posteitaliane.it. The process of managing reports is overseen by the Whistleblowing Committee (the "Committee" or "WC"), coordinated by the Internal Auditing function, which carries out all investigative activities, assesses the checks to be made, and decides which corporate functions should be involved in assessment and recording, as well as ensuring the confidentiality of information and preparing periodic reports on the reports received. The complaints managed by the Committee in 2017 turned out to be unfounded, while, in one case, in 2016, they were confirmed. This was a report regarding fraud in the delivery quality monitoring process, which was the subject of a targeted audit by the Internal Auditing function. Some individuals were found to be responsible, which enabled the Company to take appropriate measures.

Reports managed by the Whistleblowing Committee [GRI 205-3]

	2016	2017
Reports handled (no.)	282	290
<i>of which relating to corruption (no.)</i>	<i>23</i>	<i>23</i>
<i>of which confirmed (no.)</i>	<i>1</i>	<i>0</i>

Valuing people

Relations with social partners [GRI 102-41]

Establish relations with labour unions, based on the principles of fairness and respect for roles, with the aim of finding shared solutions aimed at achieving growth, competitiveness and business continuity.

Relations between Poste Italiane and the labour unions is based on a system involving negotiation, dialogue, consultation and periodic, preventive reporting, in compliance with the collective agreements that apply to Group companies and cover 100% of employees. Poste Italiane's National Collective Labour Agreement covers approximately 95% of employees, while SDA and Mistral Air have autonomous contractual regulations. In line with sharing activities with the labour unions, on 8 February 2018 a draft agreement was signed regarding reorganisation of Delivery activities.

This restructuring will take place during 2018 and 2019. The Parties also defined procedures for managing the labour surplus resulting from this reorganisation process, excluding recourse to collective redundancy procedures pursuant to articles 4 and 24 of Law 223/91. The agreement represents one of the key elements that enable achievement of the efficiencies envisaged in the Deliver 2022 Strategic Plan, thus guaranteeing growth, competitiveness and business continuity.

National Collective Labour Agreement for non-managerial Poste Italiane staff

As already mentioned, on 30 November 2017, the new National Collective Labour Agreement for non-managerial staff was signed for a three-year period (from 1 January 2016 to 31 December 2018). In terms of remuneration, the increase in minimum wage rates was defined and a one-off payment was agreed to cover the period between agreements. On the regulatory front, the text of the agreement was revised to incorporate legislative changes and two important protocols on "procurement" and "harassment and violence in the workplace" were signed. With regard to relations, the national and corporate/regional bargaining structure was modified, with related clarification of the matters subject to bargaining, and the single text on representation signed by Confindustria and the labour unions on 10 January 2014 was adopted. Finally, the participation system was strengthened through the reconfiguration of the Poste Italiane Group's National Committee (formerly called the Joint National Observatory), and through the introduction of a new supplementary health care committee.

Paid leave for union representatives in accordance with art. 30 of Law 300/70

An agreement was reached with the unions on 7 February 2017 regarding the provision of paid leave to union representatives, in accordance with art. 30 of Law 300/70. The agreement is valid for three years (2017–2019) and, compared with 2016, has reduced the total number of hours of leave available over the three-year period by approximately 66,000.

Labour union protection pursuant to art. 14 of the National Collective Labour Agreement

On 30 November 2017, at the same time as the renewal of the National Collective Labour Agreement, an agreement was signed which regulates the percentage limits regarding the protection and availability of joint and Company labour union representatives and union executives engaged in negotiating the National Collective Labour Agreement. The agreement, which has the same duration as the National Collective Labour Agreement, stipulates that protection of so-called "non-transferability" also applies to union executives, up to a maximum of 3.3% of the members in each production unit.

Bilateral Agencies

In 2017, the activities of the Ente Bilaterale per la Formazione e Riqualificazione del Personale (the Bilateral Agency for Staff Training and Retraining) continued. This contributed towards the discussion and presentation of various projects, and several agreements were signed that enabled the Company to obtain finance from Fondimpresa.

The Joint National Body for workplace health and safety also continued its activities regarding the uniform and correct application of the guidelines on workers' health and safety, with a special focus on issues relating to the new criteria for assessing the risk of work-related stress.

European Social Dialogue [GRI 102-13]

The Training, Health and Safety working group of the Social Dialogue Committee of the European postal sector, chaired by Poste Italiane, continued with implementation of the project entitled Promoting Social Dialogue in the postal sector in an enlarged Europe. The initiative, which is funded by the European Commission, aims to raise awareness of European social dialogue among European postal service providers and labour unions, and to analyse the impact of digitalisation in the postal sector, with particular reference to training and retraining programmes.

Strengthening of sorting and delivery processes

With regard to the Amazon contract, and in particular management of the increased volumes of the Promopacco Plus product, on 4 August 2017 an agreement was signed regarding steps to strengthen the sorting and delivery processes. The agreement introduced new shift arrangements to be agreed upon in subsequent regional-level agreements.

Health and safety

Ensure high standards of health, safety and security for workers and customers at all the Group's premises; on all the means of transport used, including by suppliers, for delivery services; when staff are travelling.

Poste Italiane considers workplace health and safety to be a fundamental value, to be considered by everyone in the performance of their everyday duties. Poste Italiane has identified organisational responsibilities and adopted specific policies to ensure appropriate management of this issue.

The Group has also adopted all the necessary measures to reduce accidents, workplace injuries and occupational diseases, and promotes people's psycho-physical wellbeing via prevention policies and programmes and information and awareness-raising campaigns. SDA and Postel have received OHSAS 18001 certification for their workplace health and safety management system, which involves central and regional facilities and identifies roles and responsibilities in the implementation of obligations. In 2017, the employer model was redefined by dividing the Company into 7 production units (instead of the previous 5), with identification of acting managers among Employers as defined by Legislative Decree 81/2008, as amended.

The Group's health and safety policy defines the key elements of the management system, including:

- continuous assessment of risks and the definition/update of related rules and procedures;
- ensuring that innovations and changes in work processes are always accompanied by workers' health and safety objectives;
- timely adaptation to all regulatory changes and updates;
- identification of roles and responsibilities within the organisation and allocation of the necessary resources for planning and implementing the programmes aimed at achieving the objectives;
- effective and transparent communication that ensures dissemination of any information that might be useful for prevention purposes, including cooperation and coordination measures with contractors;
- periodic review of the management system by senior management to assess its correctness and effectiveness with a view to achieving continuous improvements.

In accordance with the Group's policy, each employer has approved the policy for its production unit, and made it available to all workers.

In 2017, an important framework agreement was signed with the Ministry of the Interior, aimed at consolidating collaboration with the Postal and Communications Police on security matters to prevent and combat illegal activities, such as fraud and cyberattacks perpetrated against users of the financial, postal, logistics and insurance services offered by the Group.

Vehicle safety

As part of the process of modernising its corporate fleet, Poste Italiane is gradually introducing vehicles equipped with the Black Box system, consisting of technological equipment aimed at collecting data regarding identification of a vehicle's geographical position, detection of accidents and reconstruction of their dynamics, refuelling stops, and reading the badge of an employee who is picking up a vehicle or when a vehicle enters and leaves a workshop. This device also enables monitoring of the expiry of vehicle maintenance operations, and the drawing up of a precise schedule. The Black Box system is also a useful deterrent against vehicle theft and the resulting damage or inconvenience caused to customers.

As regards the Air Safety regulatory requirements applied to Mistral Air's fleet, in 2017 renewal of the Airport Handling Agent Certification was requested, which enables mail ground handling services to be carried out at sites inside and outside an airport. This certification, together with the Agent Regulations certification, enables security checks to be carried out on cargo and mail, in order to guarantee the safety of persons and prevent unlawful acts from being committed on aircraft.

Post office security

The physical safety strategies, procedures and measures put in place to protect employees and corporate assets are designed to limit exposure to criminal attacks and have positive effects on the safety conditions of workplaces and areas open to the public. During 2017, initiatives were continued to ensure standardised management of security and caretaking services, with extension of the scope of responsibility to the entire Group with regard to the specific needs of individual companies. In particular, activities continued to strengthen the security of post offices, with integration of and replacement by high-tech alarm and video surveillance systems, as well as implementation of anti-theft protection systems and building improvements to raise the level of physical safety and prepare them for the installation of new ATM equipment.

Poste Italiane's Technology Campus includes the Business Control Centre (BCC), where business processes are monitored to prevent damage and malfunctions, and to guarantee the quality of services and the protection of transactions, products, customers and staff. Fraud attempts are detected and blocked online and at post offices in the Security Room, in order to guarantee customers' virtual and physical security. In addition, the Company's sites are monitored via a network of remote and video surveillance. The system enables the filtering of reports received, and the identification of those for which police intervention is requested.

