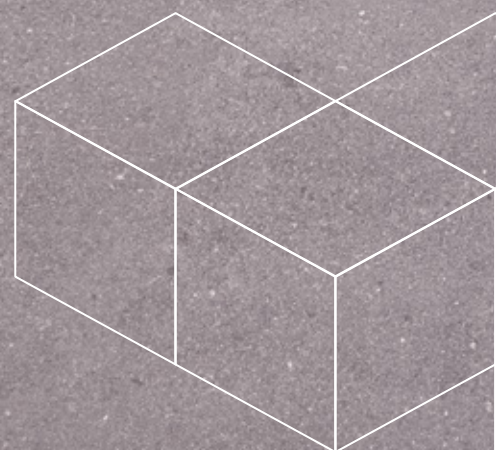
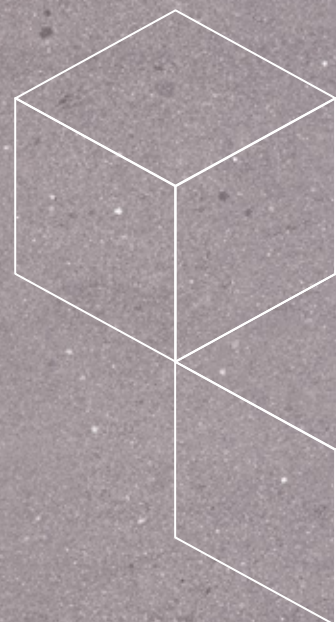


01

REPORT ON OPERATIONS 2018





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REPORT ON OPERATIONS 2018

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Statement from the Chairwoman and the Chief Executive Officer



Maria Bianca Farina

Chairwoman

Matteo Del Fante

Chief Executive Officer



Dear Shareholders,

Just one year on from finalising our “Deliver 2022” Strategic Plan, we are proud to present the first Integrated Report of Poste Italiane Group. The Integrated Report is the first tangible result of a new way of doing business that involves the entire organisation.

Sustainability has a key, aggregating role in this process. For Poste Italiane, being sustainable means, above all, defining a single Group strategy which brings together financial and operating objectives within a clear vision of environmental, social and governance issues (the so-called “ESG” - *Environmental, Social and Governance*). In this regard, the main goal of the “Deliver 2022” plan announced in February 2018 is to maximise the value of Italy’s largest distribution network, responding to the changing needs of customers and taking advantage of the growth opportunities offered by digital transformation. The Group plans to invest a total of €2.8 billion over the life of the Plan in strategic opportunities that will enable us to achieve financial results based on realistic expectations, with a limited execution risk. The Group has already reached a number of goals in various business areas in relation to the delivery of the plan. Examples of the Group’s significant achievements refer to the agreement with trade unions regarding the innovative new delivery model (the “Joint Delivery Model”), which involves afternoon and weekend deliveries, as well as the partnerships with Amazon and other major operators. Further important elements of this process include the creation of the Payments, Mobile and Digital division, which acts as a competence centre to support the implementation of the Group’s digital strategy, and the establishment of PostePay SpA, the biggest Electronic Money Institution in Italy. Finally, with regard to financial services, important steps in delivery of the plan include the three-year distribution agreement with Intesa Sanpaolo, the loan distribution agreement with Unicredit, the agreements with ANIMA designed to strengthen our partnership in the asset management sector, and the agreement with Generali Real Estate, which will enable both groups to leverage their respective expertise and experience in the property sector and focus on the search for co-investment opportunities in the leading categories of the real estate sector in Italy and Europe.

We believe that the integration of sustainability targets within the Group’s business processes is necessary in order to deliver sustainable performance over time, reduce the risk profile and act in line with the principles of integrity and transparency. For this reason, the sustainability strategy of the Poste Italiane Group, drawn up throughout the year, consists of elements that are in line with our business objectives. This means that they will help drive the Company’s success and further enhance the value of our distinctive competences. This strategy is backed up by a system of Sustainability Policies that now play a leading role in the group’s internal regulations, setting out general principles, future goals and operating processes in priority non-financial areas for the Company and for our stakeholders, such as integrity and transparency, human rights, occupational health and safety, corporate citizenship, the environment and the responsible management of financial assets.

Operational aspects of the policies adopted are contained in the ESG Strategic Plan, made of the sustainability goals that the Group has drawn up in keeping with the business strategy set out in the “Deliver 2022” plan and with our social and environmental development ambitions at the international level. The goals contained in the ESG Strategic Plan consist of concrete commitments to be delivered on within established time-scales. These refer to the six key pillars identified on the basis of Poste Italiane’s contribution to the 17 United Nations Sustainable Development Goals.

Starting from this strategy, the integration process of ESG principles within the organisation has involved the transformation of a series of business processes. A key part of this process was the incorporation of these principles within the Internal Control and Risk management system and planning processes, enabling the Group to clearly comprehend the risks that could influence our ability to deliver on our business goals, thanks to a well-defined process for assessing, measuring and managing non-financial risks.

Partly on the basis of the results of this process, we have been able to strengthen or introduce new ESG procedures within the various areas of the Group.

Integrity, ethics and transparency represent the key values around which Poste Italiane has built its identity. These basic principles form the basis for the way we conduct our business which, by its nature, depends on creating trust and on the responsible management of relations with all our stakeholders. For this reason, we have effectively boosted our Anti-corruption System, becoming the first Italian company in the financial and communications sector to obtain the ISO 37001:2016 certification.

The sustainable management principles adopted by the Company are not only applied within the organisation, but are also promoted on the outside and in its commercial relations. In this sense, Poste Italiane works with suppliers who share the same values and who meet specific sustainability requirements: acceptance of the ethical guidelines and behavioural standards defined in the Code of Ethics, Poste Italiane Group's Integrated Policy and the Group policy for the protection of human rights is a tangible proof of the commitment made by the Company.

The inclusion of the Principles for Responsible Investment ("PRI") and the Principles for Sustainable Insurance ("PSI") in the Group's investment and insurance policies enables us to better understand the risks and opportunities associated with financial transactions and, therefore, to develop innovative solutions that can benefit the performance of the business, build trust, create value for our customers and contribute to the country's sustainable development.

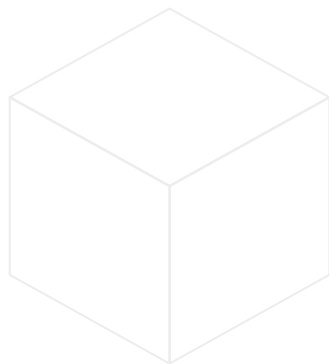
Again, with regard to external relations, we have decided to reconfirm our support for local communities by establishing 10 commitments to small towns. We have promised 3,000 mayors that we will implement practical solutions for the development of their areas, aimed at guaranteeing the continuity and availability of services, access to infrastructure, digital transformation, security and the transfer of expertise.

Turning to environmental concerns, given the size of our organisation and of our geographical footprint, we are aware of the impact that our activities can have on the environment. For this reason, in addition to disseminating a culture of environmental protection, we have launched a series of initiatives designed to make our real estate assets and logistics activities more green-friendly, by, for instance, promoting the efficient management of our energy consumptions and the use of alternative energy sources.

None of this, however, would be possible without our most precious resource: our people. This is why we believe it is indispensable to ensure the wellbeing of all our employees, by offering them continuous training, career development and equal opportunities as they progress through their working lives, and by valuing diversity. We have long introduced programmes designed to improve the work-life balance of our employees, and this year, in order to boost this commitment, we have launched new corporate welfare plans intended to boost employee satisfaction by responding to their specific needs and aspirations.

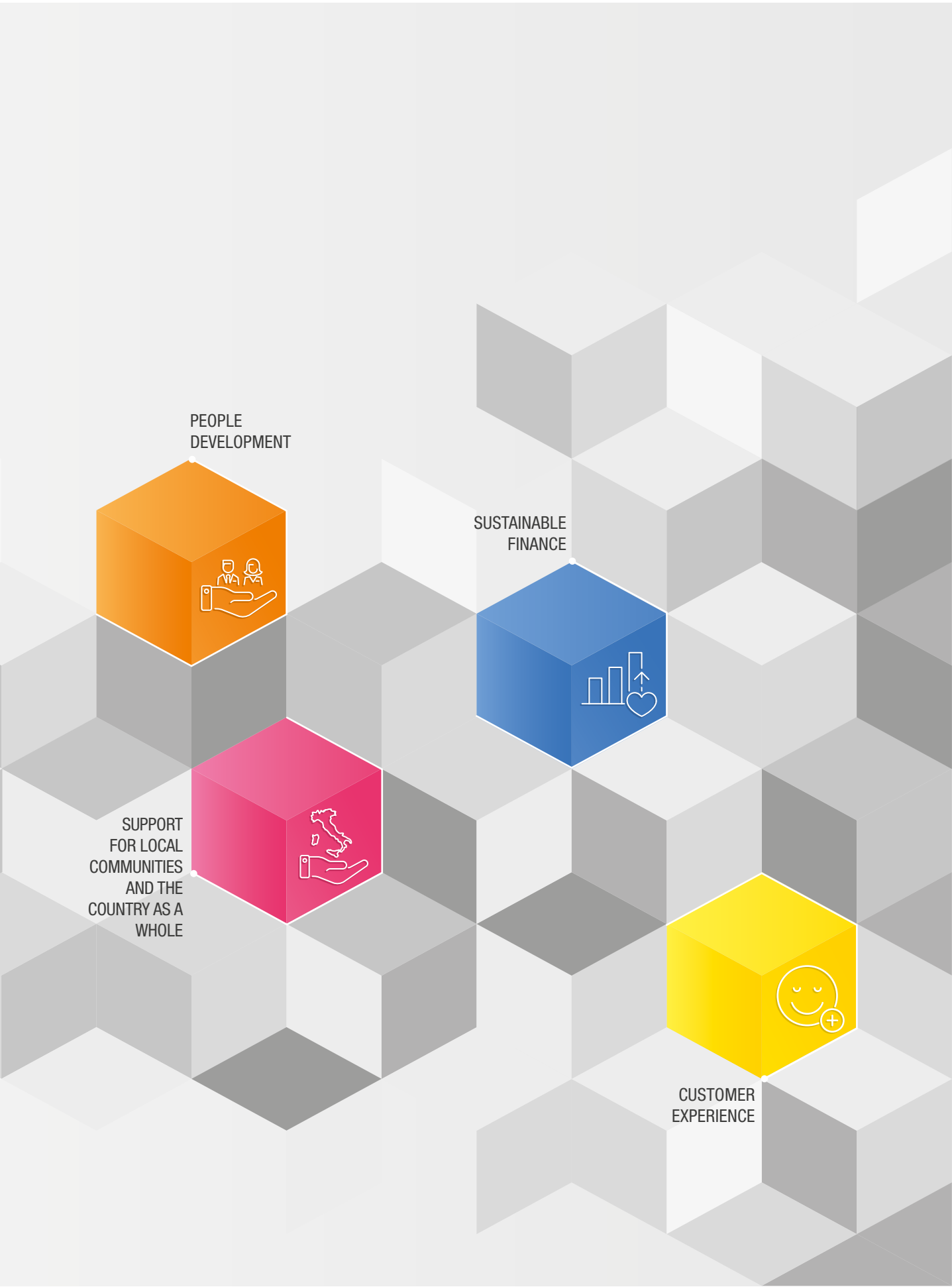
In conclusion, we can look backwards with proud at the results achieved so far and look forwards with confidence in our ability to deliver in the future, aware that only through a constant, real commitment to achieving common goals and by promoting the values that we share with our stakeholders, will we be able to grow together and rise to the sustainable development challenges to come.

We hope you enjoy reading the Report.









Presentation of Poste Italiane Group's first Integrated Report

For Poste Italiane, publishing an Integrated Report means reporting to stakeholders on how the Group is implementing an “integrated approach” that runs throughout the organisation, and that leads to decisions and actions designed to create value over the short, medium and long term.

The Group has made an ongoing commitment to its stakeholders to implement strategic decisions that will result in the creation of value that can be shared with local communities, taking into account all the forms of “capital” needed to achieve this objective. The careful management of this capital – not only financial, but also human, physical, structural, intellectual, social and natural – has enabled us to play a leading role in the last 150 years in sectors that are of strategic importance for the country.

Through concise and synthesized information disclosure, the Integrated Report describes how the organisation's strategy, governance, business model, future outlook and performances contribute to the creation of value.

In addition to the description of the Group's business model, its governance and risk management model, the Report shows the contribution made by each element towards achieving the business objectives, in terms of both qualitative information and specific performance indicators.

In order to complement the disclosure on the Group's value creation process, the document also presents a study of Poste Italiane Group's impact on the country's economy.

In terms of the methodology applied, the 2018 Integrated Report has been drafted on the basis of the main international reporting standards, which in addition to the accounting standards in force, also include the Framework for Integrated Reporting published by the International Integrated Reporting Council (IIRC) and the reporting standards contained in the “GRI Sustainability

Reporting Standards” issued by the GRI – Global Reporting Initiative, with the related supplement for the Financial Services sector. The reporting process also meets the compliance requirements (including the provisions of Legislative Decree 254/16), external communication and the Group's ranking in the main international sustainability indices.