National security

Poste Italiane receives alert messages issued by the Italy Situations Room run by the National Civil Protection Department and is included in the main emergency planning tools, such as the national seismic risk rescue programme and the emergency plan for the Mount Vesuvius-Phlegraean Fields area. The Group also receives weather alert messages from the Central Operations Centre regarding hydrogeological and hydraulic risk, enabling it to ensure information and prevention initiatives are arranged at regional level.

With the Prime Ministerial Directive of 17 February 2017, Poste Italiane was also included in the national alert system for tsunamis generated by earthquakes (SIAM - published in the Official Gazette on 6 June 2017), which, within its area of responsibility, has assigned the Company the task of implementing and managing alerts issued by the Civil Protection Department.

Security training for staff

Poste Italiane has brought the Company into line with all the rules and regulations, thus guaranteeing the continuity of existing training programmes and implementing new teaching methods to improve the quality of service provided, with particular reference to managers and supervisors who hold key roles in the organisation of security. Training initiatives based on innovative classroom management techniques were addressed to this particular target group in order to develop further awareness of the role. Training programmes aimed at emergency teams were also strengthened. In 2017, a total of approximately 500,000 hours of training in workplace safety were provided.

Finally, the Company has drawn up an information plan (art. 36 of Consolidated Law 81/08) focused on disseminating knowledge of the protection measures set out in the Risk Assessment Document, which is sent to all personnel who work in Poste Italiane's main Communications and Logistics and Private Customer production units (the information handbooks have been sent to over 100,000 staff).

Occupational injuries

The most accident-prone process is delivery, where the most hazardous activity is the use of motorcycles.

In 2017, the second OHS Operational Audit/Awareness Raising activity provided for in the OHS Verification and Monitoring Plan continued, involving 18 key post offices in terms of size and number of delivery staff, as well as 50 Distribution Centres among those with the highest injury rates. This awareness-raising activity was supported by OHS technical audits (plant and structural aspects) carried out at 122 operating and management sites throughout Italy, and 59 audits on the management systems adopted in accordance with OHSAS 18001.

Injury data* [GRI 403-2]

	2016		2017	
	Men	Women	Men	Women
Number of injuries	3,515	3,631	3,455	3,488
Number of workplace fatalities	1	0	1	2
Cases of occupational disease	9	12	14	10

* Accidents occurring on the move are not included. The number of accidents and accident rates do not include data for Mistral Air Srl, which is only included in the figures for occupational disease.

	2016	2017
Injury rate**	35.07	34.96
Lost day rate***	1.20	1.18
Occupational disease rate****	0.10	0.12

** no. of injuries/hours worked x 1,000,000.

*** no. of days lost due to accidents/hours worked x 1,000.

**** no. of cases of occupational disease/hours worked x 1,000,000.

Number of injuries by type [GRI 403-2]

	2016	2017
Falls from a motorcycle	1,705	1,760
Accidents involving a Company vehicle	844	733
Hit by a car	28	30
Accident with a private vehicle	47	63
Fall and/or awkward movement	2,117	2,182
Physical attacks	539	544
Manual load handling	376	320
Robbery	337	216
Crushing/bruising	953	867
Other causes	200	228
Total	7,146	6,943

Human capital

Identify the best talents, promote training courses and strategies for professional enhancement and development. Protect the Group's intellectual assets, skills, know-how, experience and organisational knowledge.

Poste Italiane provides citizens, businesses and the Public Administration with the wealth of skills and experience of its people, which it monitors through guidelines designed to develop talent and provide professional training. Therefore, the Company has identified organisational responsibilities and adopted specific policies to ensure adequate management of the topic.

The objective is to build an organisation in which everyone may access a career development path, in which individuals participate personally with responsibility and involvement in the Group's development, by behaving ethically and guaranteeing the centrality of customers and service quality.

The Code of Ethics, which has been in use for several years, sets out a commitment to guarantee a working environment based on values of respect for people's rights and freedom, and equal social dignity without discrimination on grounds of nationality, language, gender, race, religious belief, political and labour union membership, or physical or mental conditions. The Group also encourages participation in corporate volunteering initiatives in collaboration with the Postelsieme not-for-profit foundation.

Compliance with the Code of Ethics is also verified through analysis and assessment of reports of its violation. These activities are carried out with the support of the functions concerned (Internal Auditing and Corporate Affairs /GRM-Fraud Management and Security Intelligence). The Code of Ethics is also an integral and substantial part of the Organisational Model adopted in compliance with the provisions of Legislative Decree 231/2001. [GRI 102-16]

Poste Italiane's workforce in numbers

Information regarding employees [GRI 102-8]

Poste Italiane Group	Number of employees (*)			
	Average for the year ended 31 December		At 31 December	
	2016	2017	2016	2017
Permanent workforce				
Executives	773	732	748	699
Middle managers	16,113	15,859	15,807	15,481
Operational staff	119,772	114,767	115,947	111,251
Total workforce on permanent contracts	136,658	131,358	132,502	127,431
Apprenticeships	32	12	23	4
Total permanent workforce	136,690	131,370	132,525	127,435
Flexible workforce	2016	2017	2016	2017
Agency staff	11	27	3	50
Fixed-term contracts	4,545	6,643	4,211	9,070
Total flexible workforce	4,556	6,670	4,214	9,120
Total permanent and flexible workforce	141,246	138,040	136,739	136,555

(*) Expressed in full-time equivalent terms.

With 136,555 FTE employees working nationwide, Poste Italiane is Italy's largest employer. The Group's workforce comprises 72,307 women and 64,248 men, 93% of whom are on permanent contracts. As can be seen from the table below, fixed-term contracts were used more extensively in 2017 than in 2016. This reflects specific organisational efficiency requirements in the postal sector linked to seasonal peaks and the need for specific offices and zones.

Part-time contracts are widely used for organisational efficiency and work-life balance reasons, particularly by women. The percentage of female staff among middle managers and executives is 45%.

Information regarding employees [GRI 102-8]

Contract type	2016			2017		
	Men	Women	Total	Men	Women	Total
Permanent *	61,916	70,609	132,525	58,812	68,623	127,435
Flexible	2,539	1,675	4,214	5,436	3,684	9,120
Total **	64,455	72,284	136,739	64,248	72,307	136,555
Full time	62,686	68,102	130,788	62,557	68,256	130,813
Part time	3,280	7,084	10,364	3,133	6,828	9,961
Total ***	65,966	75,186	141,152	65,690	75,084	140,774

* Includes permanent staff and apprenticeships.

** Expressed in full-time equivalent terms.

*** Includes staff on fixed-term contracts and on temporary contracts. Data refers to the headcount at 31 December.

Classification of staff by category, gender and age group*

	2016			2017		
	Men	Women	Total	Men	Women	Total
Executives	565	189	754	527	182	709
< 30 years of age	-	-	-	-	-	-
30 - 50 years of age	38.6%	40.2%	39.0%	35.3%	37.4%	35.8%
> 50 years of age	61.4%	59.8%	61.0%	64.7%	62.6%	64.2%
Middle managers	8,608	7,210	15,819	8,381	7,109	15,490
< 30 years of age	0.2%	0.2%	0.2%	0.3%	0.2%	0.3%
30 - 50 years of age	36.4%	37.9%	37.1%	37.0%	38.8%	37.9%
> 50 years of age	63.4%	61.9%	62.7%	62.7%	61.0%	61.9%
Operational staff	55,282	64,884	120,166	55,340	65,016	120,356
< 30 years of age	5.9%	3.6%	4.7%	7.9%	4.5%	6.1%
30 - 50 years of age	40.3%	48.0%	44.4%	41.2%	47.2%	44.4%
> 50 years of age	53.8%	48.4%	50.9%	50.9%	48.3%	49.5%

* Expressed in full-time equivalent term

The percentage of female staff among middle managers and executives is 45%.

Distribution of staff by educational qualification

	2016	2017
Degree	11.7%	12.2%
High school diploma	70.6%	70.8%
Middle school diploma	17.5%	16.8%
Elementary school certificate	0.2%	0.2%
Total	100%	100%

Development activities

As part of the Human Resources Plan strategy, it is a priority to ensure that the recruitment processes for critical business roles are governed by systems that identify, assess and cultivate the best talent within the Company's workforce. In this context and in line with the Group's Personnel Development Guidelines, the Professional Guidance Programme (PGP) and the Managerial Lab (MLAB) continued, involving a total of 459 people in assessment, a skills workshop, feedback to managers and coaching. The aim is to monitor and develop the managerial and professional potential of young staff members and the managerial potential of the best performing managers. Assessment of managers' potential continued through the Leadership Assessment programme, which involved 18 staff and supplemented the first session held in 2016. Two pilot editions of the Poste Italiane Innovation Storm hackathon project were launched, involving around 100 talented people engaged in the design of innovative projects to support change. A campaign was also carried out to map the technical and specialist skills (Skill Up) of Distribution Centre managers, involving 468 employees in 33 Individual Business Coaching courses dedicated to managers under development. Management Review meetings were held with all department heads to identify the best resources for the definition of succession plans for level 2 positions, and for planning individual growth and development initiatives.

The 2016 performance appraisal process, which was carried out in 2017, involved Poste Italiane's entire workforce (approximately 135,000 appraisals in total) and 8,300 appraisers. In the period July-September 2017, interim feedback was introduced as an innovative phase of the process. For the first time, all the appraisees were able to access their appraisal form via the Company notice board. A pilot project was also launched which, in addition to appraising direct managers, introduced an appraisal by colleagues with whom they have significant organisational relations.

Employees who receive performance appraisals [GRI 404-2]

	2016	2017
Executives	84%	98%
Middle managers	93%	100%
Operational staff	90%	99%
Total	90%	99%

Number of participants in development programmes

	2016	2017
Development of talented young people (PGP)	356	299
Enhancement of middle managers under development (MLAB)	132	160
Assessment of executives' potential (leadership assessment)	43	18
Skills assessment*	n.a.	468

* A programme introduced in 2017.

Professional training programmes

In 2017, more than 3.8 million hours of training were provided, including:

- Mandatory courses on Workplace Health and Safety, Privacy, Legislative Decree 231/01 Organisational Model, anti-money laundering and the financing of terrorism.
- Specialist technical training regarding business support, aimed at front-end staff and in general at sales channels and customer relations, with particular reference to the world of financial and insurance specialists; training regarding regulatory compliance requirements (including on matters relating to IVASS, the insurance regulator, and MIFID II, the Markets in Financial Instruments Directive, and the ESMA Guidelines); training for postmen and women whose role, given their proximity to the general public, carries great social responsibility; behavioural/cross-cutting training aimed at enhancing professional effectiveness and increasing skills that serve the business.

- Management training: aimed at strengthening leadership and management effectiveness, with a focus on marketing, performance assessment for lead appraisers, and digital and innovation topics. Poste Italiane also participated in the European "INNOV'AGE in the Postal Sector" project, aimed at promoting an understanding of age management in the postal sector at European level.

New hires will be able to participate in the InPoste System training programme, which is aimed at promoting awareness and understanding of the Group, its businesses and organisational culture, and facilitating their integration.

Average hours of training for employees by gender and category GRI 404-1

	2016			2017		
	Men	Women	Total	Men	Women	Total
Executives	30	36	32	27	29	28
Middle managers	40	45	42	52	64	57
Operational staff	17	21	19	21	27	24

Commitment to wellbeing

In 2017, Poste Italiane continued actions aimed at consolidating the welfare system, through ongoing initiatives on behalf of the most vulnerable and paying attention to vital social issues. The National Collective Labour Agreement for non-managerial staff of Poste Italiane SpA and of the Group companies to which it applies, which was signed with all the labour unions on 30 November 2017, introduced some important innovations regarding health and welfare. All staff on permanent contracts (including apprentices and new hires who have completed a trial period, if required) may subscribe - at the Company's expense - to the basic package of the PosteVitaFondosalute Supplementary Health Care Fund, which covers several essential services such as hospitalisation in a treatment centre, compensation for loss of salary in the event of major surgery, highly specialised diagnostics and specialist outpatient visits. The new National Collective Labour Agreement also provides for an increase (from December 2018) in the Company's contribution to the supplementary pension fund (Fondoposte), which will play an increasingly important role in the working life of future generations and with regard to the delicate matter of protection in the event of illness.

In 2017, actions to support the special needs of personnel and family members continued, in application of corporate guidelines, including through the payment of allowances. The "PosteOrienta" project also continued, with the creation of educational and professional guidance seminars for employees' children, and activation of an interactive portal that gave guidance to 800 young people in making their study and employment choices. The Company has launched the "Work experience champions" project by signing a memorandum of understanding with the Ministry of Education, Universities and Research to promote work experience schemes. Regarding personal services, thematic campaigns were carried out and around 120 agreements signed regarding the application of special product and service offerings, with a specific focus on health services and summer camps for children and young people. Prevention initiatives have been implemented, providing 270 employees in 9 cities with access to free specialist medical examinations. The organisation of summer holidays continued, organised by a team of specialist operators, in which 40 disabled children of employees participated.

Responsible supply chain management [GRI 102-9; GRI 102-16]

Guarantee ethical behaviour within the supply chain, with particular reference to: legislative compliance; measures to combat fraud and corruption; working conditions and health and safety; and environmental aspects.

Commercial relations based on transparency and ethical negotiations can help to increase the effectiveness of business processes and competitiveness. In this context, a Code of Conduct has been in place for several years, aimed at guiding relations with suppliers and partners and promoting the spread of ethical principles and social responsibility in the supply chain, and also encouraging the achievement of quality (ISO 9001), environmental (e.g. ISO 14001), social (SA 8000) and occupational health and safety (OHSAS 18001) certification. The development of transparent and lasting relations with suppliers is a goal to be pursued, with a view to improving the service offered and more generally in the interests of Italy's economic system. The Code of Conduct for suppliers and partners is also one of the corporate monitoring tools used to prevent the offences set out in Legislative Decree 231/01.

As a "public enterprise" operating in special sectors, Poste Italiane applies the rules of public procurement pursuant to the new Public Procurement Code (Legislative Decree 50/2016, as amended by Legislative Decree 56/2017, the so-called "Corrective Decree"), for the award of contracts to postal services, as per art. 120 of the above Code.

The entry into force of the new rules, via the Corrective Decree of 20 May 2017, required an update of procurement and regulatory procedures, as well as of the documentation for tenders and contractual standards.

In November 2017, the Board of Directors of Poste Italiane approved the Internal Regulations regarding the procedures for awarding works, service and supply contracts, and completed the update of its internal procedures, which govern the procurement process regarding contracts subject to the Public Procurement Code, pursuant to the Code, as well as contracts excluded from the Code's scope of application.

Together with the Code when applicable, these procedures constitute the principal means of ensuring the statutory and regulatory compliance of Poste Italiane's procurement contracts.

The procedures for awarding contracts are usually carried out via the Procurement Portal ("Poste-procurement"), the web platform used for all procurement activities as well as for management of the Supplier Register. For the purposes of conducting award procedures, the Supplier Register is normally called upon if the related product or service is available from a registered supplier in accordance with the detailed rules for each category of good or service. These rules take into account the specific technical and organisational capabilities of potential suppliers in order to ensure equal access opportunities to the award procedures.

Furthermore, with reference to the organisational risk safeguards associated with procurement activities, the Fraud Management and Security Intelligence function carries out checks, assessment and monitoring of parties and counterparties (checks of a corporate and financial nature and on the assets of companies and their representatives, and an assessment of existing relations with Poste Italiane). The purpose of this activity is to limit the risks deriving from transactions with third parties; to guarantee adequate rotation of suppliers, and to minimise losses deriving from the non-payment of receivables.

The supplier qualification system [GRI 308-1] [GRI 414-1]

In 2006, in line with current legislation (art. 134 of the Public Procurement Code), the Group established its own Supplier Register in order to have a pool of suppliers with the capacity to meet the necessary requirements and to adopt definite and transparent selection criteria in the procedures used in the procurement of goods, services and works. Adoption of the Register has enabled simplification of contract award procedures, thus ensuring consistency among the parties selected in each product area and transparency towards the market.

Parties from EU member countries or third-party countries that are signatories of the General Agreement on Tariffs and Trade (GATT) may qualify as suppliers. The Supplier Register is organised into product categories, which are divided into subcategories and classes according to complexity. The categories have a duration of three years. Management of the Register is regulated by the Supplier Register Regulations which govern the qualification system, as well as by the Regulations that govern the qualifica-

tion process for each product category. In terms of environmental sustainability, the system provides for access to the “Cleaning and Sanitation” and “Multiservice” categories, for holders of environmental management system certification in accordance with the UNI EN ISO 14001 standard. For the IT sector, a score is awarded to suppliers who have implemented one or more initiatives aimed at greater corporate sustainability or a Green IT strategy. 160 qualified suppliers have environmental sustainability requirements (20% of the pool of qualified suppliers, which includes around 800 companies). For enrolment in the “Cleaning and Sanitation” and “Multiservice” Register and in the Register for Class IV-bis Works and above, with regard to Social Responsibility and in compliance with Health and Safety regulations, operators must have SA8000 and OHSAS 18001 certification.

The total number of qualified suppliers who meet the social requirements is 150.

In 2018, the Supplier Qualification System Guidelines were approved with the aim of setting out the criteria and methods to be applied in the qualification process for the business operators to be called upon for the award of works, supply and service contracts relating to strategic Group sectors, in line with the provisions of the Supplier Qualification System. In addition, the Supplier Register function was separated from the Procurement function and merged with the Group Risk Governance function.

Social and environmental provisions in contracts

GRI 414-1

In its relations with the suppliers of works, services and goods, Poste Italiane operates on the basis of standard contractual provisions which may be revised in the light of regulatory provisions or adapted to meet specific internal requirements. Special attention is paid to social and environmental aspects: provisions regarding the regularity of social security contributions and remuneration; compliance with labour laws (Legislative Decree 276/03, Public Procurement Code); the applicability of Collective Labour Agreements; the absence of violations of occupational safety laws (Legislative Decree 81/2008); and the absence of environmental offences (Legislative Decree 152 of 3 April 2006).