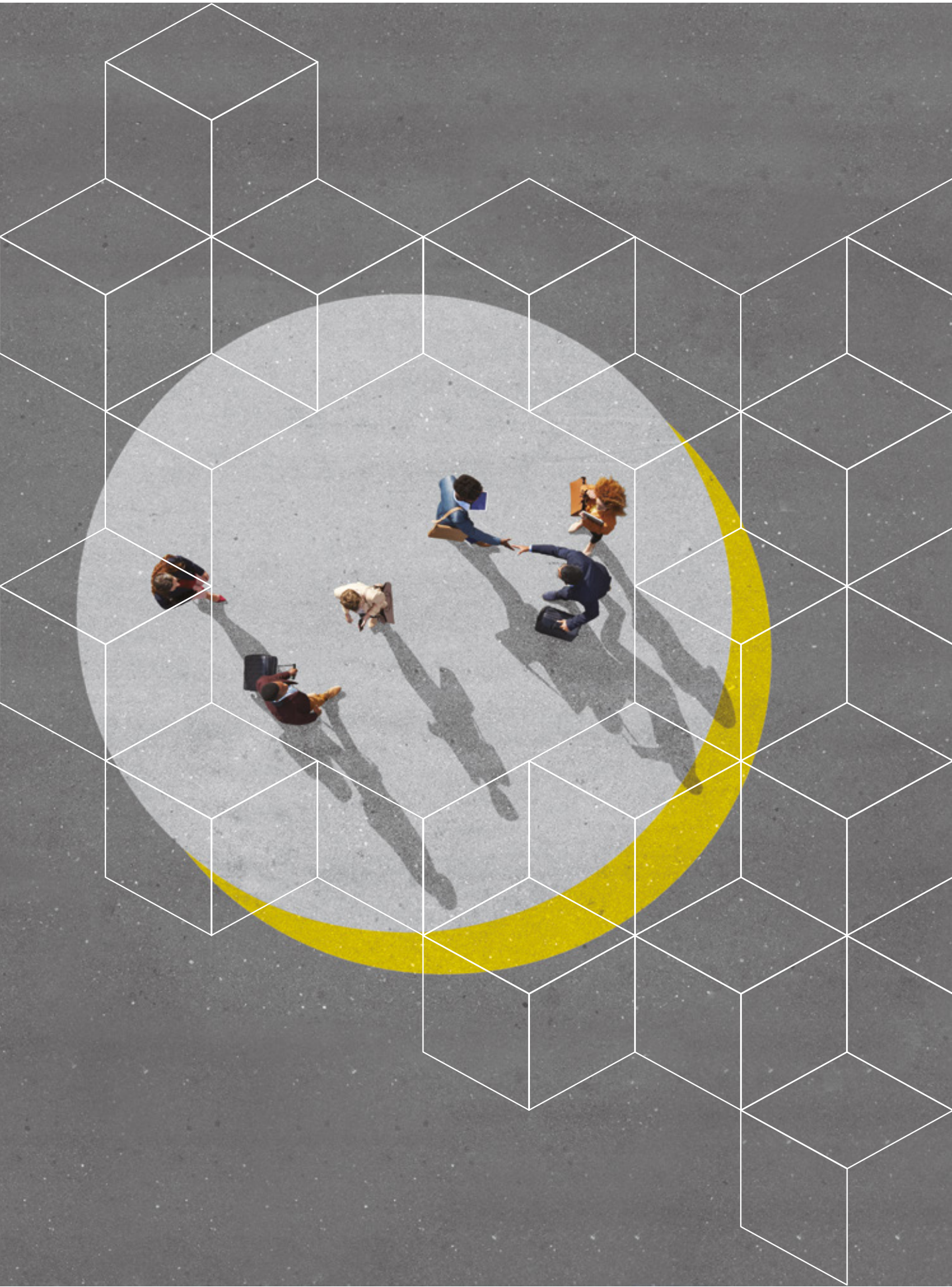
This Annual Report includes the following documents: the Report on Operations, which constitutes Poste Italiane's Integrated Report, Poste Italiane Group's consolidated financial statements, Poste Italiane's separate financial statements which include BancoPosta RFC's separate report, the related attestations provided in accordance with art.154-*bis*, paragraph 5 of Legislative Decree 58/1998, and the reports of the Board of Statutory Auditors and the Independent Auditor on the year ended 31 December 2018. The Report also includes the “Report on Corporate Governance and ownership structures”, published on the Company's website in the Governance section, and which accounts for an integral part of this Annual Report. Reference should be made to this latter document for all further information on aspects relating to corporate governance.

From this reporting period, amounts shown in millions of euros have been rounded, with the result that the sum of the rounded figures does not always tally with the rounded total.

To facilitate the identification of non-financial information, the “Introduction” paragraph of the chapter “Consolidated non-financial statement” includes a detailed table which links the scopes of Legislative decree 254/16 with the paragraphs contained in the Consolidated non-financial statement section.

The sections of the document where information on the Company's non-financial is provided can be easily identified with the following infographic:

NFS



1. Presentation of the Organisation

The Group's organisation and operating segments

NFS



Strategic Business Unit

Poste Italiane SpA corporate functions

Group companies

Associates

In line with the strategic guidelines set out in the Deliver 2022 Strategic Plan, the Group's activities are divided into four Strategic Business Units (also referred to as operating segments in Poste Italiane's financial statements): Mail, Parcels and Distribution; Payments, Mobile and Digital; Financial Services; Insurance Services.

These Strategic Business Units are supported by two distribution channels for retail customers, on the one hand, and business and Public Administration customers, on the other. These channels operate alongside a series of corporate functions responsible for policy, governance, controls and the provision of business process support services.

Corporate actions during the year

On 13 February 2018, the deed for the merger of PosteTutela SpA (a wholly owned subsidiary of Poste Italiane SpA) with and into Poste Italiane was executed. The transaction was effective for legal purposes from 1 March 2018, and for accounting and tax purposes from 1 January 2018. PosteTutela SpA is the company that, among other things, is responsible for organising, coordinating and managing the transport of cash and valuables for all the Group's offices and post offices throughout Italy.

On 6 March 2018, Poste Italiane SpA and Anima Holding SpA, together with Poste Vita SpA, BancoPosta Fondi SpA SGR and Anima SpA SGR, to the extent of their respective responsibilities, signed implementing agreements designed to redefine and strengthen their partnership in the asset management sector, in accordance with the general terms of the preliminary agreement dated 21 December 2017.

The transaction envisaged, among other things, the partial spin-off, to Anima SpA SGR, of management of the assets underlying Poste Vita SpA's Class I insurance products (totalling over €70 billion), previously carried out by BancoPosta Fondi SpA SGR. The new agreements also restructured the existing partnership, extending it for a duration of 15 years. The transaction was effective from 1 November 2018, following receipt of the necessary clearance from the supervisory authority.

As provided for in the above implementing agreements, as part of the transaction, Poste Italiane thus transferred all its shares in Anima SGR resulting from the transaction to Anima Holding for the price of €120 million.

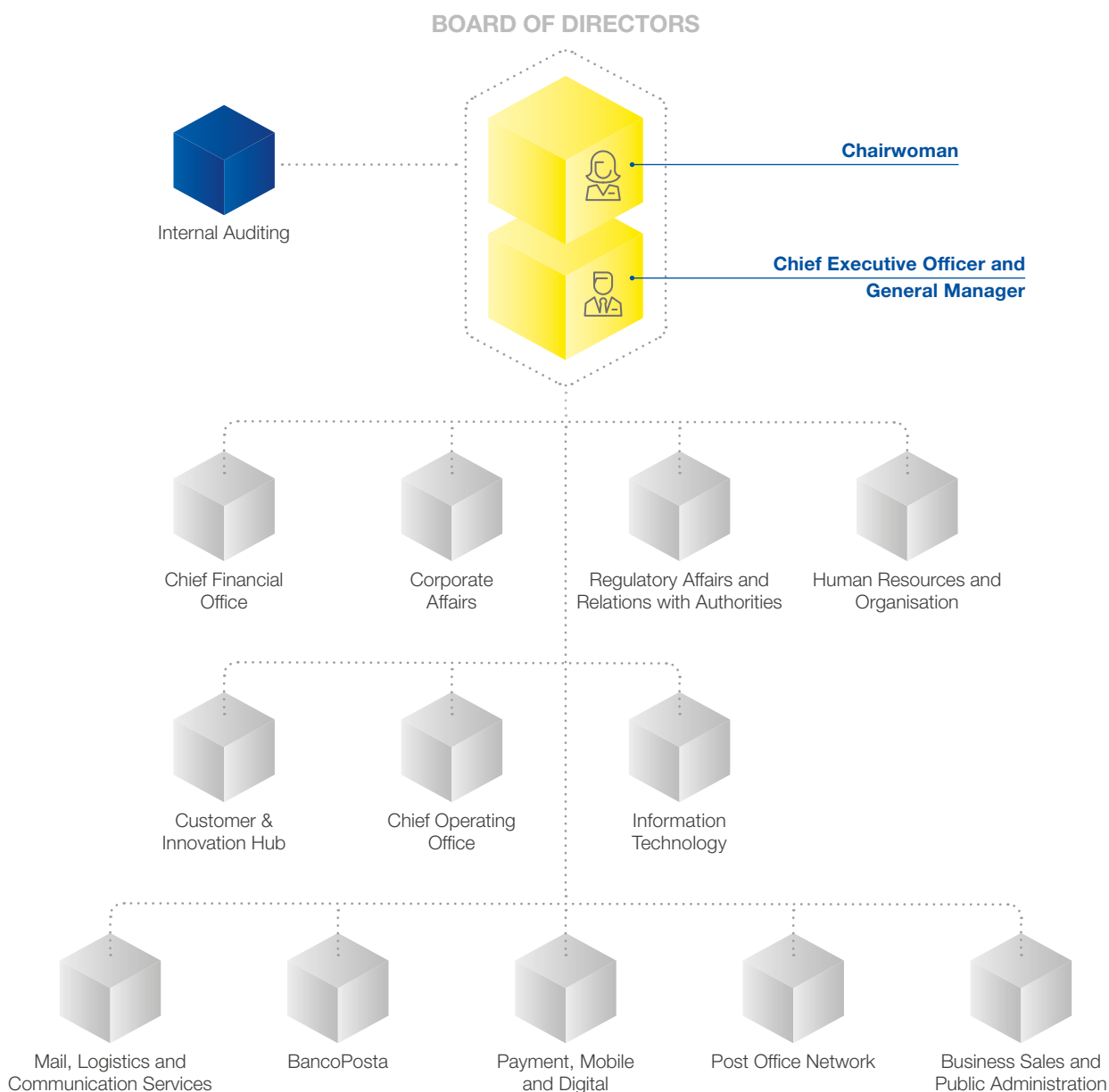
In addition, on 12 April 2018, Poste Italiane subscribed for its share of the rights issue carried out by Anima Holding SpA, amounting to a total of approximately €30 million. This enabled the Company to retain its 10.04% interest in Anima Holding SpA.

With the aim of more effectively driving growth in the payment services market and strengthening the service offering for retail, business and Public Administration customers, Poste Italiane has combined the Group's expertise and competencies in the field of mobile and digital payments in one specialist entity. Following receipt of the necessary approvals, the initiative was implemented via the contribution in kind, to PosteMobile SpA, of the Group's card payments and payment services business, following its removal from the ring-fence that applies to BancoPosta RFC. This was followed by PosteMobile's establishment of a separate ring-fenced entity through which it is able to operate as a "hybrid" electronic money institution ("EMI"), whilst also continuing to operate as a mobile virtual network operator.

The transaction as a whole was effective from 1 October 2018.

From the same date, Poste Mobile SpA changed its name to PostePay SpA, becoming Italy's largest digital payments platform. The new company, operating in synergy with Italy's most widespread distribution network, represented by the post offices network, will enable Poste Italiane to consolidate its role as a driving force behind the country's development and innovation.

Poste Italiane's organisational structure



In keeping with objective in the “Deliver 2022” plan to maximise the value of Italy’s largest distribution network, Poste Italiane has begun the process of streamlining and simplifying the Group’s organisational model, with the aim of strengthening the operating model and making it more efficient.

In this regard, the main initiatives made related to the following:

- A restructuring of BancoPosta, with the primary aim of strengthening the intermediary’s role in leading product development and distribution, in collaboration with other Group companies, and in managing the sales network so as to ensure greater coordination, increased efficiency and more effective commercial management. In addition, in line with the relevant strategic guidelines, from 1 January 2019, BancoPosta Fondi SGR has become the Poste Italiane Group’s competence centre for the management of financial investments. For this purpose, the company has been assigned responsibility for managing the portfolio of government securities in which the deposits of BancoPosta’s customers are deposited. The portfolio has a value of approximately €53 billion. At the same time, the Investment Management Coordination function was closed.
- The reorganisation of the card payments and payment services business, with the establishment of an electronic money institution (EMI), following the business’s removal from the ring-fence that applies to BancoPosta RFC and its transfer to PosteMobile, then renamed Postepay.

- The launch of a growth strategy involving the adoption of an increasingly customer-centric commercial approach, whilst at the same fully exploiting the specific characteristics of the different sales channels and the various types of product and service on offer. This has led to redefinition of the criteria for assigning responsibility for corporate customer segments between the Business and Public Administration and the Post Office Network functions, focusing the latter on small business and retail customers and giving the Business and Public Administration function responsibility for the other segments. In order to take advantage of the particular nature of Business and Public Administration customers, a Financial Sales Coordination function has been set up within BancoPosta, whilst the Business and Public Administration function now includes unit specialising in the sale of express delivery and parcels services.
- Simplification of the geographical structure of the Post Office Network, Mail, Logistics and Communication, Human Resources and Organisation and Chief financial Office functions, by combining and rationalising the existing structure in order to create six macro areas in place of the previous nine, and revamping the organisational structure with the aim of making the related processes more effective and efficient. Similarly, during the year, the geographical structure of the Information Technology and Real Estate and the Security and Safety functions was cut to six areas. These initiatives represent the first step in implementing a new geographical model supported by more streamlined and effective processes, which will be extended to all the staff and business support functions.
- Enhancement of the role played by information systems in driving business growth through the introduction of new technologies and the Group's digital transformation.
- The creation of a Customer & Innovation Hub function to provide a greater focus on innovation and on the design of the multichannel user experience to get closer to understanding what customers really want.
- Continuation of the process of centralising back office activities within the Chief Operating Office and the function's reorganisation with the aim of boosting the effectiveness and efficiency of operating processes.
- Implementation of the Group's new organisational model in relation to efforts to combat money laundering and the financing of terrorism. This has led to centralisation of the processes involved in managing, coordinating and implementing the related strategies and policies, creating a Group Anti-money Laundering function that also provides outsourcing services to Group companies subject to the related statutory requirements.

Multichannel commercial strategy

NFS

The Group has an integrated, multichannel distribution network, which serves the country's entire population via a physical network of post offices and staff on the ground and digital infrastructure with state-of-the-art multimedia channels.

The customer contact channels are managed by two Poste Italiane functions dedicated to the sale of products and services and specialised by type of customer: Post Office Network and Business and Public Administration.

Further organisational units within Group companies provide further support for commercial initiatives.