Additional specific health and safety measures have been introduced into works contracts. The assessments and related measures are contained in the Safety and Coordination Plans (SCP) and in the specific Safety Operational Plans (SOP), with provisions for contract termination in the event of violations of the safety documentation.

Following the signing of the Transparency Protocol with the tax authorities, the contractual standards were supplemented with a specific provision.

Green procurement [GRI 308-1]

Green Public Procurement is a strategic choice for Poste Italiane as it combines sustainability in terms of reducing environmental impacts with cost savings. Article. 34 of the “Public Procurement Code” (“Energy and environmental sustainability criteria”) – with regard to the award of public contracts of any nature and value – has made it compulsory to include in the project and tender documentation at least the technical specifications and contractual provisions contained in the “Minimum Environmental Criteria”, or “MEC”, listed in the documents approved for each product or service category by specific Ministerial Decree.

Memorandum of Understanding with the tax authorities

In December 2017, Poste Italiane and the tax authorities signed a Memorandum of Understanding with the aim of combating tax evasion, tax avoidance and fraud. The Company has undertaken to make data and information available to the tax authorities, which may be useful in pursuing these objectives, also via access to its own systems, including the web-based “Identity Check” system for reporting relevant information and news relating to the prevention and suppression of economic and financial offences.

Following the signing of the Memorandum with the tax authorities, the contractual standards were supplemented with a specific provision.

Transparency

At the end of 2017, Poste Italiane launched the new “Open and Transparent Contracts” portal, with a view to providing ever greater clarity for citizens, and to make public and accessible all information regarding contracts signed by the Company arising from competitive procedures relating to provision of goods and services, of EU relevance, and works subject to the Public Procurement Code, as well as contracts regarding the provision of goods, services and works that are excluded from the Public Procurement Code.

By consulting the portal, it is possible to find information about the number and details of individual contracts signed during a month, including the relative amount, duration, product area, award procedure, type, geographical location and the name of the successful bidder, as well as the names of subcontractors. By setting filters for each search field, specific information may be obtained about contracts published each month. The new website also provides access to the total number of contracts signed by Poste Italiane during the year, broken down by product area and economic value.

Taking care of the world around us

Inclusion

Contribute to the process of integration of the most vulnerable groups and promote access to new information technologies and digital literacy (e.g. Education 2.0 in schools).

The Group has always been committed to offering simple insurance and financial products that can be readily understood by the general public and respond to current social needs.

Although Poste Italiane does not have a specific policy at Group level, it has launched a series of initiatives to promote social, financial and insurance inclusion. The Group also complies with the regulations on equal opportunities and has subscribed to the Equal Opportunities Charter, a declaration of intent voluntarily signed by companies of all sizes regarding the dissemination of a corporate culture and inclusive human resources policies, free of any discrimination and prejudice, and capable of valuing talents in all their diversity. The Group’s 2017 Integrated Marketing Plan was drawn up with particular attention paid to the young, elderly and new Italian citizen targets, all customers for whom Poste Italiane wishes to be a qualified partner that is capable of responding to social needs and challenges with specific, simple and user-friendly postal, insurance, financial and telephone products.

Equal opportunity access to services

The attention Poste Italiane pays to customers with disabilities is an important value that has led to the creation of a new generation post offices without architectural barriers. Examples include ATMs with a headset attachment to provide a complete voice guidance system, which helps visually impaired and blind customers; and the navigation guidance system, which uses a series of high-contrast graphic maps that can be activated using a numerical touchpad. All of Poste Italiane’s 7,257 ATMs enable visually impaired people to make withdrawals, and since December 2017 the list of movements has also been available.

Inclusive ATMs

	2016	2017
Total number of ATMs	7,249	7,257
<i>of which:</i>		
ATMs with touchpads for the visually impaired and the blind	7,249	7,257
ATMs with voice guidance	5,269	5,847

Cultural integration

The attention Poste Italiane pays to developments in the social environment, in which its approach to foreign citizens in Italy has become an important element in overcoming the language barrier, has resulted in the creation of 2 types of multi-ethnic post office, which offer postal services to Italian customers as well as to customers from various ethnic groups:

- mono-ethnic post offices, as a reference point in centres and/or neighbourhoods with a high concentration of specific communities. Examples include the post offices in Prato, where there is a large Chinese population, and the central post office in Foggia, which has a high concentration of African customers.
- multi-ethnic post offices, as a meeting point for the predominant ethnic groups in larger cities such as Rome, Milan and Turin.

To support the staff, the ethnic post offices are equipped with all communication and advertising material translated into the various languages of the identified target customers. At the end of 2017, 27 ethnic post offices were in operation, and also included the offering campaign for Italians of Chinese ethnicity who need to send parcels or remittances, or make calls to China.

Cultural integration post offices

	2016	2017
Mono-ethnic (no.)	2	2
Multi-ethnic (no.)	21	25
Number of customers served	2,751,153	3,311,214
Total transactions carried out	5,379,679	5,503,076

Financial inclusion of citizens in difficulty

In 2017, provision of the service to issue the Carta Acquisti (Social Card), which was launched in 2008, continued.

Following the award of a contract, Poste Italiane, acting as the agent for a temporary consortium set up by Poste - Postel, has entered into an agreement (6 September 2017 - 5 September 2020) with the Ministry of the Economy and Finance regarding integrated management of the Social Card (*Carta Acquisti*) and the Support for Active Inclusion (SIA) Card. In October 2017, a combined initiative to combat poverty at national level, involving the issue of the *REI* (Inclusion Income) card, was launched. This enabled applications for the Inclusion Income Card from 1 December 2017 (from 1 November 2017, it was no longer possible to submit an application for the SIA card). With the issue of an Inclusion Income Card, the related benefits became available from 1 January 2018. The integrated management service provides for the issue of an electronic payment card (pre-paid) on which a financial contribution is loaded to support categories of citizens in financial difficulty, who have demonstrated that they meet the requirements set out in the relevant regulations for the type of card concerned.

The main services offered are:

- collection and digitalisation of applications for the Social Card only;
- the issue and distribution of cards;
- periodic top-ups of active/issued cards;
- the issue of cards through the network of enabled post offices;
- the replacement of cards in the event of theft, loss, etc.;
- reporting services;
- the printing of forms (Social Card only) and information material;
- telephone assistance services (Interactive Voice Response);
- services regarding automated text messages for each transaction carried out, and the balance and credit remaining on the card;
- a website providing information.

At 31 December 2017, approximately 1 million cards had been activated.

Inclusion of minors

In the financial sector, new types of products and services have been progressively introduced over the years, to meet the different needs of customers. For example, the Saving Book for minors is a simple solution designed to introduce young people to the world of savings. The types of Savings Book vary according to a minor's age: *lo cresco* (I grow up) from 0-12 years old; *lo conosco* (I know) from 12-14 years old; and *lo capisco* (I understand) from 14-18 years old. Each product offers three different levels of autonomy for savers. Similarly, the Interest-bearing Postal Certificate for minors and the “*Piccoli e buoni*” savings plan are specific products for this category of customer.

Il Risparmio che fa Scuola (Savings Education Project)

The *Risparmio che fa Scuola* project arose from an earlier memorandum of understanding signed on 28 October 2014 by Poste Italiane, Cassa Depositi e Prestiti SpA and the Ministry of Education, Universities and Research, in which the parties committed to promoting the culture and values of savings at Italian schools of all levels. At the end of 2017, the memorandum of understanding was renewed, for a five-year period, in order to relaunch the project through the creation of a training programme aimed at giving young people the necessary economic, financial and citizenship skills to use savings as a development tool for Italy. Teachers who participate in the project will be able to obtain training credits that will contribute to their school's self-assessment report. The programme will be proposed to all schools throughout Italy.

Inclusion of senior citizen customers

In Italy, more than 21% of the population is over 65 years of age, and around 70% of this age group are customers of the Group. The level of digitalisation of senior citizens falls as they grow older, and in particular internet use halves if the 55-59 age group is compared to the 65-74 age group (falling from 60% to 26%). With the aim of facilitating access to new digital services and facilitating the inclusion of citizens, the digital literacy programme, “Grandparents online. Everyone's young at Poste Italiane”, was introduced. Likewise, the “Poste Italiane is here” initiative was launched, which assigns postmen and women the task of loaning a tablet computer to the over-65s and teaching them how to use it.

In October 2017, the “Senior Programme” campaign was also launched for the over-60s, involving approximately 2,000 post offices (15%), with the aim of promoting a package of dedicated services, with special benefits ranging from fixed and mobile telephone solutions, to the *PostaProtezione Infortuni* Senior insurance policy and the *Quinto BancoPosta Pensionati* loan product. In 2017, a substantial portion of customers opening a retail current account or a prepaid card (Standard or Evolution) were in the categories most at risk of financial exclusion (young people, senior citizens and “new Italians”), obviously taking into account the specific nature of the products under consideration (e.g. Postepay is very common among young people due to its simplicity and online payment function).

New customers in the categories most at risk of financial exclusion as a percentage of total new acquisitions*

	2016	2017
New retail current account openings		
Percentage of young current account holders (under 35)	24.6	25.4
Percentage of senior current account holders (over 65)	24.0	24.4
Percentage of current account holders who are "new Italians"	16.5	17.6
New Postepay standard cards **		
Percentage of young Postepay standard card holders (under 35)	39.1	38.0
Percentage of senior Postepay standard card holders (over 65)	6.4	7.0
Percentage of Postepay standard card holders who are "new Italians"	12.4	12.6
New Postepay Evolution cards **		
Percentage of young Postepay Evolution card holders (under 35)	44.4	45.9
Percentage of senior Postepay Evolution card holders (over 65)	5.3	5.5
Percentage of Postepay Evolution card holders who are "new Italians"	19.6	20.6

* The young and senior categories include new accounts or cards for both Italians and immigrants, while the figures for new Italians ("immigrants") also include a portion of young people and senior citizens.

** For Postepay Standard and Evolution cards, renewals during the year are excluded.

Insurance inclusion

The Poste Vita Group is constantly committed to promoting insurance inclusion, by developing specific products such as "Posta protezione Dal Mondo", which offers foreign citizens legally residing in Italy accident insurance and certain assistance services that guarantee their loved ones compensation in the event of death due to an accident, or a predefined sum in the event of permanent disability of 60% or more following accidents at work or during their free time.

In 2017, Poste Assicura launched the "It's always a good day to protect yourself" competition, dedicated to all Italian citizens who have decided to purchase personal and property protection products. The competition provided for the award of 54 premiums per month, with a total of 324 premiums.

Gender inclusion

Due to its size and the significant presence of women, over the years Poste Italiane has responsibly promoted a broader protection of gender equality and maternity in particular, through a series of dedicated initiatives. In this regard, various benefits have been activated, including women-only parking spaces, a telecommuting option and registration of children for summer camps and crèches. In addition, training courses, events, testimonies and inter-company working groups have been held on the topics of diversity management, conciliation and welfare. Poste Italiane also participates in inter-company mentorship projects to promote the professional development of women for managerial roles, management training, skill building and role model training initiatives to promote topics connected with gender balance, and inter-company Welfare Lab programmes to develop and share best practices regarding conciliation and flexibility issues.

The Maam U "maternity as master" project continued, with around 370 registrations with the maam platform. This training course, dedicated to women on maternity leave, may be accessed via a computer tool that enables discovery and practice of soft skills acquired during motherhood (relational, organisational, creative, etc.) to be used in the social and working context. The plan was associated with a new service, called "engage", aimed at facilitating dialogue, via a dedicated app, between

managers and staff on maternity leave to promote an effective return to work. The service saw 100 activations in 2017. An online community was also set up for women who participate in the programme.

Poste Italiane also participates in the “Diversity and Inclusion” network, aimed at identifying and sharing best practices and possible synergies, and also joined the “Women in Motion” initiative, designed to promote the study of technical subjects among the younger generation, via inter-company counselling and community initiatives. Regarding parental leave, the Company guarantees better treatment than that provided by law. Indeed, the female staff who benefit from it are entitled to 100% of their salary for all 5 months of absence from work, compared with the payment of 80% of salary provided by law. In addition, 80% of salary is guaranteed for the first two months (instead of the 30% provided for by law) for a parent who opts to benefit from it, limited to the first six years of the child’s life.

When new legislation is introduced on maternity and paternity protection, specific information campaigns are carried out to update staff on the arrangements provided to protect this right, in order to encourage and support active parenthood for both parents.

Equal Opportunities Committee

The Equal Opportunities Committee was renamed the “Committee for implementation of the principles of equal treatment and equal opportunities” on the occasion of renewal of the National Collective Labour Agreement and is made up, at national level, of six members appointed by Poste Italiane and one representative from each national labour union signing the National Collective Labour Agreement appointed by the labour unions themselves. The Committee, which is aimed at strengthening a culture of diversity in order to eliminate obstacles to the achievement of equal opportunities, meets quarterly at national level and every six months at regional level.

Inclusion of disabled people

Regarding the inclusion of people with disabilities, the Company implements concrete measures to contribute to the elimination of physical, sensory and cultural barriers. The related training initiatives are:

- “School ship” - a project aimed at improving professional inclusion through computer literacy and behavioural courses for deaf people. The method used involves setting up field trials of diversified training actions, to be systematised and replicated in various areas at national level.
- “Culture and Disability” - modules for Postal, Communications and Logistics function trainers (activated in 2016) to raise awareness of disability issues among the people involved, provide information and define strategies to overcome barriers of various kinds, and to make training courses accessible to everyone. The classroom trainer awareness-raising plan also led to a complete review of the teaching material.

Sustainable logistics

Provide logistics solutions that reduce atmospheric emissions and the use of non-renewable natural resources, with particular reference to the mail and parcel delivery sector.

Although Poste Italiane has no specific policy at Group level, it has always paid attention to the continuous renewal of its fleet with more environmentally-friendly vehicles, such as hybrid cars and electric vehicles, by optimising logistics routes thanks to the latest generation technologies, and by requesting minimum environmental requirements from outsourced transport suppliers, who are required to use vehicles that are at least in the Euro 4 class.

Mail and parcels logistics

Poste Italiane plans and manages the mail and parcels commercial offering and distribution throughout the entire process of acceptance, collection, sorting, transport, delivery and management of returns, also using the services of the subsidiaries, Postel and SDA.

To make its logistics even more sustainable, Poste Italiane has adopted PTV Smartour, a software application for planning and optimising transport and distribution that manages delivery and collection of orders using an algorithm that enables route optimisation.

The integrated logistics chain at regional level is divided into two supervisory levels, one for coordination and one for operations. The first is guaranteed by Area Logistics Offices, each of which has regional or multi-regional coverage, that are responsible for ensuring the smooth running of the logistics process, through coordination of operating structures and planning of resources in line with traffic flows, as well as ensuring management and accurate recording of administrative and accounting events. At operating level, each Area Logistics Office consists of:

- Sorting Centres, broken down into Postal Sorting Centres, which are highly automated industrial sites that serve a specific area comprising several provinces, and Priority Centres, which are smaller sites where only "fast" products are manually sorted.
- Distribution Centres, which are regional centres that provide distribution, delivery and logistics support for the areas under their respective responsibility. They provide specialised deliveries, value-added services and, where available, notification messenger activities, delivery of undelivered mail and large account acceptance; in some cases they coordinate Secondary Distribution Centres and Decentralised Distribution Centres.

In addition to the Sorting and Distribution Centres, Service Centres that carry out value-added activities (for example, dematerialisation, electronic document management, address standardisation, etc.) in relation to specific services may also be present at Area Logistics Offices.

The Group's integrated logistics chain is organised into 9 Area Logistics Offices, 23 Sorting Centres (including 16 Postal Sorting Centres and 7 Priority Centres) and 2,051 Delivery Offices. The physical sites in the supply chain are connected via a primary network of motorway and air routes, which are integrated within an organisation of independent SDA couriers and external road, rail and air carriers as needed.

The "Regulations regarding the use and maintenance of company vehicles" provide operating and behavioural instructions to staff using the vehicles, set out the responsibilities and tasks of the central and local vehicle management organisational structures, and define the activities and responsibilities relating to routine and special vehicle maintenance processes.

Vehicle fleet numbers

The corporate fleet, which is used for the delivery of mail and parcels, comprises over 38,000 vehicles at 31 December 2017 and breaks down into the following types: motorcycles and quadricycles, delivery vehicles, vans and light trucks, and saloon cars for service use.

The Group's commitment is reflected in the growing use of vehicles with a lower environmental impact, including 4,369 alternative fuel vehicles, of which 1,064 electric-powered vehicles, 119 hybrid vehicles and approximately 3,192 petrol/natural gas and petrol/ LPG powered vehicles. CO₂ emissions per km travelled decreased in 2017 from 215 grams per km to 210 grams per km, thanks to the introduction of LPG vehicles, vehicles with lower engine capacities and measures to optimise transport loads.