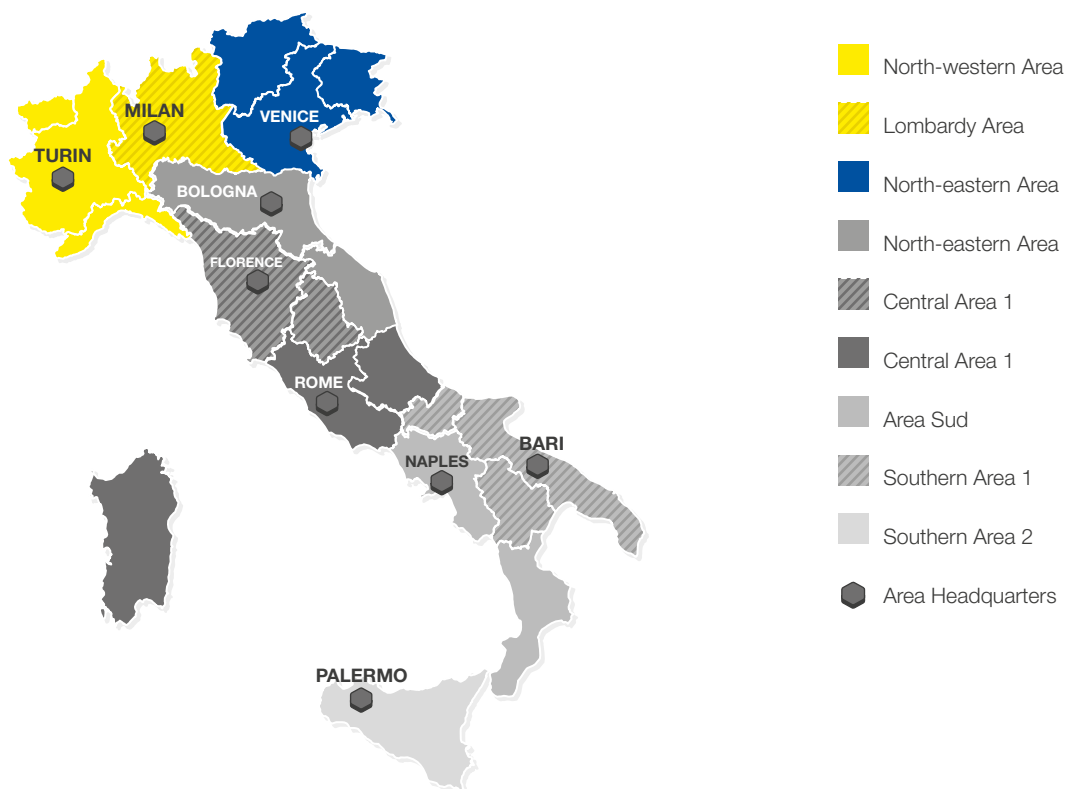
The Post Office Network function manages the commercial front end for the Private Customer and SME segments and is in charge of the post office network and area and branch offices covering the entire country.

	At 31 December 2018		At 31 December 2017	
	Number	Workforce	Number	Workforce
Post Office Network - Macro Areas	6	854	9	1,319
Branch Offices	132	3,715	132	3,591
Post offices	12,812	55,231	12,822	56,765

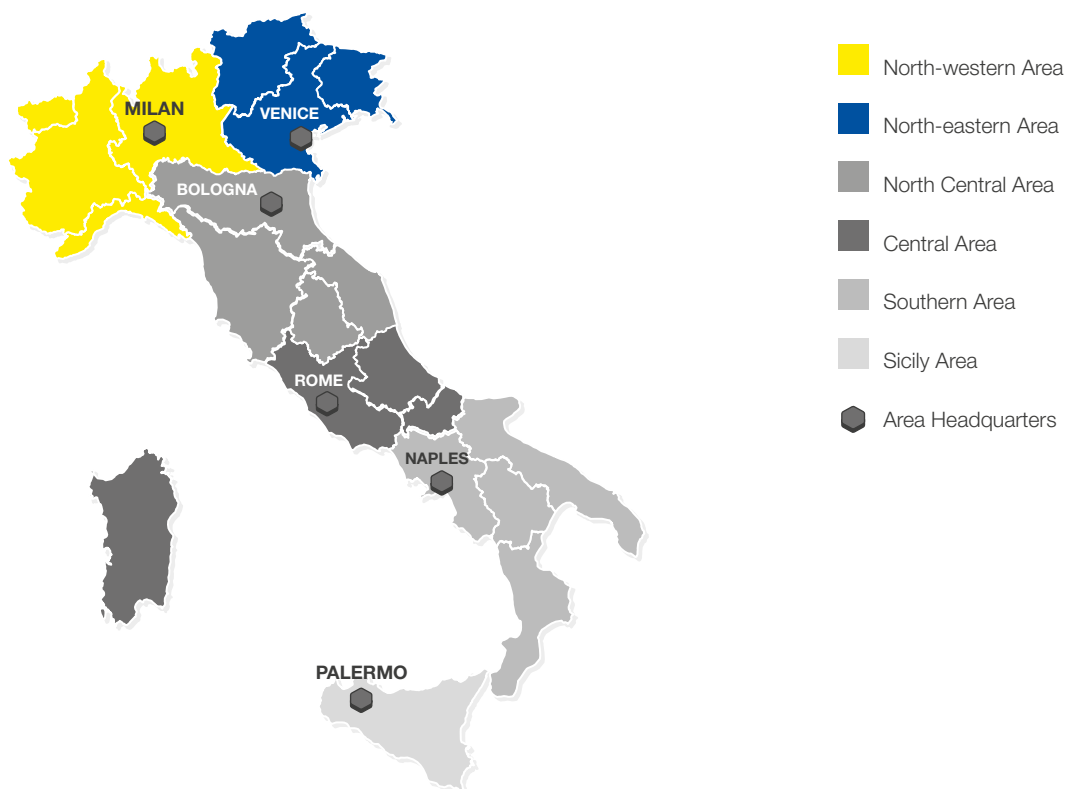
All workforce data is shown in full-time equivalent terms.

Changes in the workforce in the macro areas into which the Post Office Network function is divided reflect the above organisational initiatives which, in addition to simplifying the geographical structure, have resulted in the transfer of the sales force specialising in the Medium-sized Business segment to the Business and Public Administration function. The number of Specialist Mobile Consultants has been boosted at branch office level.

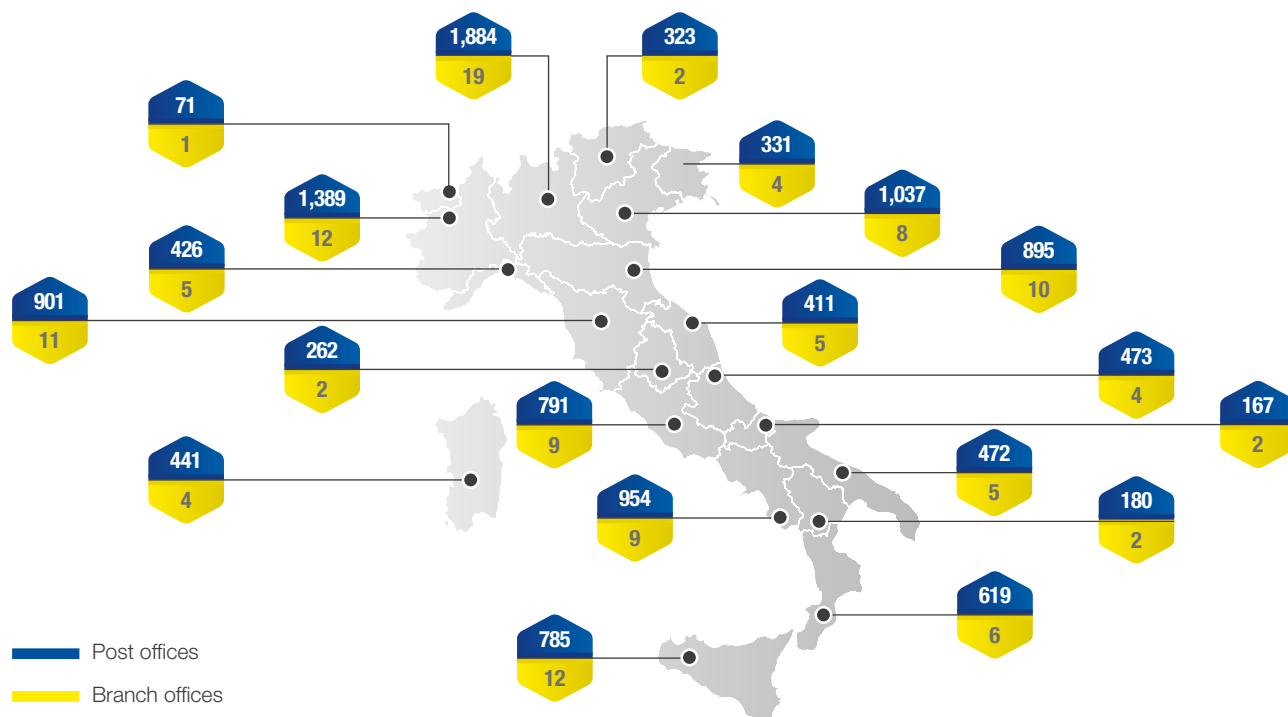
POST OFFICE NETWORK MACRO AREAS 2017



POST OFFICE NETWORK MACRO AREAS 2018

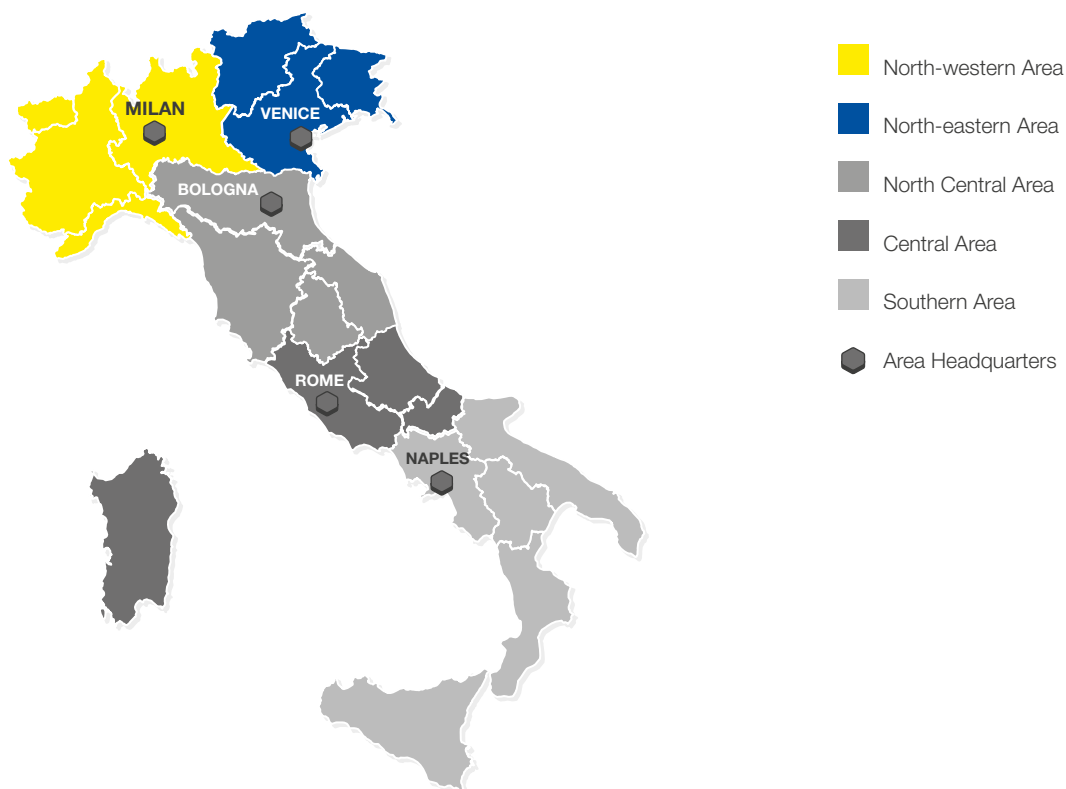


POST OFFICES BRANCH OFFICES



The **Business and Public Administration** function is responsible for distribution and sale of the Group's products and services to large and medium-sized enterprises and the Public Administration and central and local government level. It has a geographical structure consisting of 5 areas for Business Customers and 1 area serving the Central Public Administration Centrale and based in Rome.

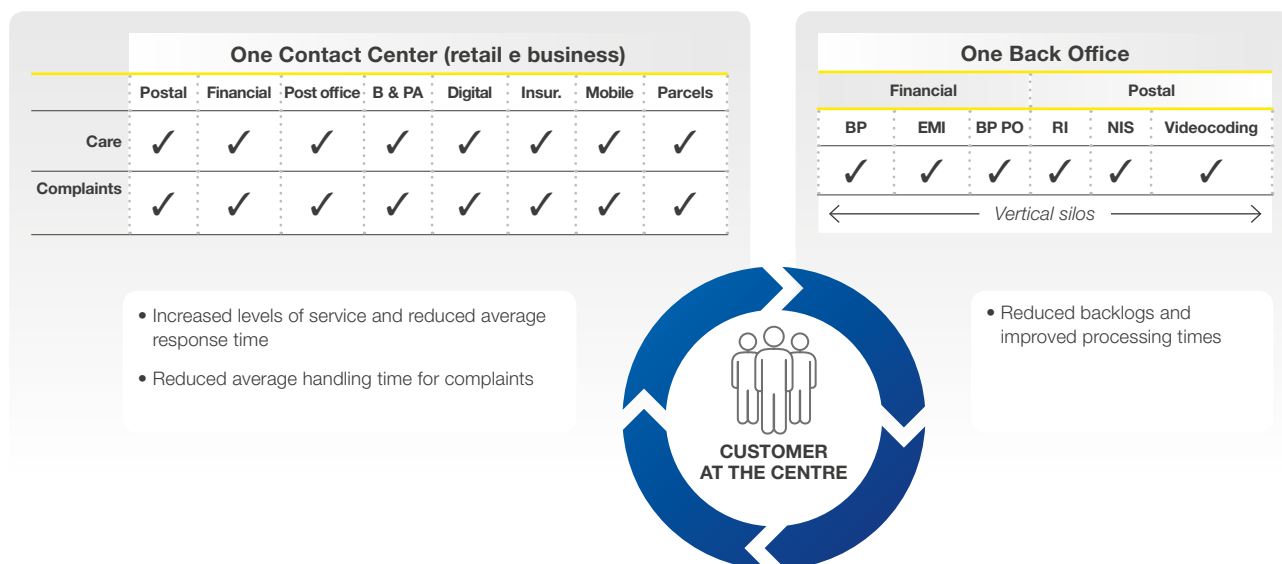
BUSINESS AND PUBLIC ADMINISTRATION



The **digital Web and App channels** provides access to online services for 17.6 million retail and business users (15 million at 31 December 2017) and operating as both direct sales and after-sales channels.

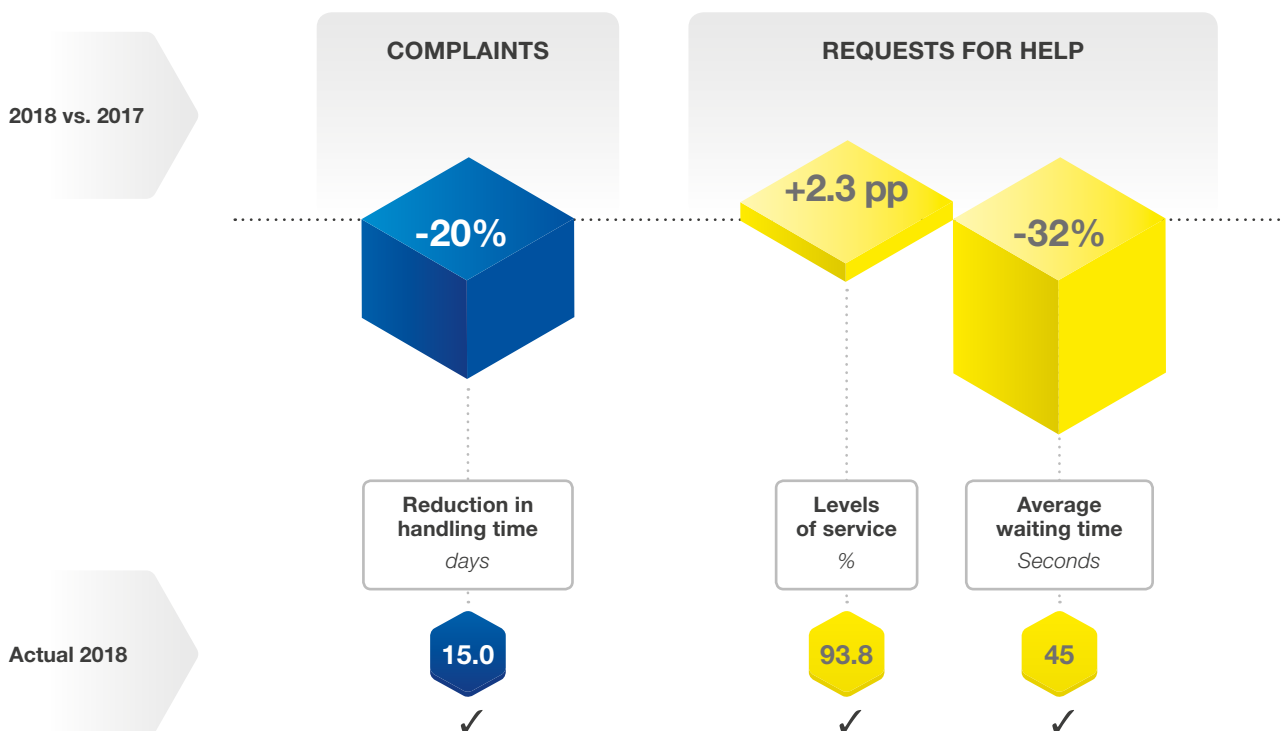
Numerous new functions were added to the Web and App channels for end users in 2018 and, in line with the digital transformation process, work continued on improving the Group's online offering.

A single Customer Care and Back Office unit operating at Group level was created in 2018, partly by reorganising the geographical structure of operations based on a hub and spoke model.



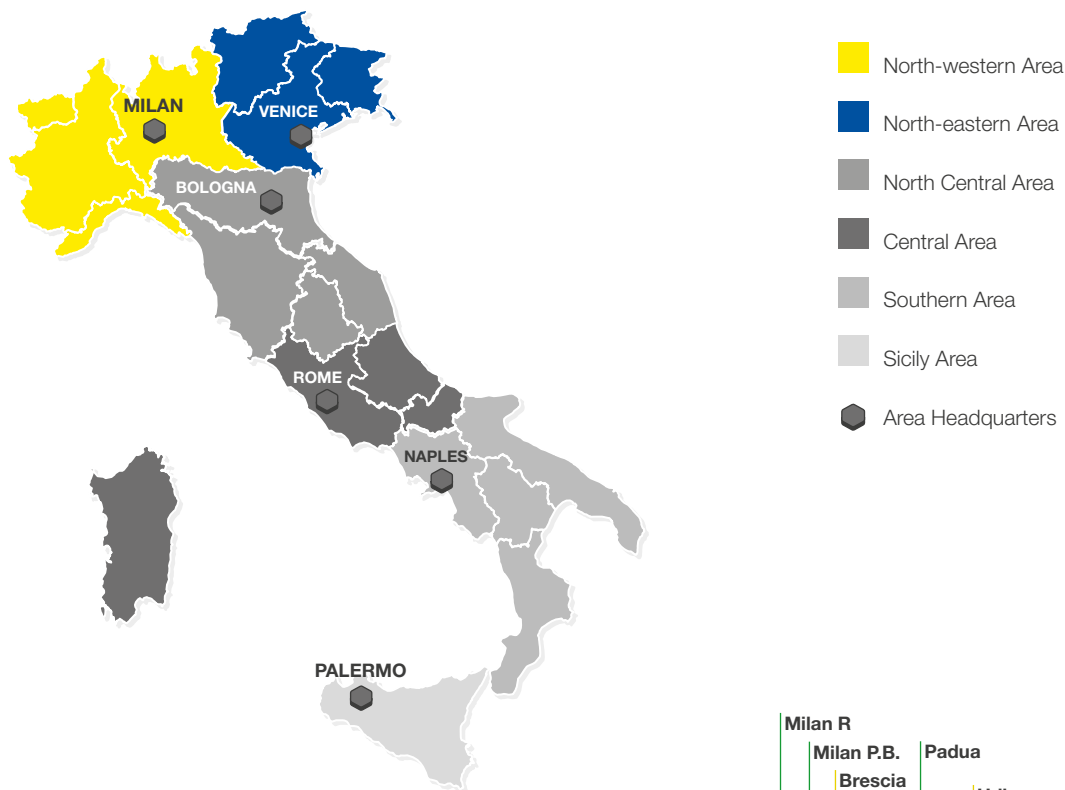
This new model has led to improved levels of service (calculated as the ratio of calls answered to calls received) and has cut average response times and the average time needed to handle complaints.

CUSTOMER CARE PERFORMANCE 2018 (VS. 2017)



Poste Italiane's logistics network

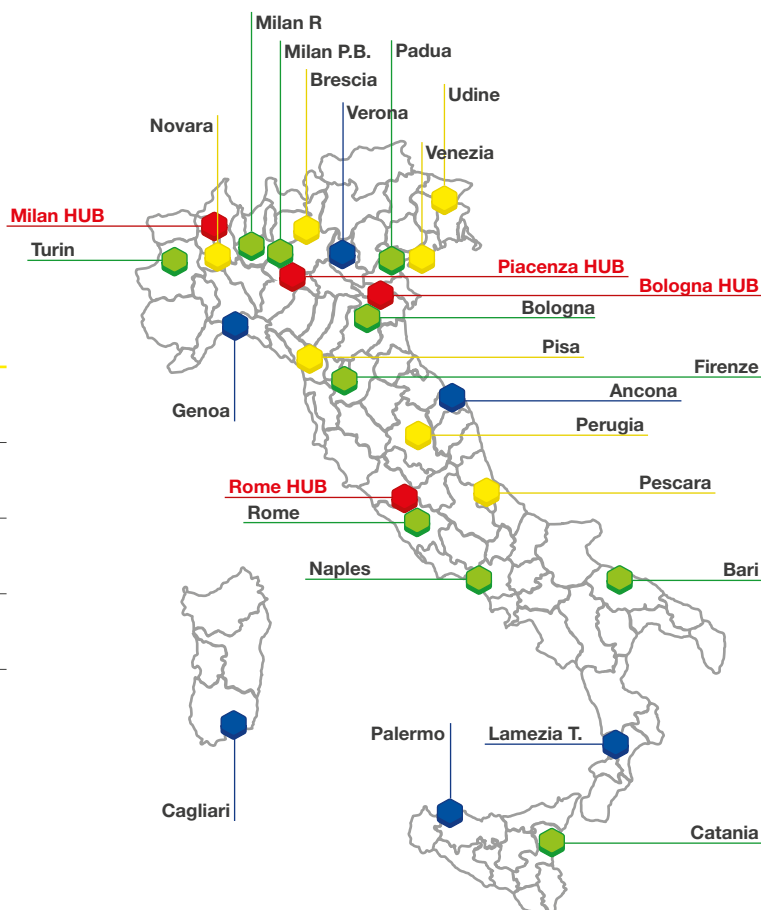
MACRO AREAS FOR LOGISTICS



STRUCTURE OF THE LOGISTICS NETWORK

Key

- 10 Multi-product sorting centres (for both standard and express products)
- 6 Specialist sorting centres (primarily for express products)
- 7 Priority Centres with low levels of mechanisation
- 4 SDA HUBs



The **Mail, Logistics and Communication** function is responsible for all letter post and parcel services at Group level¹.

The logistics process² is locally organised on two levels, the first of which deals with coordination and is represented by Area Logistics Offices responsible for one or more regions, whilst the second is operational and includes sorting and distribution centres (Delivery Offices).

	At 31 December 2018		At 31 December 2017	
	Number	Workforce	Number	Workforce
Logistic Network - Macro Areas*	6	1,056	9	1,095
Sorting Centres	16	6,802	16	7,470
Priority Centres	7	734	7	803
Logistic Delivery Centres	1	52	-	-
Logistics support	2	187	2	225
Delivery Offices**	1,793	35,730	2,051	38,105
Total	1,825	44,561	2,085	47,698

All workforce data refer to permanent staff and are shown in full-time equivalent terms.

n/s: not significant

* Logistics Network - Macro Areas, whilst coinciding geographically with the Post Office Network - Macro Areas, from 2018 have their own, separate organisations in terms of processes and competences.

** Delivery staff include 26,716 postmen and women and delivery supervisors (28,635 at 31 December 2017).

The progressive rollout of the new “Joint delivery” model began in 2018. The new model aims to align the delivery network with expected changes in demand for letter post and parcel services and with the changing needs of customers. The new model, which is expected to be fully up and running before the end of 2019, enables parcels to be delivered via the network of postmen and women, introducing afternoon and weekend deliveries.

Implementation of the new delivery model was supported by a review of the processes and equipment used to support delivery activities. Major changes were introduced in terms of automation and an innovative approach to calculating the algorithms used to plan the routes for postmen and women and to allocate the mix of letters and parcels among both personnel and vehicles. The related development, testing and trials was handled internally and the new system is currently being scaled up and rolled out.

The flexibility offered by the “Joint delivery” model will enable Poste Italiane to fully exploit its physical infrastructure in response to the growth of e-commerce and the needs of customers throughout Italy.

1. The following Group companies report to the Mail, Logistics and Communication function: Postel, SDA Express Courier, Consorzio Logistica Pacchi and Mistral Air.

2. The logistics process covers receipt, collection, transport, sorting and delivery.

The contribution of Poste Italiane to Italy's economic development

Poste Italiane is now the largest logistics operator in Italy, and is a leading player in the financial, insurance and payment services. The Company plays a vital role in Italy, and makes a substantial contribution to the production chain and the national economy. By investing and operating with the actors in its value chain, Poste Italiane produces wealth and employment through its own businesses, and also generates externalities by activating a local supply chain.

In order to fully present how the Company, through its strategy and business model, creates shared value for the community and its stakeholders, by responding to their needs and contributing to the social and environmental development of the country, Poste Italiane has drawn up a model that estimates the economic impacts generated on the community, by adding “direct” impacts (those closely linked to the Company's economic activities), “indirect” impacts (those deriving from the purchase of intermediate goods from Italian suppliers) and “induced” impacts (those deriving from the purchase of intermediate goods from Italian suppliers). In particular:

- GDP has been estimated as the difference between the value of production and the intermediate costs of production;
- employment corresponds with jobs supported by Poste Italiane's economic activity;
- earned income is based on the salaries and wages paid to workers employed in the economy thanks to the activities carried out by Poste Italiane in the country;
- the tax contribution takes into account the total taxes paid to national and local Public Administrations.

To estimate the results of the Company's economic activity, an “Input-Output” analysis was conducted using multipliers based on statistics and data made available by ISTAT (Italy's Office for National Statistics) and the Ministry of the Economy and Finance. The multipliers show the effects on GDP, taxation, employment and earned income resulting from changes in spending on goods and services in a specific industrial sectors. These effects are the result of intersectoral dependencies present in an economic system, due to which changes in the conditions in one sector of the economy lead to further impacts on related sectors and on the economic system and society as a whole. The multipliers were applied to the “basic” figures obtained internally by the Group. Within cautionary approach, the model does not include the impacts generated by investing activities. A future goal is to be able to also estimate the impact of this activity, creating a specific model for this purpose.

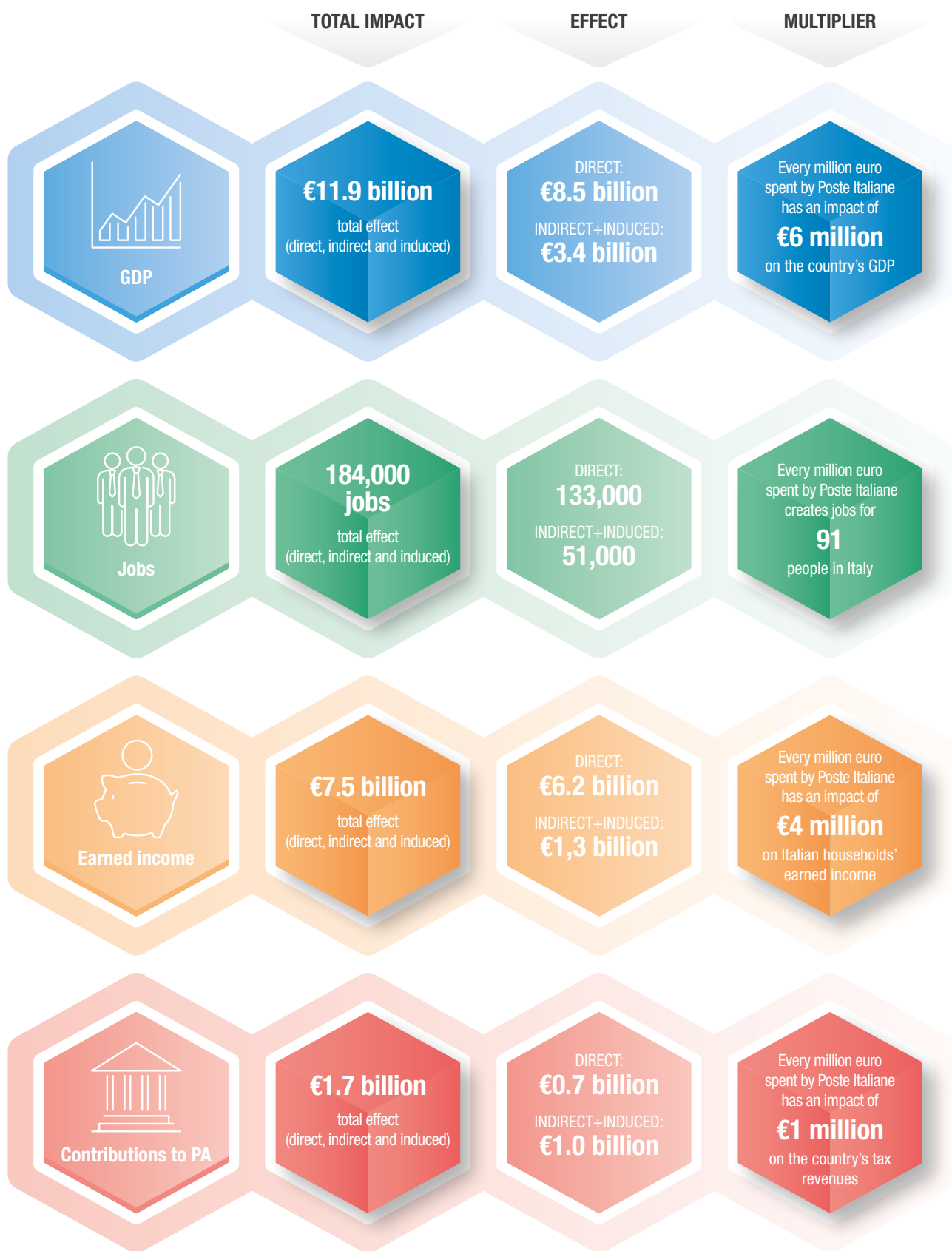
The impacts generated by the Group's operations

In addition to generating direct impacts through its business activities, Poste Italiane also generates indirect impacts by promoting the development of other firms involved in the provision of the goods and services needed to make its products, and directly stimulates households consumption for those families whose income derives from family members employed by the Group and its suppliers.