Corporate fleet data

	2016	2017
Total km travelled	328,223,769	336,360,628
Total vehicles	50,528	38,690
<i>of which:</i>		
traditional vehicles (no.)	45,176	34,321
alternative vehicles (no.)	5,676	4,693
<i>of which:</i>		
Bicycles (no.)	324	324
Electric vehicles (no.)	1,091	1,064
Hybrid cars (no.)	32	113
Petrol-natural gas fuelled vehicles	2,963	2,210
Petrol-LPG fuelled vehicles	-	982
Diesel-natural gas fuelled vehicles	339	-
LPG fuelled vehicles	927	-
Percentage of alternative vehicles	11.2%	12.1%
grams of CO ₂ /Km	215	210

Energy consumption and CO2 emissions within the corporate road fleet [GRI- 302-1; GRI- 305-1 GRI- 305-2]

	2016	2017
Diesel (GJ)	422,061	739,837
Petrol (GJ)	553,678	173,279
Natural gas (GJ)	55,890	60,553
LPG (GJ)	1,693	23,351
Certified guarantee of origin electricity (GJ)	1,540	1,682
Total energy (GJ)	1,034,862	998,702
Direct emissions - Scope 1 (t)	72,873	71,676
Indirect emissions - Scope 2 (t)*	0	0

* Electricity used to fuel vehicles entirely from renewable sources.

Logistics under contract

A part of the Group's logistics services, equal to approximately two-thirds in terms of energy consumption and a significant portion of dedicated human resources, are managed by Poste Italiane and SDA Express Courier (the Group company that provides express courier services to business customers) with the help of a network of suppliers.

Energy consumption and CO2 emissions of logistics road vehicles under contract [GRI- 302-2; GRI- 305-3]

	2016	2017
Energy from outside the Group (GJ)	1,861,003	1,675,733
Other types of emissions from outside the Group - Scope 3 (t)	137,488	123,753

Mistral Air aircraft fleet

Mistral Air is the Group company that provides air mail transport services for Poste Italiane.

The Company is included in the list of airlines operating in the 31 EEA (European Economic Area) member states and is subject to EU Directive 2008/101/EC (EU ETS). In line with these commitments, special attention is paid to environmental protection through monitoring emissions and optimising the fleet's fuel consumption.

Air transport fleet data

	2016	2017
Number of aircraft	28	25
Mail	2,648	3,247
Charter	4,985	9,512

Energy consumption and emissions * of postal and air transport [GRI 302-1; GRI 305-1]

	2016	2017
Energy within the Group (GJ)	919,688	1,104,614
Direct emissions - Scope 1 (t) **	65,692	78,901

* Includes flights made by Alitalia on behalf of Poste Italiane.

** Conversion factor: 1 tonne of jet fuel * 3.15.

Mobility management

In 2017, the Group continued to promote mobility management, with the aim of proposing sustainable mobility solutions in urban areas. Agreements for the benefit of staff continued, including the purchase of annual local public transport season tickets at reduced rates and in instalments in various Italian cities (in some cases extended to employees' children), and initiatives to raise awareness of the importance of adopting sustainable lifestyles in order to help reduce CO2 emissions into the atmosphere. In this context, in 2017 the Company car-sharing service for continued in Milan, accessible via the "PosteMobilityOffice" platform, which enables use of only one private vehicle by a group of employees for their daily commuting. In addition, 900 car-sharing driving time vouchers were allocated in the cities of Milan, Turin, Florence and Rome to promote new collective forms of urban transport. Two campaigns dedicated to cycling were also promoted during the year: #IoVadoInBici, for employees who have

opted to commute to and from work by bicycle; #MyPostoBiciVerona, for Sorting Centre staff in Verona who systematically use bicycles as a means of transport, and who have been provided with free bicycle parking spaces under a special agreement.

The overall impact of Mobility Management actions in 2017 has enabled a reduction of over 9,000 tonnes of CO2, both in terms of reduced atmospheric emissions and the monetary value of the external economic costs avoided, thus generating a reduction in emissions equal to 38% of the total amount produced.

Green building

Minimise the environmental impact of the Group's offices and buildings, in terms of energy use, water consumption, waste, and raw material consumption. Promote green procurement by incorporating "minimum environmental criteria" in all phases of the goods and services procurement process.

Poste Italiane has identified organisational responsibilities and adopted specific policies to ensure adequate management of this issue.

The commitment to adopt measures aimed at reducing the environmental impact of its activities and raising awareness of people's respect for the environment is set out in the Group's Code of Ethics. Moreover, for several years Poste Italiane has been producing the "Environmental Values Charter", aimed at everyone who works permanently or temporarily at Group companies, in order to raise awareness of the impact that everyday actions have on the environment. Specifically, organisational oversight of the environmental impacts connected with real estate assets is implemented via the areas of responsibility set up within the organisation, which assigns one central function the task of ensuring compliance with current energy use regulations, monitoring and measuring consumption, identifying areas where savings can be made, and drawing up efficiency drives.

SDA Express Courier and Postel have obtained ISO14001 certification for their environmental management systems.

Energy consumption and emissions

Real estate assets, comprising approximately 15,000 sites, are responsible for more than 60% the Group's internal energy consumption. This derives from the use of electricity (72%), natural gas (23%), LPG, diesel and district heating (5%). In 2017, over 95% of electricity was supplied from renewable sources via Guarantee of Origin certificates and a small share of it (7,057 GJ, equal to 0.4%) was self-produced by Company-owned photovoltaic plants. The reduction in the use of non-renewable electricity and the consequent reduction in indirect emissions (Scope 2) is due to the increased self-production from photovoltaic plants and the process of internalising data storage and management activities at Group-owned data centres that use renewable electricity.

Poste Italiane allocates annual targets for reducing energy consumption and CO2 emissions relating to electricity and gas consumption and promotes technical and infrastructural energy efficiency measures.

In order to ensure oversight of consumption and reduce environmental impacts and costs, a single supplier was contracted for electricity and one for gas, so as to have an organisational basis for the individual utility consumption for each month of supply.

In 2017, the energy use optimisation plan continued, including introduction of initiatives aimed at reducing waste by installing and activating energy consumption meters that enable monitoring of trends, analysis of consumption, taking measurements at the most energy-intensive sites, and correctly setting temperatures and operating times for cooling and heating systems. In particular, a project was launched to improve efficiency, through replacement of fluorescent lamps with LED lighting.

Internal energy consumption relating to real estate facilities by source [GRI 302-1]

	2016	2017
Renewable energy (GJ)	1,790,247	1,810,741
Self-produced photovoltaic electricity (GJ)	4,779	7,057
Certified guarantee of origin electricity* (GJ)	1,785,468	1,803,684
Non-renewable energy	848,114	836,190
<i>of which:</i>		
Electricity supplied by the National Grid**	94,811	83,377
Natural gas (GJ)	615,172	597,321
LPG (GJ)	8,304	11,705
Diesel (GJ)	112,296	120,827
District heating (GJ)	17,531	22,960
Total energy (GJ)	2,638,361	2,646,932

* Includes the energy consumption of SDA agencies, amounting to 10,719 GJ.

** Includes the energy of external data centres without where the supply contract is in a third party's name.

Percentages of energy consumption relating to real estate facilities by type of business

	2016	2017
Post offices	55%	55%
Head offices	14%	14%
Industrial facilities (sorting centres)	14%	14%
Delivery Logistics Centres	13%	13%
Data Centres	4%	4%

Direct and indirect CO₂ emissions relating to real estate facilities [GRI- 305-1; GRI-305-2]

	2016	2017
Direct emissions - Scope 1 (t)	43,512	43,197
Indirect emissions - Scope 2* (t)	10,771	9,901
Total emissions	54,283	53,098

* Includes CO₂ emissions from external data centres without where the supply contract is in a third party's name.

Regarding natural gas consumption, new systems to optimise thermal energy were installed on 2,800 devices (timers, human presence sensors) and low-performance boilers were replaced with high-performance condensing boilers.

In 2017, these initiatives led to savings in natural gas consumption of approximately 20,000 GJ, which corresponds to around 3% of the annual gas consumption of the Group's real estate facilities.

Partnerships at international level [GRI 102-12; GRI 102-13]

The Group participates in the EMMS (Environmental Monitoring and Measurement System) project, which is promoted by the International Post Corporation, an association comprising 24 of the world's leading postal operators that handle around 80% of global traffic volumes. The initiative was launched in 2008 with the aim of monitoring CO₂ emissions and assessing the sustainability of the participants' activities, in order to reduce the impact of postal activities on the environment. The programme now has 20 participating operators (in addition to 18 of the 24 members of IPC, including operators from Brazil and South Africa) which manage a total area of approximately 51,700 square kilometres of buildings they own, a fleet of 576,000 vehicles, and approximately 1,700,000 people.

In 2017, the group of participants reported a 26% reduction in CO₂ emissions compared to the 2008 baseline, falling from 8,360 tonnes to 6,458 tonnes of CO₂, thus resulting in overall savings of more than 12.7 million tonnes of CO₂ over the eight years since the programme was established. The excellent results achieved confirm postal operators' commitment to reducing environmental impact and bear witness to their growing professionalism and expertise in this area, making EMMS the sector's first sustainability programme to be based on sharing best practices and a concrete sustainable development model. In 2017, the Group continued its participation the OSCAR (Online Solution for Carbon Analysis and Reporting) project, which was launched by the Universal Postal Union (UPU, a United Nations agency specialising in the postal sector). The project involves a simplified procedure for reporting polluting emissions produced by operators in the 192 UPU member countries, including application of the principles set out in the Greenhouse Gas Inventory Standard for the Postal Sector. The Poste Italiane Group contributes to this monitoring and reports its emissions on an annual basis. In 2017, the Group was ranked in the medium-to-high performance range in terms of environmental sustainability, contributing to the target of reducing direct emissions by approximately 18,000 tonnes of CO₂ compared to the previous year.