THE PROCESS OF CREATING POSTE ITALIANE'S ECONOMIC VALUE



In 2018, the Group's operations carried out to produce and deliver goods and services through the use of productive factors had direct, indirect and induced impacts on the Italian economy amounting to approximately €12 billion in terms of GDP and €2 billion in terms of tax revenue. It may also be estimated that a total of approximately 184,000 workers are involved along the production chain. The use of this workforce entails the distribution of income to workers, which amounted to €8 billion in 2018.



A significant indicator of the Company's impact on the Italian economy is the so-called multiplier, a factor that shows the leverage effect generated by spending on purchases from local suppliers. According to estimates, €1 million spent by Poste Italiane is able to generate an impact on the economy of €6 million in terms of GDP, €1 million in tax revenues and €4 million in earned income, creating over 90 jobs.

The impacts generated by the Group's investment

Poste Italiane generates impacts along its entire value chain, both “upstream” through procurement from local suppliers, and “downstream” through investments in Italian companies. By doing so, the Company is able to sustain Italy's economic development by financially supporting local companies, as well as the State through investments in corporate and government bonds.

Supporting both public and private actors, Poste Italiane contributes to the development of the entire national economy. Even though this is unquantifiable at the moment given the need for reliable macroeconomic data that are currently unavailable, it is easy to grasp the extent of this in terms of the consequences generated for the nation's economic system. Therefore, the data presented in the previous paragraph show a prudential impact that Poste Italiane has on the national economic fabric.

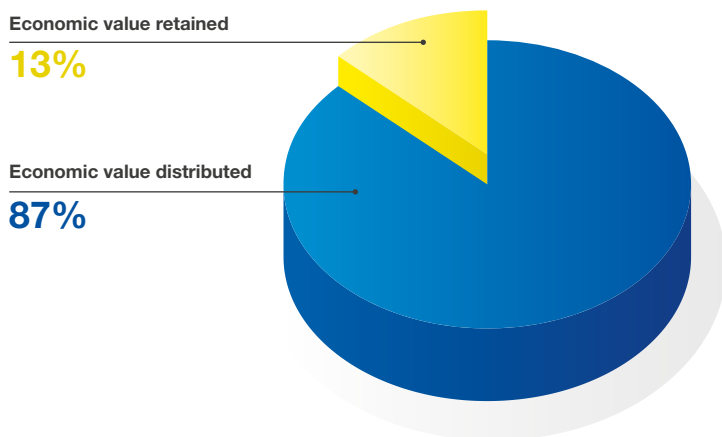
The economic value generated and distributed by the Poste Italiane Group

Poste Italiane provides information showing the quantification of the wealth produced by the Company and the related impact on the main categories of stakeholders it deals with in its business activities. The analysis, carried out in accordance with the requirements of GRI Standard 201-1, provides an overview of the economic value generated by the Company and the distribution of the value created to its stakeholders, such as suppliers, employees, investors, the Public Administration (PA) and its shareholders.

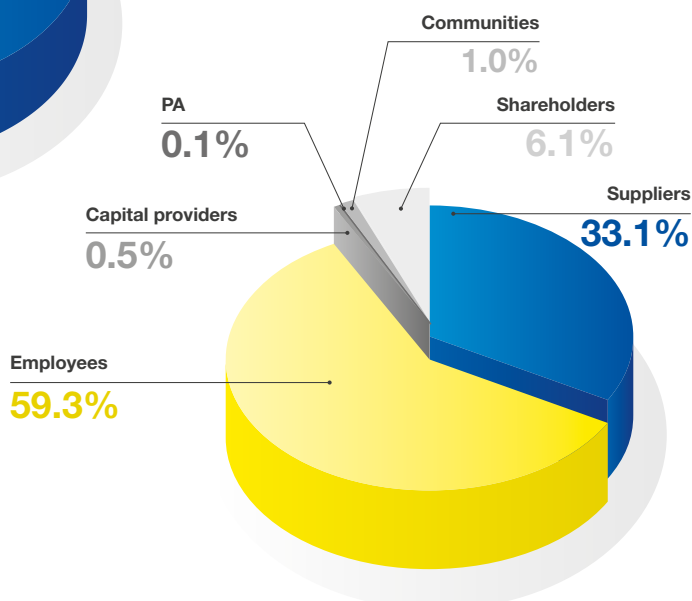
More than 87% of the wealth produced by the Company was distributed to its stakeholders. In particular, employees and suppliers are among the stakeholder categories that benefit most from the wealth produced by the Company, accounting respectively for 59% and 33% of the total value distributed.

The economic value generated in 2018 amounts to **€10.8 billion**, of which **87% was distributed** to its stakeholders

DISTRIBUTION OF ECONOMIC VALUE GENERATED



BREAKDOWN OF ECONOMIC VALUE DISTRIBUTED



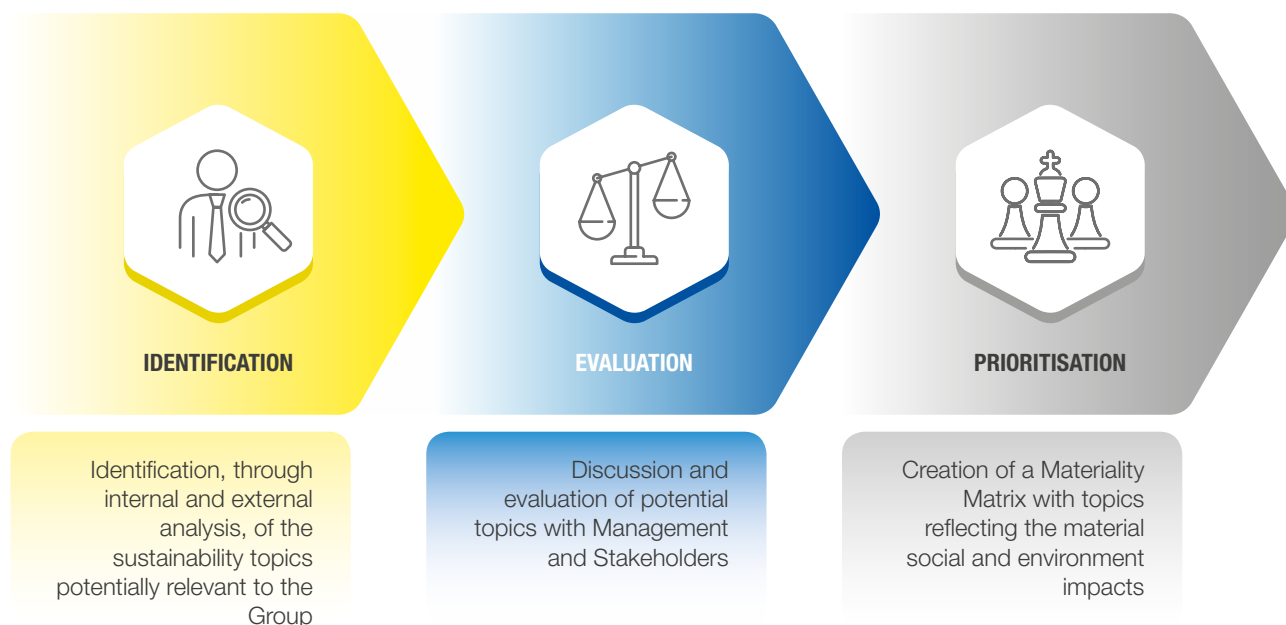
2. External environment, risks and opportunities

Material topics of Poste Italiane

NFS

Poste Italiane has adopted a “materiality analysis” process, structured in accordance with Legislative Decree 254/16 and the reporting standards adopted, for a better understanding of the non-financial topics that may entail risks and opportunities to achieve its business objectives. This process has led to the identification of the economic, social and environmental “material” topics that may have a substantial impact on the decision-making processes of the Group’s stakeholders, and which play a decisive role in defining the Group’s strategy, taking into account its structure, the reach of the network served and the diversification of the market sectors it operates in.

The process to define Poste Italiane’s material topics was divided into three main phases and carried out in accordance with the GRI Standards guidelines:



In order to identify the potentially relevant sector-related topics and to guide Poste Italiane through its materiality analysis, the Company carried out both an internal and an external analysis which included inputs from various sources, including the Group’s strategic plan and risk management model, the outcomes of stakeholder engagement activities, trend analysis of the Group’s various sectors of operation, and the views of investors.

The relevance of the topics identified was defined thanks to the direct involvement of internal and external stakeholders in specific listening and engagement initiatives. The outcomes of the activities carried out, which led to identification of the material topics and their positioning within the materiality matrix, were presented to Poste Italiane’s Audit, Risk and Sustainability Committee at a specially arranged meeting. This matrix is a revision of the version included in the Consolidated Non-financial Statement published in 2017.

Stakeholder engagement

Listening to the requirements of the main stakeholders played a key role for the Company in drawing up its sustainability strategy.

In line with the Group's identity and the principles of its Code of Ethics, building and developing relationships of trust with stakeholders is of paramount importance in the process of generating and sharing value for Poste Italiane and for stakeholders themselves, with a view to continuity and reconciliation of both parties' interests. As well as helping to affirm Poste Italiane's credibility in the social context in which it operates, this also allows consideration of the possible non-financial impacts the Company's activities may have, taking all necessary measures to prevent and minimise any negative impacts, whilst generating positive ones.

As a starting point, the Company carefully mapped the categories of stakeholder it relates with during the course of its activities, identifying those stakeholders who may affect the achievement of strategic objectives and those who may be significantly affected by them. This mapping was carried out in accordance with the international AA1000-Stakeholder Engagement Standard (SES). As a result of this activity, seven macro-categories of stakeholder were identified: shareholders and investors, local communities (trade associations, media, academia), customers (consumer associations), the Public Sector and the authorities (regulators, Fondimpresa), suppliers (business partners), personnel (Poste Italiane people, labour unions) and the environment.



The following table shows the stakeholder macro-categories identified, with a brief description of engagement and communication methods provided for each category.

POSTE ITALIANE'S STAKEHOLDER ENGAGEMENT METHODS

Stakeholder category	Principal engagement methods
Shareholders and investors	Shareholders' meetings; Corporate Governance Report; financial relations and periodic presentations; road shows and dedicated meetings; the Company's corporate website; press releases
Customers	Customer experience systems; periodic customer satisfaction surveys
Staff	Internal communication tools (intranet, newsletters, mailshots, etc.); internal and external events for staff; periodic meetings; first- and second-level bargaining; periodic staff satisfaction surveys
Suppliers and business partners	Dedicated meetings
The Public Sector and authorities	Conferences; dedicated meetings; corporate communication; periodic communications; organisation of events
Local communities	Community projects; partnerships; press releases; sponsorships; donations; dialogue with local authorities; contacts during the launch of relevant projects, publication of documents, interviews, events
The environment	Press releases; dedicated events; partnerships; collaborations; conferences

The Company is committed to ensuring structured and systematic dialogue with its stakeholders via various tools operating on a continuous basis to share ideas that may be used to create shared value. Among these, the Multi-stakeholder Forum provides an important opportunity for direct discussion between the Company and its stakeholders, thus allowing the Company to better understand the external environment and acquire key elements to consolidate the foundations of its sustainability strategy.

The annual Forum, which took place for the second time in 2018, involves plenary and dedicated group sessions during which stakeholders are asked to give their opinions and assessments regarding sustainability issues of potential relevance for Poste Italiane previously identified through internal and external analysis. Each stakeholder group is asked to share its opinion on each issue and its degree of relevance, expressed in terms of stakeholders' perception of the influence it generates in their relations with Poste Italiane.

In addition, during the specific sessions, the various stakeholder groups are asked to select among the sustainability issues those they would prioritize, to provide the reasons that motivated their choice to the other participants, with a view to sharing possible development scenarios that may affect Poste Italiane's management of the selected issues.

The observations that emerged during the 2018 Multi-stakeholder Forum

Thanks to the listening activities described above, Poste Italiane was able to get a clear idea of external parties' needs with respect to its operations, and of available possibilities to create social and environmental benefits by taking advantage of their operational capabilities. The issues most discussed during the working sessions and the main observations of the stakeholders involved in the engagement process include the following.

Customer focus. The importance of customer focus for a company like Poste was confirmed. This may be achieved through the organisation of loyalty initiatives, dedicated to a wide range of users and aimed at maintaining trust in the Company and its reputation.

Paying attention to staff. The role of employees was discussed in the context of issues relating to the promotion of corporate welfare and occupational health and safety, which is a key priority for Poste Italiane given that the Company employs more than 134,000 people. The Forum gave rise to some insights regarding the adoption of good health and safety practices, which are not limited to the workplace and may also be extended to the private sphere and, therefore, to the entire social fabric.

Safeguarding diversity. The participants recognised Poste Italiane's role as a cultural promoter regarding diversity issues, and appreciated the Company's virtuous model in this area. Stakeholders stressed the need to extend non-discriminatory principles and behaviours to all discrimination factors, by incorporating as many elements of diversity as possible into their models and policies regarding the safeguarding of diversity and human rights. In addition, participants encouraged the Company to deliver more training activities on diversity issues and to ensure alignment to relevant international guidelines and conventions in its practices.

Service Quality. The stakeholders focused on improving the efficiency of services management, especially the public services offered by Poste Italiane. In this respect, attention was also paid to the importance of proper cyber security risk management.

Social role in local communities. The importance of this issue is justified by the many roles Poste Italiane plays in local communities as an economic and social actor. In particular, the participants encouraged the Company to continue its aggregation and socialisation initiatives for the benefit of the social fabric, emphasising their appreciation of Poste Italiane's constant dialogue with local authorities and third sector organisations.

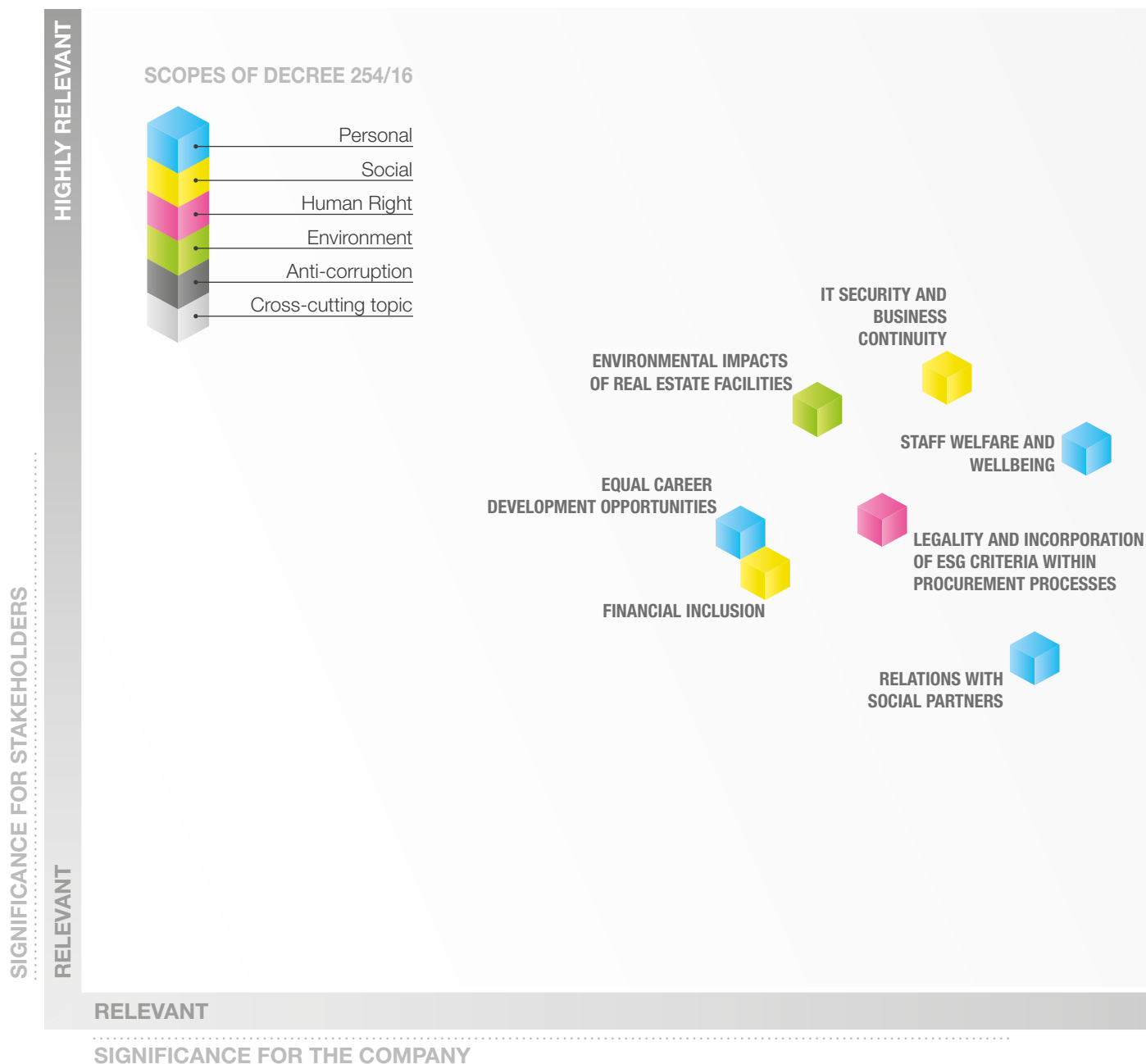
Reduction of environmental impact. With particular reference to waste management, participants recommended the Company adopts tailor-made measures for specific business activities, especially those that enable more efficient optimisation of waste management.

Incorporation of ESG criteria into the Company's businesses. This issue was dealt with in a cross-cutting way in comparison to the many sustainability issues taken into consideration during the Forum, and particularly regarded the Company's two core businesses: investment and insurance services. Stakeholders believe that taking on a proactive role in this area is an effective competitive advantage tool that requires specific skills for incorporating ESG criteria within the Company's core business and ongoing relations with other companies.

The materiality matrix

The following materiality matrix provides a graphic representation of the most relevant issues to the Company, with the exception of topics “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.

POSTE ITALIANE GROUP'S MATERIALITY MATRIX



The topics reported are key to understand the Company's business activities, their performances and their economic, social and environmental impacts.

The impacts relating to the material topics identified are entirely generated by the organisation, with the exception of the "environmental impacts of logistics" and "occupational health and safety" topics, which also derive from the activities of suppliers who work on a significant portion of the Group's operations on behalf of Poste Italiane.



HIGHLY RELEVANT

DESCRIPTION OF MATERIAL TOPICS

Material topics	What this means for Poste Italiane
Integrity and transparency	Prepare appropriate internal control measures and spread a corporate culture within the organisation based on integrity, professional ethics and honesty in order to build trusting relationships with its stakeholders and conduct its activities correctly and transparently in every single operation, especially in combating active and passive corruption.
Quality and customer experience	Respect implementation deadlines and procedures for activities (level of service and performance) and provide customers with a quality experience that goes beyond making use of a traditional product or service. In addition, build a relationship of trust by activating customer engagement channels to be always informed on customers' expectations, needs and satisfaction regarding products and services offered, and the correct management of complaints.
Staff training and development	Guarantee our staff ongoing development of their knowledge and skills and the opportunity to reach their full potential through training courses aimed at ensuring growth and strengthening of know-how in line with the needs they and the market have expressed, also with a view to better managing business and organisational changes.
Support for the socio-economic development of local communities	Contribute to Italy's socio-economic wellbeing through direct, indirect and induced impacts in local areas (e.g. in terms of GDP and employment), and initiate or support social activities that respond to the needs expressed by society, including those identified through dialogue and collaboration with the third sector.
Dialogue and transparency in relations with the authorities	Promote systematic and transparent dialogue with national and local authorities, based on a quest for shared solutions that enables responding to communities' social needs, positively affecting the social fabric in the areas in which the Company operates and, at the same time, increasing competitiveness and business continuity.
Occupational health and safety	Safeguard our people's health, safety and psychophysical integrity, also in terms of workplace quality, and foster the development of a robust in-company culture in compliance with the highest national and international standards in this regard.
Environmental impacts of logistics	Monitor the environmental impacts of logistics activities and promote a process of change aimed at safeguarding the environment by adopting lower-impact solutions regarding the provision of postal and logistics services, including: the use of hybrid/electric vehicles, rationalisation of distances travelled, correct waste management, and development of recharging infrastructure for customers' vehicles.
Integration of ESG factors into investment policies	Incorporate ESG aspects within the investment process in order to better manage non-financial risks and consider new investment opportunities that also support sustainable development and a low-carbon future.
Integration of ESG factors into insurance policies	Incorporate ESG aspects within insurance policies, insurance product development strategies and customer communications.
Innovation and digitisation of products, services and processes	Contribute to the modernisation of Italy and digital and technological evolution through the development of new products and services and the adoption of digital technologies to be incorporated into products, services and business processes, in order to be ready to respond to changes in scenario, new customer needs and opportunities offered by social and environmental changes.
Protection of human rights	Guarantee the protection of human rights and the promotion of non-discriminatory behaviours within the Group, including through compliance with recognised standards, incorporation of the risk of violation within the Group's risk assessment model, and valorisation of diversity elements (in terms of differences in age, gender, knowledge and experience) which foster the development of a "corporate culture" and a response to new challenges and market opportunities.
Staff welfare and wellbeing	Provide staff with modern, flexible working tools and models that respond to specific personal needs and ensure work-life balance (e.g. agile working initiatives, improved maternity and paternity arrangements, the provision of benefits in the field of healthcare, etc.).
Relations with social partners	Consider dialogue with staff and labour union representatives as essential in finding shared solutions relating to issues that can have significant impacts on the organisation, the business and above all human capital, a vital corporate asset for the Company.
IT security and business continuity	Guarantee the privacy of customers data, protect intellectual property and provide an effective management system for IT security and cyber security in order to ensure business continuity, protect the information assets of the Company, customers and other stakeholders, and the security of transactions.
Legality and incorporation of ESG criteria within procurement processes	Procurement processes based on pre-contractual and contractual behaviours aimed at achieving complete respect of legality and transparency, and adoption of selection, assessment and monitoring criteria to measure the social and environmental performance of suppliers, in order to guarantee high levels of functionality and quality for supplies and mitigate ESG risks.
Environmental impacts of real estate facilities	Spread a culture of respect for the environment and adopt concrete solutions for the efficient management of energy resources, water resources and waste, from a circular economy standpoint. For example, procurement of renewable energy, installation of renewable energy production plants, building efficiency projects, organisation of separate waste collection, etc.
Financial inclusion	Extend the financial products and services offering to traditionally excluded categories, in order to guarantee access to services that are essential for economic livelihoods, and make the customer purchasing experience more aware via financial education initiatives, especially with regard to savings, investment, payments, pensions and insurance.
Equal career development opportunities	Ensure equal opportunities in the development of individual careers, by promoting career development paths for all employees regardless of their personal characteristics (age, gender, sexual orientation, disability, ethnic origin, nationality, political opinions and religious beliefs) in accordance with the principles of impartiality and non-discrimination.

With a view to continually incorporating sustainability aspects into the Company's strategy and organisation, each material topic was also analysed, by determining the possible emergence of associated risks, the stakeholders potentially involved, the potential impact on stakeholders and Poste Italiane, and the main management methods implemented by the Company.

NON-FINANCIAL RISKS ASSOCIATED WITH MATERIAL TOPICS AND MANAGEMENT METHODS

TOPIC	RISK EVENTS	STAKEHOLDERS	POTENTIAL IMPACT ON POSTE ITALIANE	POTENTIAL IMPACT ON STAKEHOLDERS	MAIN MANAGEMENT METHODS
Integrity and transparency	Behaviours adverse to proper business management standards	Staff; suppliers and business partners; financial community; customers Independent regulatory and/or supervisory authorities	<ul style="list-style-type: none"> ■ Strategic ■ Reputational ■ Non-compliance with regulations 	<ul style="list-style-type: none"> ■ Economic 	<ul style="list-style-type: none"> ■ Strengthening of Company initiatives regarding specific issues (e.g. anti-corruption, the environment, ISO 37001, etc.)
Quality and customer experience	Deterioration in the levels of quality provided and increases in the number of complaints	Customers; independent regulatory and/or supervisory authorities; financial community	<ul style="list-style-type: none"> ■ Economic ■ Strategic ■ Reputational ■ Operational 	<ul style="list-style-type: none"> ■ Quality of service ■ Economic 	<ul style="list-style-type: none"> ■ Strengthening of Company initiatives regarding specific issues (e.g. quality) ■ Improvement of products and services ■ Development of customer assistance model ■ Complaints management
Staff training and development	Inadequate staff quality	Customers; our Poste Italiane people	<ul style="list-style-type: none"> ■ Strategic 	<ul style="list-style-type: none"> ■ Human rights 	<ul style="list-style-type: none"> ■ Strengthening of annual training plan ■ Promotion of communication, training and information initiatives to increase engagement
Support for the socio-economic development of local communities	Tensions with local communities due to redefinition of the business model	Local authorities	<ul style="list-style-type: none"> ■ Strategic ■ Reputational 	<ul style="list-style-type: none"> ■ Quality of service ■ Economic 	<ul style="list-style-type: none"> ■ Constant structured dialogue with bodies and authorities and agreed local community engagement initiatives
Dialogue and transparency in relations with the authorities	Failure to take into account authorities' expectations	Independent regulatory and/or supervisory authorities; European and international authorities; national authorities; consumer and trade associations	<ul style="list-style-type: none"> ■ Strategic ■ Reputational 	<ul style="list-style-type: none"> ■ Economic 	<ul style="list-style-type: none"> ■ Constant structured dialogue with bodies and authorities and agreed local community engagement initiatives
Occupational health and safety	Accidents / workplace injuries involving employees or contractors	Our Poste Italiane people	<ul style="list-style-type: none"> ■ Economic ■ Strategic ■ Reputational ■ Operational 	<ul style="list-style-type: none"> ■ Health and safety 	<ul style="list-style-type: none"> ■ Analysis and optimisation of occupational health and safety organisational models ■ Extension of production models to operational sites (e.g. lean manufacturing) ■ Support for the implementation and certification of OSMs in the production units of Poste Italiane SpA and other Group companies
Environmental impacts of logistics	Environmental externalities of logistics activities (e.g. production of polluting emissions)	Suppliers and business partners; the environment	<ul style="list-style-type: none"> ■ ESG 	<ul style="list-style-type: none"> ■ Health and safety 	<ul style="list-style-type: none"> ■ Making the Postal, Communications and Logistics fleet "green", partly with the aim of increasing load capacity ■ Redesign and development of the delivery network (e.g. increase in the number of afternoon delivery lines, introduction of deliveries to lockers, post offices and third-party networks)
Integration of ESG factors into investment policies	Lack of perception of the overall risk of operations and loss of business opportunities	Financial community; customers	<ul style="list-style-type: none"> ■ Financial and insurance ■ ESG 	<ul style="list-style-type: none"> ■ Economic ■ Human rights 	<ul style="list-style-type: none"> ■ Management of risks and opportunities relating to ESG factors within traditional investment processes