Waste management

Waste management is governed by Legislative Decree 152/2006, which regulates the entire process from collection and transport to recovery or disposal. The waste produced by Poste Italiane is similar to municipal waste (allocated to public collection services in accordance with the procedures laid down by the specific local regulations), which includes special, hazardous and non-hazardous waste. A portion of the waste that is similar to urban waste, for example paper and plastic, does not come under municipal management and is sent directly for recovery via operators authorised to manage special waste. It is then managed in accordance with the same requirements as those for special waste, and the Company benefits from reductions in the tax or tariff established by municipal regulations.

A large portion of special waste consists of non-hazardous waste (paper, cardboard, plastic and wood packaging), while special hazardous waste (mainly electronic waste and scrapped vehicles) derives from certain postal centres and the Group's data centres.

In the interests of efficient and sustainable waste management and therefore a consequent reduction in waste, Poste Italiane promotes the "virtuous" reuse of assets and equipment the Company deems obsolete but which may still have a "second life". In 2017, assets such as obsolete electronic equipment (around 2,500 items) and some types of vehicle (around 250) were removed from the waste management cycle and "transferred" to third parties for reuse.

Over the years, communication campaigns have been launched to raise staff awareness of the right behaviour to adopt when disposing waste, in the workplace as well as in the private sphere.

Waste produced by type and disposal method [GRI 306-2]

	2016	2017
Total hazardous waste (t)	142.5	346.0
- recovery	17.0	277.7
- landfill	0.7	2.5
- incineration	0	0.4
- other types of disposal	124.8	65.4
Total non-hazardous waste (t)	21,821.6	25,790.6
- recovery	21,205.3	25,190.1
- landfill	218.3	182.5
- incineration	0.0	0.0
- other types of disposal	398.0	418.0
Total (t)	21,964.1	26,136.6

Water

The use of water resources is mainly linked to office sanitary facilities. The significance of water consumption derives from the Group's large number of real estate facilities.

Water abstraction by source [GRI 303-1]

	2016	2017
Water supplied by public water mains or other water service management companies (m ³)	91,307	94,023

Postel and the materials used

In addition to providing digital storage services that enable dematerialisation and electronic document processing, Postel also provides printing services at the centres in Milan, Rome and Genoa, which are equipped with systems for bulk printing (bills, invoices, account statements) and enveloping, with a production capacity of more than 4 billion printed sheets per year. To minimise the impact of paper use, lightweight paper solutions have been adopted as well as envelopes with windows made of bio-degradable material that comply with the FSC® (Forest Stewardship Council) Chain of Custody management system, which guarantees the traceability of materials such as wood and its derivatives (pulp and paper) from responsibly managed forests.

Paper and cardboard consumption for printing services

	2016	2017
Paper and cardboard (t)	19,726	18,743

Appendix - GRI table of contents

GRI Standard	Indicator number and title	References
ORGANISATIONAL PROFILE INDICATORS		
GRI 101: Foundation 2016		
GENERAL DISCLOSURES - GRI 102: General Disclosures - Organisational profile, Strategy, Ethics and integrity		
Strategy and analysis		
GRI 102-14	Statement from senior decision-makers on the importance of sustainability for the organisation and its strategy	Directors' Report on Operations: 1. Statement from the Chairwoman and the Chief Executive Officer
GRI 102-15	Principal impacts, risks and opportunities	Explanatory notes
Organisational profile		
GRI 102-1	Name of the organisation	Directors' Report on Operations: 1. Statement from the Chairwoman and the Chief Executive Officer
GRI 102-2	Activities, brands, products and services	"Directors' Report on Operations: 2. Organisational structure and operating segments
GRI 102-3	Location of headquarters	Directors' Report on Operations: Back cover
GRI 102-4	Number of countries where the organisation operates, and the names of countries where it has significant operations	Directors' Report on Operations: 2. Distribution channels and multichannel strategy
GRI 102-5	Ownership and legal form	Directors' Report on Operations: 2. Corporate Governance
GRI 102-6	Markets served (including geographic locations where products and services are offered; sectors served; types of customers and beneficiaries)	Directors' Report on Operations: 2. Organisational structure and operating segments; Distribution channels and multichannel strategy
GRI 102-7	Scale of the organisation (total number of employees; net sales or net revenues; total capitalisation; quantity of products or services provided).	Human Capital Directors' Report on Operations: 8. Financial review for Poste Italiane SpA Report on Corporate Governance and the Ownership Structure: Section I Governance structure and ownership structure
GRI 102-8	Information on employees and other workers (including significant changes) broken down by type of employment and contract, region and gender.	Human capital
GRI 102-9	Description of the organisation's supply chain	Supply chain
GRI 102-10	Significant changes during the reporting period (size, structure, ownership, or supply chain)	Directors' Report on Operations: 2. Corporate actions during the year; Organisational structure of Poste Italiane SpA; Report on Corporate Governance and the Ownership Structure: Section I Governance structure and ownership structure

GRI Standard	Indicator number and title	References
GRI 102-11	Application methods for the precautionary principle or approach	Poste Italiane applies the precautionary approach referred to in Principle 15 of the United Nations Rio Declaration to environmental protection in the development and introduction of new products and services and in the planning of new operational activities.
GRI 102-12	Subscription to or adoption of codes of conduct, principles and charters regarding sustainability	Green building
GRI 102-13	Membership of associations and national and international organisations	Relations with social partners
GRI 102-41	Percentage of total employees covered by collective bargaining agreements	Relations with social partners
Corporate Governance		
GRI 102-18	Governance structure of the organisation, including committees of the highest governance body, and those responsible for decision-making on economic, environmental, and social topics	Report on Corporate Governance and the Ownership Structure: 7.2 Audit, Risk and Sustainability Committee (formerly Audit and Risk Committee)
GRI 102-19	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	Within the organisation, the Corporate Social Responsibility function established within the Group Risk Management structure (which does not report directly to the Board of Directors) promotes the Company's objectives in the social, environmental, ethical and sustainability governance fields, and the related implementation and reporting of results. The function also monitors the risks associated with the most significant sustainability aspects which may negatively affect the Company's reputation and identity. The Chief Executive Officer has direct relations with various categories of stakeholder and delegates specific tasks via internal service orders to Company departments in relations with stakeholders.
GRI 102-20	Responsibility of the highest governance body for social, economic and environmental topics	
GRI 102-21	Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body	
GRI 102-22	Composition of the highest governance body and its committees, including: independent members; executive and non-executive members; men and women with competencies relating to economic, environmental, and social topics; members of under-represented social groups; stakeholder representatives	Report on Corporate Governance and the Ownership Structure: 7.2 Audit, Risk and Sustainability Committee (formerly Audit and Risk Committee)
GRI 102-23	President of the highest governance body	Report on Corporate Governance and the Ownership Structure: 6.6 Chief Executive Officer
GRI 102-24	Criteria used for nominating and selecting highest governance body and committee members, taking into account independence, expertise and experience (including on social and environmental topics), and also considering gender issues and other diversity indicators	Report on Corporate Governance and the Ownership Structure: 6 Board of Directors; 6.1 Current membership and period of office (ex art. 123-bis, paragraph 2 d), Consolidated Law on Finance); 6.8 Independent directors; 6.10 Assessment of the operation of the Board of Directors and Committees; 6.11 Diversity policies (ex art. 123-bis, paragraph 2 d), Consolidated Law on Finance)

GRI Standard	Indicator number and title	References
GRI 102-25	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	Report on Corporate Governance and the Ownership Structure: 14. Other corporate governance procedures (ex art. 123-bis, paragraph 2 d), Consolidated Law on Finance)
GRI 102-26	Role of highest governance body in the development of strategies, policies, and goals related to economic, environmental, and social topics	Report on Corporate Governance and the Ownership Structure: 6.6 Chief Executive Officer; 7.2 Audit, Risk and Sustainability Committee (formerly Audit and Risk Committee)
GRI 102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics	Report on Corporate Governance and the Ownership Structure: 6.3 Role and functions (ex art. 123-bis, paragraph 2 d), Consolidated Law on Finance); 6.8 Independent directors; 6.10 Assessment of the operation of the Board of Directors and Committees
GRI 102-28	Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics	Report on Corporate Governance and the Ownership Structure: 6.10 Assessment of the operation of the Board of Directors and Committees
GRI 102-29	Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities – including its role in the implementation of due diligence processes	Report on Corporate Governance and the Ownership Structure: 6.3 Role and functions (ex art. 123-bis, paragraph 2 d), Consolidated Law on Finance)
GRI 102-30	Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental, and social topics	Report on Corporate Governance and the Ownership Structure: 7.2 Audit, Risk and Sustainability Committee (formerly Audit and Risk Committee)
GRI 102-31	Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities	
GRI 102-33	Process for communicating critical concerns to the highest governance body	Report on Corporate Governance and the Ownership Structure: 5.5 Equity participation by employees: voting rights mechanisms (ex art. 123-bis, paragraph 1 e), Consolidated Law on Finance); 7.2 Audit, Risk and Sustainability Committee (formerly Audit and Risk Committee)
GRI 102-36	Process for determining remuneration of the highest governance body	Report on Corporate Governance and the Ownership Structure: 6.12 Compensation
Material aspects identified and scope of the Non-Financial Statement		
GRI 102-45	A list of all entities included in the organisation's consolidated financial statement that are not included in the Non-Financial Statement	Explanatory notes
GRI 102-46	An explanation of the process for defining the report content and the topic boundaries in the Non-Financial Statement.	The topics relevant to us
GRI 102-47	A list of the material topics identified in the process for defining the content of the Non-Financial Statement	The topics relevant to us