TOPIC	RISK EVENTS	STAKEHOLDERS	POTENTIAL IMPACT ON POSTE ITALIANE	POTENTIAL IMPACT ON STAKEHOLDERS	MAIN MANAGEMENT METHODS
Integration of ESG factors into insurance policies	Lack of perception of the overall risk of operations and loss of business opportunities	Financial community; customers	<ul style="list-style-type: none"> Financial and insurance ESG 	<ul style="list-style-type: none"> Economic Human rights 	<ul style="list-style-type: none"> Management of risks and opportunities relating to ESG factors within traditional insurance processes
Innovation and digitisation of products, services and processes	Insufficient innovation capacity in multi-channel, customer experience and digital areas	Financial community; customers	<ul style="list-style-type: none"> Strategic 	<ul style="list-style-type: none"> Quality of service Economic 	<ul style="list-style-type: none"> Specific organisational responsibility for digital development Launch of "digital" initiatives (e.g. "DilloaPosteitaliane" web panel platform)
Protection of human rights	Possible discrimination against Poste Italiane employees (e.g. gender, age, political or sexual orientation, marital status, etc.)	Our Poste Italiane people	<ul style="list-style-type: none"> Strategic Reputational ESG 	<ul style="list-style-type: none"> Human rights 	<ul style="list-style-type: none"> Introduction of oversight measures for the protection of human rights
Staff welfare and wellbeing	Inadequate planning and/or implementation of staff welfare and wellbeing programmes	Our Poste Italiane people	<ul style="list-style-type: none"> Strategic ESG 	<ul style="list-style-type: none"> Health and safety Quality of life, wellbeing 	<ul style="list-style-type: none"> Identification of possible training initiatives to create "culture" for all staff Staff engagement programmes (e.g. "employee engagement programme", activation of a welfare platform, an absenteeism competence centre, etc.) Incentivisation of the use of remote working tools
Relations with social partners	Labour union disputes	Labour unions; non-recognised workers' organisations; financial community	<ul style="list-style-type: none"> Economic Strategic Operational Reputational 	<ul style="list-style-type: none"> Economic Health and safety Human rights Quality of life, wellbeing 	<ul style="list-style-type: none"> Implementation of restructuring projects in compliance with the regulatory framework (National Collective Labour Contract and laws), which is characterised by governable social impacts Management of staff in line with legal requirements, policies and Company procedures
IT security and business continuity	Increase in malfunctions relating to technological infrastructure	Our Poste Italiane people; the media	<ul style="list-style-type: none"> Economic Strategic Reputational 	<ul style="list-style-type: none"> Quality of service Economic 	<ul style="list-style-type: none"> Personal data protection, cyber security and business continuity actions
Legality and incorporation of ESG within the procurement process	Behaviour of suppliers not in line with Poste Italiane's sustainability policies	Suppliers and business partners	<ul style="list-style-type: none"> Strategic Operational Reputational ESG 	<ul style="list-style-type: none"> Health and safety Human rights 	<ul style="list-style-type: none"> Passive cycle digitisation Centralisation of Group companies' procurement activities within a corporate function Supplier Qualification Committee
Environmental impacts of real estate facilities	Increased emissions from real estate management (e.g. energy management, waste management, etc.)	The environment; our Poste Italiane people	<ul style="list-style-type: none"> Economic Strategic Reputational ESG 	<ul style="list-style-type: none"> Health and safety 	<ul style="list-style-type: none"> Adoption of energy efficiency solutions for real estate assets and use of renewables
Financial inclusion	Insufficient consideration regarding access to financial services by specific customer categories (e.g. the elderly, foreigners, etc.)	Financial community; customers	<ul style="list-style-type: none"> Strategic ESG 	<ul style="list-style-type: none"> Economic 	<ul style="list-style-type: none"> Incorporation of ESG criteria within the operations assessment process Constant structured dialogue with bodies and authorities and agreed local community engagement initiatives Structured dialogue with consumer associations

TOPIC	RISK EVENTS	STAKEHOLDERS	POTENTIAL IMPACT ON POSTE ITALIANE	POTENTIAL IMPACT ON STAKEHOLDERS	MAIN MANAGEMENT METHODS
Equal career development opportunities	Lack of transparency in communication and application of objective drivers in employees' career paths	Our Poste Italiane people	<ul style="list-style-type: none"> ■ Strategic ■ Reputational 	<ul style="list-style-type: none"> ■ Human rights ■ Quality of life, wellbeing 	<ul style="list-style-type: none"> ■ Introduction of oversight measures for the protection of human rights

As part of the sustainability development path, a methodology for assessing ESG issues was applied, with reference to the identification, assessment, management and monitoring of the two main risks connected with "climate change" and "human rights". This led to:

- definition of ESG impact and probability metrics relating to climate change and human rights;
- revision of the risk model with inclusion of the ESG category;
- pre-mapping of ESG issues relating to climate change and human rights, including by examining the catalogue of corporate risks already identified in other areas;
- identification and assessment of risks relating to climate change and human rights, and accompanying information (e.g. causes, consequences, etc.);
- incorporation of sustainability indicators into monitoring and reporting activities.

Poste Italiane's commitment to ensuring respect for human rights - promoted in the context of its own activities as well as in the context of activities entrusted to third parties or conducted with partners - is enshrined in the "Group policy for the protection of human rights", which illustrates the Group-wide structured approach in the protection of human rights. In addition to defining the monitoring and management principles of risks and opportunities relating to all forms of human rights through systematic application at every organisational and functional level within the Company, the Policy also includes Poste Italiane's commitment to pursuing socially responsible investment and management activities.

In this regard, the Group's risk management model provides for identification of corporate activities and organisational areas in which a human rights violation risk might occur, by applying risk assessment procedures. In particular, the risks associated with human rights³ have been identified and analysed by considering various drivers - in relation to Poste Italiane (employees) and third parties (suppliers, sub-suppliers, customers, local communities, the financial community) - which are shown below. In addition, Poste Italiane provides for specific mitigation measures to respond to the risks identified and associated with each driver.

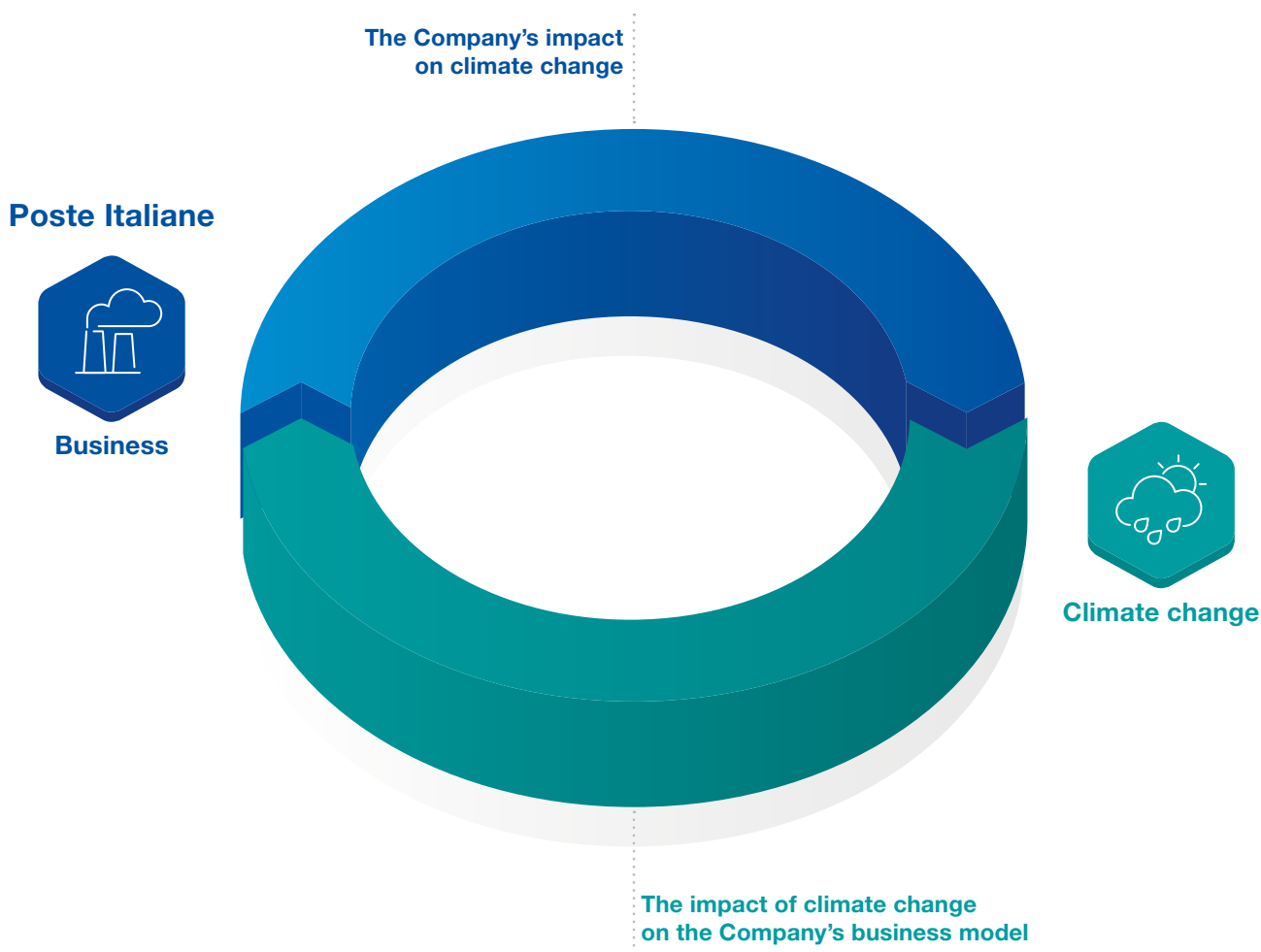
3. Risks that might have an impact on respect for human rights; these are intrinsic to all human beings, regardless of their nationality, residence, gender, nationality or ethnic origin, colour, religion, language or any other status.

DRIVERS AND ACTIONS ASSOCIATED WITH "HUMAN RIGHTS" RISKS

RISK DRIVERS	MAIN MANAGEMENT METHODS
1. Dignity and respect	<ul style="list-style-type: none"> ■ Group Code of Ethics ■ 231 Model ■ Whistleblowing guidelines ■ Whistleblowing portal
2. Freedom of association and protection of the right to organise	<ul style="list-style-type: none"> ■ Constant preventive dialogue with social partners ■ Dissemination of national agreements at local level
3. Freedom of association and collective bargaining	<ul style="list-style-type: none"> ■ Study and monitoring of regulatory and doctrinal developments in the field of labour law
4. Discrimination	<ul style="list-style-type: none"> ■ Group Code of Ethics ■ Equal opportunities initiatives (e.g. percentage of women in positions of responsibility) ■ Initiatives to protect workers (e.g. violence against women)
5. Salary conditions and working hours	<ul style="list-style-type: none"> ■ Signing of new employment contract which provides for remuneration negotiated with the labour unions and uniform conditions for all workers ■ Supplementary pension schemes ■ Welfare platform ■ Group Code of Ethics ■ Incentive and reward schemes ■ Due diligence regarding suppliers ■ Social policies ■ In addition to the ethical and social principles set out in the Code of Ethics, formal acceptance of anti-corruption and human rights principles by the Group's suppliers, subcontractors and partners
6. Training	<ul style="list-style-type: none"> ■ Training initiatives and individual training plans for Poste Italiane employees, regarding both processes and products ■ Training and skills development courses, processes and services ■ Gathering feedback from training sessions to optimise the offering ■ Promotion of communication, training and information initiatives to increase engagement
7. Occupational health and safety	<ul style="list-style-type: none"> ■ Occupational health and safety and environmental competence and responsibility plans ■ Communication plan and actions ■ Dissemination and updating of knowledge/techniques and regulations as well as behavioural standards ■ Monitoring of accidents and analysis of their causes ■ Specific audits at suppliers' premises to verify the conditions declared in the contract ■ Development of occupational health and safety supervision (achievement of 18001 certification, implementation of the "Integrated Management System", etc.) ■ Health and Safety portal for the management of occupational health and safety issues, as well as references to the main new legislation and case law regarding this matter
8. Data protection	<ul style="list-style-type: none"> ■ Consent management ■ Compliance relating to application of the General Data Protection Regulation (GDPR) and personal data protection legislation ■ Actions in the area of personal data protection (e.g. personal data protection assessment, adaptation plan for European Privacy Seal certification, etc.) ■ Communication with the Italian Data Protection Authority in order to provide information and clarifications ■ Definition and standardisation of contractual requirements for compliance with data protection regulations

Regarding environmental issues, as a nationwide actor Poste Italiane Group recognises that creation of value for all its stakeholders and affirmation of its role as the largest Italian company in the services sector, must go hand in hand with the long-term environmental sustainability of its activities. Therefore, Poste Italiane has the responsibility to commit to playing a distinctive role in the creation of sustainable value for the local communities it operates in, of which environmental protection and paying attention to climate change are key dimensions.

Climate change threatens the basic aspects of people's lives around the world, such as access to water, food, care, land use and natural resources. However, also on the business front, it is important to identify the potential economic impacts arising from climate change.



Therefore, Poste Italiane Group has adopted an "Group policy on Environmental Sustainability" and - reinforcing what has already been stated in the Code of Ethics - undertakes to prevent, manage and, where possible, reduce the direct and indirect environmental impacts generated by its activities, as well as to take environmental impacts into account in the development of products and services (including investment and insurance products, etc.) and to turn the concern about climate change into opportunities and significant mitigation initiatives. The commitment is to promote responsible resource management in order to reduce the Group's ecological footprint and to assess the impact of its economic activity on the environment from a circular economy standpoint.

In this regard, Poste Italiane has provided for identification of corporate activities and organisational areas in which climate change risks might occur. In particular, the risks associated with climate change⁴ have been identified and analysed by considering various drivers - attributable to two macro-areas (transition risks and physical risks) - which are illustrated below. In addition, Poste Italiane provides for specific mitigation measures to respond to the risks identified and associated with each driver.

4. The risks associated with climate change (e.g. extreme weather events, rising temperatures, sea level rise, etc.) that have an impact on Poste Italiane's businesses (indirect impact), as well as the risks associated with Poste Italiane's activities and operations that affect climate change (direct impact).