GRI Standard	Indicator number and title	References
GRI 102-48	The effect of any restatements of information given in the Non-Financial Statement, and the reasons for such restatements	Not applicable. The 2017 NFS is the first edition.
GRI 102-49	Significant changes in the scope and topic boundaries compared with the previous Non-Financial Statement	Not applicable. The 2017 NFS is the first edition.
Stakeholder engagement		
GRI 102-40	A list of stakeholder groups engaged by the organisation	The topics relevant to us
GRI 102-42	The basis for identifying and selecting stakeholders with whom to engage	The topics relevant to us
GRI 102-43	Approach to and description of stakeholder engagement activities	The topics relevant to us
GRI 102-44	Key topics and concerns that have been raised through stakeholder engagement	The topics relevant to us
Profile of the Non-Financial Statement		
GRI 102-50	Reporting period for the information provided (for example, tax year, calendar year)	Explanatory notes
GRI 102-51	Publication date of the most recent Non-Financial Statement	Explanatory notes
GRI 102-52	Reporting cycle (annual, every two months, etc.)	Annual reporting cycle
GRI 102-53	Contact point for questions regarding the Non-Financial Statement and its contents	For clarification or further details on the topics presented, write to: INVESTOR.RELATIONS@posteitaliane.it
GRI 102-54	"Core" or "comprehensive" application of the GRI Standards	Explanatory notes
GRI 102-56	The organisation's policy and current practice with regard to seeking external assurance for the Non-Financial Statement	Explanatory notes
Ethics and integrity		
GRI 102-16	Values, principles, standards, and norms of behaviour of the organisation	Human capital Supply chain
ECONOMIC PERFORMANCE INDICATORS		
Anti-corruption		
GRI 103-1	Explanation of the material topic and the scope of its impacts	The topics relevant to us
GRI 103-2	Description of the managerial approach and its components	
GRI 103-3	Appraisal of the managerial approach	
GRI 205-1	Assessment of operations at risk of corruption	
ENVIRONMENTAL PERFORMANCE INDICATORS		
GRI 103-1	Explanation of the material topic and the scope of its impacts	The topics relevant to us
GRI 103-2	Description of the managerial approach and its components	
GRI 103-3	Description of the managerial approach and its components	

GRI Standard	Indicator number and title	References
Energy		
GRI 302-1	Energy consumption within the organisation	Green building Sustainable logistics
Water		
GRI 303-1	Total abstraction of water by source	Green building
Emissions		
GRI 305-1	Total direct greenhouse gas (GHG) emissions Scope 1	Sustainable logistics Green building
GRI 305-2	Total indirect greenhouse gas (GHG) emissions Scope 2	
GRI 305-3	Other types of greenhouse gas (GHG) emissions Scope 3	
Waste disposal		
GRI 306-2	Total weight of waste by type and disposal method	Green building
Environmental assessment of suppliers		
GRI 103-1	Explanation of the material topic and the scope of its impacts	The topics relevant to us
GRI 103-2	Description of the managerial approach and its components	
GRI 103-3	Appraisal of the managerial approach	
SOCIAL PERFORMANCE INDICATORS		
GRI 103-1	Explanation of the material topic and the scope of its impacts	The topics relevant to us
GRI 103-2	Description of the managerial approach and its components	
GRI 103-3	Appraisal of the managerial approach	

Omissions

Parts omitted	Reason	Explanation
Total internal Group energy consumption*		
	2016	2017
Renewable electricity (GJ)	1,791,787	1,812,424
Non-renewable energy (GJ)	2,783,864	2,937,824
<i>of which:</i>		
Electricity supplied by the National Grid	94,811	83,377
Natural gas (GJ)	671,061	657,874
LPG (GJ)	9,997	35,057
Diesel (GJ)	517,351	860,664
Petrol (GJ)	553,425	173,278
Jet fuel (GJ)	919,688	1,104,614
District heating (GJ)	17,531	22,960
Total energy (GJ)	4,575,651	4,750,248

* Includes energy relating to real estate facilities, and the energy connected with the road logistics business, passenger transport and air mail.

Total Group CO2 emissions *		
	2016	2017
Direct emissions - Scope 1 (t)*	180,797	193,774
Indirect emissions - Scope 2 (t)**	10,804	9,901
Other types of emissions from outside the Group - Scope 3 (t)	170,675	157,916

* The factors used to convert fuels into CO2: LPG (1.5704 kgCO2/litre) Natural gas (2.6928 kgCO2/kg) Petrol (kg CO2/litre 2.3839), Diesel (2.74790 kg CO2/litre), Jet fuel (2.4910 kg CO2/litre). Source: Methodology paper Emission Factors 2017 published by the UK Department for Environment Food & Rural Affairs (Defra) and Regulation 601/2012 on the EU ETS system (for calculating CO2 emissions from air transport).

** Poste Italiane acquires renewable energy guarantee of origin certificates for approximately 95% of its electricity consumption. The GRI Sustainability Reporting Standards envisage two calculation methods for Scope 2 emissions – the location-based method and the market-based method. The market-based method (the method used by Poste Italiane) is based on CO2 emissions emitted by the energy suppliers from which, via a contract, the organisation purchases electricity (in this case renewable energy guarantee of origin certificates), and for the remaining 5%, emission factors from the national electricity grid (emission factor: 375 grams of CO2/kWh, source Terna 2015). The location-based method, on the other hand, is based on average emission factors for regional, sub-national or national power generation. Applying the location-based method, the Group's total Scope 2 emissions in 2016 amount to 199,871 tonnes of CO2, and in 2017 to 198,347 tonnes (emission factor: 375 grams of CO2/kWh Source: Terna 2015).

GRI Standard	Indicator number and title	References
Industrial relations		
GRI 402-1	Minimum notice periods in the event of corporate reorganisation/restructuring by site, and whether they are included in collective bargaining agreements	Relations with social partners
Workplace health and safety		
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities, by region and gender	Health and Safety
Training and education		
GRI 404-1	Average hours of training per year per employee by professional category and gender	Human capital
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Human capital
Diversity and equal opportunities		
GRI 405-1	Diversity in the company's governance bodies and among staff	In 2017, the boards of directors of Group companies were chaired by 56 persons, 59% of whom were over 50 and 41% between 30 and 50 years of age. The percentage of women is 32% of the total, including 35% in the 30-50 age group and 30% in the over-50 age group. Staff diversity is shown in the section on Human Capital
CUSTOMER PRIVACY		
GRI 103-1	Explanation of the material topic and the scope of its impacts	The topics relevant to us
GRI 103-2	Description of the managerial approach and its components	
GRI 103-3	Appraisal of the managerial approach	
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	

Omissions

Parts omitted	Reason	Explanation
Absenteeism rate Disclosure regarding contractors	Information unavailable	It is planned to report this information in future reporting cycles
Breakdown by gender	Information unavailable	It is planned to report this information in future reporting cycles

Principles regarding reporting content and quality

The 2016 GRI Sustainability Reporting Standards ****findings**** and the approach taken by Poste Italiane are shown below.

Analysis of the sustainability context	The information was based on the social and environmental aspects of the context.
Stakeholder inclusiveness	Identification of the material topics took stakeholders' expectations into account.
Materiality	The choice of topics was based on assessment of economic, social and environmental impacts and their ability to influence stakeholders' decisions and assessments.
Completeness of information	Unless otherwise indicated, all the indicators presented in the document are representative of all Group companies.
Balance	The document provides information that enables an assessment of overall performance and impacts.
Comparability	Performance data are presented for 2016 and 2017 to enable analysis of the performances.
Accuracy	The information has been provided with notes and comments to enable the performance and results to be correctly assessed.
Promptness	The timing of the release of the document is close to the events described.
Clarity	The contents have been written in simple and practical language, including for lay people.
Reliability	The document requires a separate attestation of conformity from the independent auditors PricewaterhouseCoopers SpA.