DRIVERS AND ACTIONS ASSOCIATED WITH CLIMATE CHANGE RISKS

	RISK DRIVERS	MAIN RISK MANAGEMENT ACTIONS AND TOOLS
Transition risks	1. Regulatory developments	<ul style="list-style-type: none"> ■ Constant preventive monitoring of possible changes to regulations ■ Collaboration with policy makers to represent the need for clear and stable regulations ■ Participation in specific training courses and workshops
	2. Technological developments	<ul style="list-style-type: none"> ■ Investment in new low-emission technologies (e.g. green fleet, installation of recharging points at Poste Italiane sites to power the electric vehicle fleet, installation of LED lighting) ■ Development and dissemination of the digitisation process - regarding processes and procedures as well as products and services - to help reduce pressures on the environment
	3. Market scenario	<ul style="list-style-type: none"> ■ Development of existing products and services with alternatives that take ESG criteria into account (e.g. investment, insurance) ■ Products and services offering that incorporates high ethical standards and environmental criteria (e.g. development of insurance solutions that, on the one hand, encourage the adoption of sustainable and responsible behaviours by policyholders and, on the other, help to mitigate ESG risks) ■ Investment in sectors that contribute to the Sustainable Development Goals (SDGs), which are disseminated at international level by the United Nations (e.g. investment in bonds classified as "Green", "Social" and "Sustainable" in line with the standards and principles defined by the International Capital Market Association). ■ Use of energy sources that do not use fossil fuels (e.g. solar energy from photovoltaic panels on buildings) ■ Reduction of energy consumption (e.g. replacement of neon lamps and use of LEDs), in order to cope with potential sudden changes in energy prices
	4. Reputation	<ul style="list-style-type: none"> ■ Monitoring of reputational risks via management tools ■ Dialogue with investors and analysts, with a focus on climate change issues ■ Participation in climate-related working groups and initiatives, partly with a view to defining sectoral benchmarks and/or helping to draw up guidelines ■ Investment in data transparency and accuracy ■ Dialogue and collaboration with national and international bodies and associations regarding the definition and adoption of models, policies and strategies aimed at combating climate change
Physical risks	5. Extreme weather conditions	<ul style="list-style-type: none"> ■ Adoption of business continuity plans ■ Taking action to prevent physical damage to structures ■ Dialogue with local institutions (e.g. Civil Protection, Civil Defence) regarding coordination of emergency and rehabilitation activities ■ Communication with the responsible organisations and with international protection and defence bodies (e.g. participation in drills or other initiatives, etc.)

3. Strategy and business model

Incorporating sustainability within Poste Italiane's Strategy

NFS

To be sustainable for Poste Italiane means defining a clear strategy on ESG issues and structurally incorporating them within the strategic objectives set in the "Deliver 2022 Plan"⁵. Over the period of the plan, the Company has envisaged €2.8 billion of investment in strategic assets, in order to achieve financial objectives based on realistic assumptions, with limited execution risk.

DELIVER 2022 STRATEGIC PLAN



Mail, parcels and distribution

The Mail, Parcels and Distribution segment has been reorganised to serve the growth of e-commerce. In order to increase the market share of Parcel delivery, the Company reached an agreement with labour unions regarding an innovative delivery operating model ("Joint Delivery Model"), which provides for afternoon and weekend deliveries. Furthermore, the partnership signed with Amazon in June 2018 marks another fundamental step in the implementation of the plan. Finally, investments will be made in new sorting and automation technologies to support the development of the division. In this context, Poste Italiane has also signed a framework collaboration agreement with the Italian Tobacconists' Federation, which provides for tobacconists operating as pick-up points for mail and parcels.

FINANCIAL OBJECTIVES

- Revenue: €3.5 billion (2017: €3.6 billion), with an increase in revenue from the Parcels segment, and easing of the decline in the Mail segment.
- Parcels segment: €1.2 billion (2017: €0.7 billion).
- EBIT: operating break-even expected (down €0.1 billion).

OPERATING OBJECTIVES

- Implementation of the new delivery operating model.
- Parcels delivered by postmen and women: over 100 million (2017: 35 million).
- B2C parcels market share: 40% (2017: 30%).
- CAPEX to support the transformation: approximately €0.5 billion in the period 2018-2022.



Payments, mobile and digital

From October 2018, the Payments, Mobile and Digital segment, together with PostePay, has been authorised by the Bank of Italy to operate as an Electronic Money Institution in line with the Plan's objectives. Operating as an internal fintech, it will enable full advantage to be taken of the growing convergence between market segments. This division will also serve as a competence centre for the implementation of the Group's digital strategy.

FINANCIAL OBJECTIVES

- Revenue: €0.8 billion (2017: €0.6 billion).
- Payment card revenue: €0.4 billion (2017: €0.2 billion).
- EBITDA: €0.2 billion (2017: €0.2 billion), with CAGR of 1%.

OPERATING OBJECTIVES

- Total expected PostePay portfolio of 18.3 million cards issued.
- Expected card transactions as CAGR up 12%, to reach €1.6 billion.

5. The financial and operating objectives shown in the tables refer to 2022.



Financial services

Regarding Financial Services, the model focuses on the distribution of third-party products without credit risk, controlled by a distribution platform. The model aims at promoting sustainable growth, through a more efficient allocation of capital and a wider range of products. Important steps in the implementation of the Plan include the renewal of the postal savings agreement signed at the end of 2017 with Cassa Depositi e Prestiti, the three-year distribution agreement signed in April 2018 with Intesa Sanpaolo, the agreement with Unicredit regarding the distribution of loans, and reaching in March 2018 a series of agreements with the Anima Group regarding closer cooperation for savings management services.

FINANCIAL OBJECTIVES

- Revenue: €4.9 billion (2017: €5.0 billion), maintaining stable turnover and, at the same time, reducing the importance of capital gains (down to zero in 2022, from over €0.5 billion in 2017).
- EBIT: €0.7 billion (2017: €0.6 billion).
- Common Equity Tier 1 Capital: 19%.

OPERATING OBJECTIVES

- Total financial assets: a rise to €581 billion from €506 billion in 2017, in line with market growth and increased penetration of life products and mutual funds.
- Customers followed by a dedicated consultant: 45-55% (2017: 7%).



Insurance services

In its Insurance Services, Poste Italiane aims to maintain its leadership in the life sector by rebalancing its customer portfolios and shifting from traditional life policies to unit-linked products. The objective is also to achieve significant growth in non-life insurance and private pension plans.

FINANCIAL OBJECTIVES

- Revenue: €1.9 billion (2017: €1.5 billion).
- EBIT: €0.9 billion (2017: €0.8 billion).
- Net profit: 4% CAGR in the period 2017-2022.
- Solvency ratio: 203%.

OPERATING OBJECTIVES

- Gross premium revenue: €20.7 billion (2017: €20.3 billion).
- Distribution of non-life policies: over 2 million new contracts per year (2017: 0.4 million) as a result of a distribution model that completes the insurance product offering.

The need to adopt a sustainable approach is even clearer in the current context where the social and environmental impacts of activities carried out are increasingly evident and extend beyond local borders. Against this backdrop, Poste Italiane intends to develop its own sustainability initiatives in order to support and move forward the Sustainable Development Goals, by structurally incorporating elements of sustainability within corporate policies, processes and long-term strategy. The starting point for the success and effectiveness of this ambition is the process undertaken which - through the involvement of all organisational areas and listening to stakeholders - enables identification and review of strategic guidelines for the management of non-financial issues, with a view to achieving continuous improvement.

The importance that Poste Italiane attaches to these issues is borne out by the 2019 incentive scheme, which provides for the assignment of a sustainability goal - in addition to the objectives traditionally assigned to the Chief Executive Officer and General Manager - to all key management personnel, the Head of BancoPosta, the Head of Internal Auditing and the heads of the various functions. Moreover, sustainability objectives are monitored monthly using the Balanced Score Card (BSC) tool, and analysed as part of the Group's risk management process using a specific Group GRC (Governance, Risk & Compliance) platform.

Poste Italiane's Sustainability Strategy

The Group's sustainability strategy involves a system of sustainability policies and an ESG Strategic Plan in line with the Group's business strategy and ambitions, and with national and international social and environmental development targets.

General principles, qualitative objectives and management methods are incorporated within Group policies that govern the topics identified in the materiality analysis and the areas required by Legislative Decree 254/2016, while specific objectives and targets - quantitative and qualitative - are contained in the ESG Strategic Plan.

The Group's Sustainability Policies

The incorporation of sustainability within the Company's regulatory system has led to the definition of the following policies.

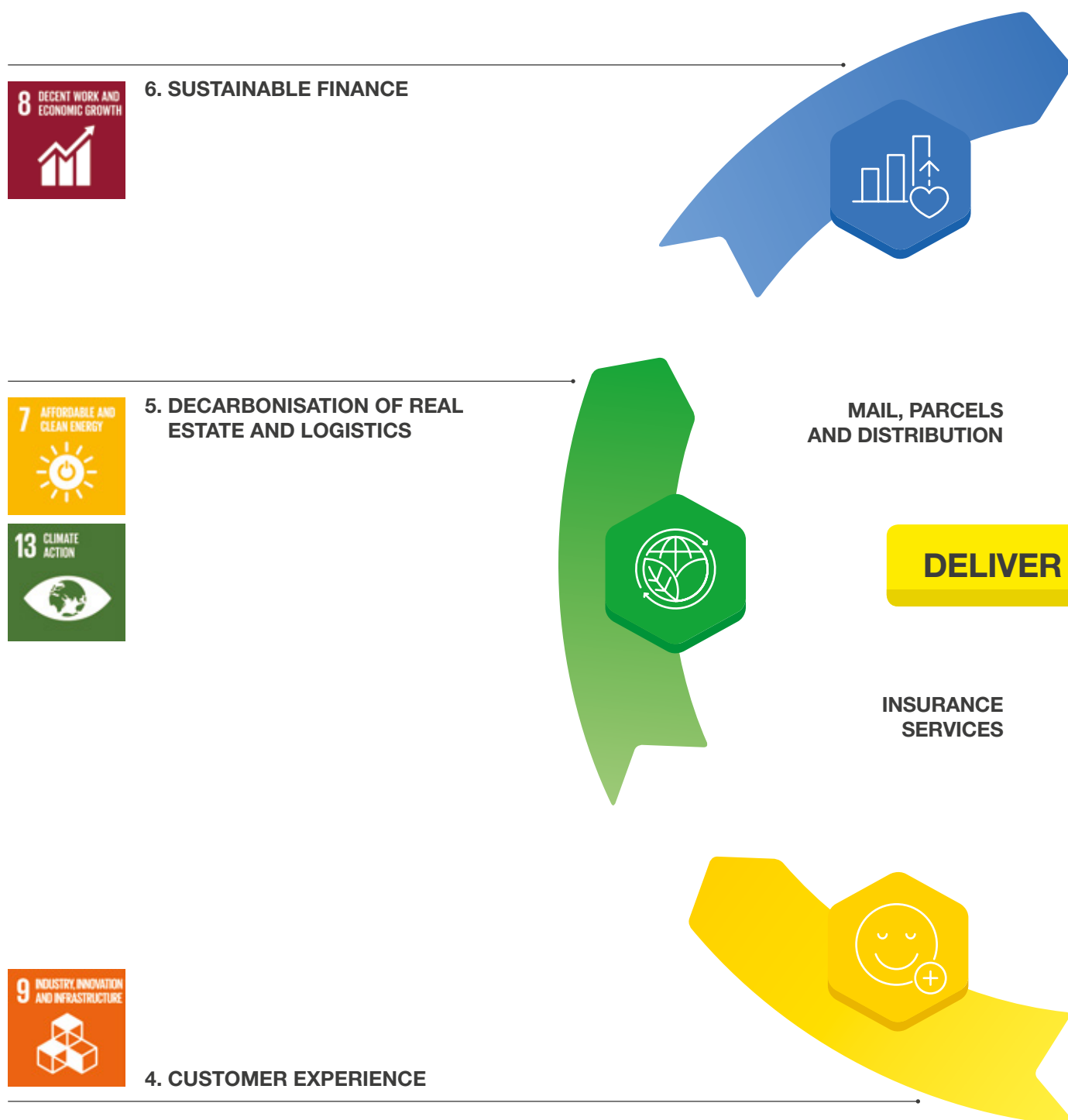
SUSTAINABILITY POLICIES ADOPTED BY POSTE ITALIANE

POSTE ITALIANE GROUP POLICIES	POLICY OBJECTIVES
Integrated Policy	The policy contains a commitment to promptly comply with current regulations and general principles to be observed in the areas of quality management (UNI EN ISO 9001:2015), occupational health and safety (BS OHSAS 18001:2007), prevention of corruption (ISO 37001:2016), and management of data security and information systems (ISO/IEC 27001:2013 and ISO/IEC 20000:2011 respectively).
Tax Strategy	The strategy is arranged as a set of principles and rules aimed at promoting dissemination of the values of honesty, fairness and compliance with tax regulations, thereby encouraging the development of collaborative and transparent conduct towards the tax authorities and third parties, in order to minimise any substantial impact in terms of either tax or reputational risk.
Diversity Policy of Poste Italiane's administrative and control bodies	The document sets out recommendations regarding aspects of diversity of the members of the Board of Directors and of the Board of Statutory Auditors, such as age, gender, ethnicity, geographical origin, training and professional experience.
Group policy for the protection of human rights	The policy sets out a clear approach to the issue of human rights, which is broader than legal requirements and enables monitoring and management of risks and opportunities relating to all forms of human rights, and also confirms the Group's commitment to pursuing socially responsible investment and management activities.
Group policy on occupational health and safety	The policy sets out the principles and methods implemented by the Group to protect and promote the physical and mental wellbeing of people through prevention, a culture of safety and implementation of management systems.
Group policy on community initiatives	The policy contains a commitment to respond to the social needs of local communities and the country as a whole with integrity and transparency, in accordance with procedures that aim to ensure the effectiveness of supported initiatives, while avoiding any potential conflict of interest.
Group policy on environmental sustainability	The policy sets out the general principles, objectives and methods for managing the Group's environmental impact and confirms Poste Italiane's commitment to promoting efficient use of natural resources and focusing on seeking innovative solutions to protect the environment in its value chain.
Responsible investment policy of the Poste Vita Group	In its responsible investment policy, Poste Vita sets out principles that enable inclusion of ESG elements in the management of its investment activities, making a positive contribution to the impact issuers in its financial portfolios have on the community, and concrete adherence to principles and guidelines recognised at national and international level regarding the incorporation of sustainability criteria within traditional investment processes.
Responsible insurance policy of the Poste Vita Group	In its responsible insurance policy, Poste Vita defines principles that enable inclusion of ESG aspects in the management of its insurance activities, and concrete adherence to principles and guidelines recognised at national and international level regarding the incorporation of sustainability criteria within traditional insurance processes.
BancoPosta Fondi SpA's SGR responsible investment policy	In its responsible investment policy, BancoPosta Fondi SGR sets out principles that enable inclusion of ESG elements in the management of its investment activities, making a positive contribution to the impact counterparties in its financial portfolios have on the community, and concrete adherence to recognised principles and guidelines.

The Group's Environmental Social and Governance (ESG) Strategic Plan

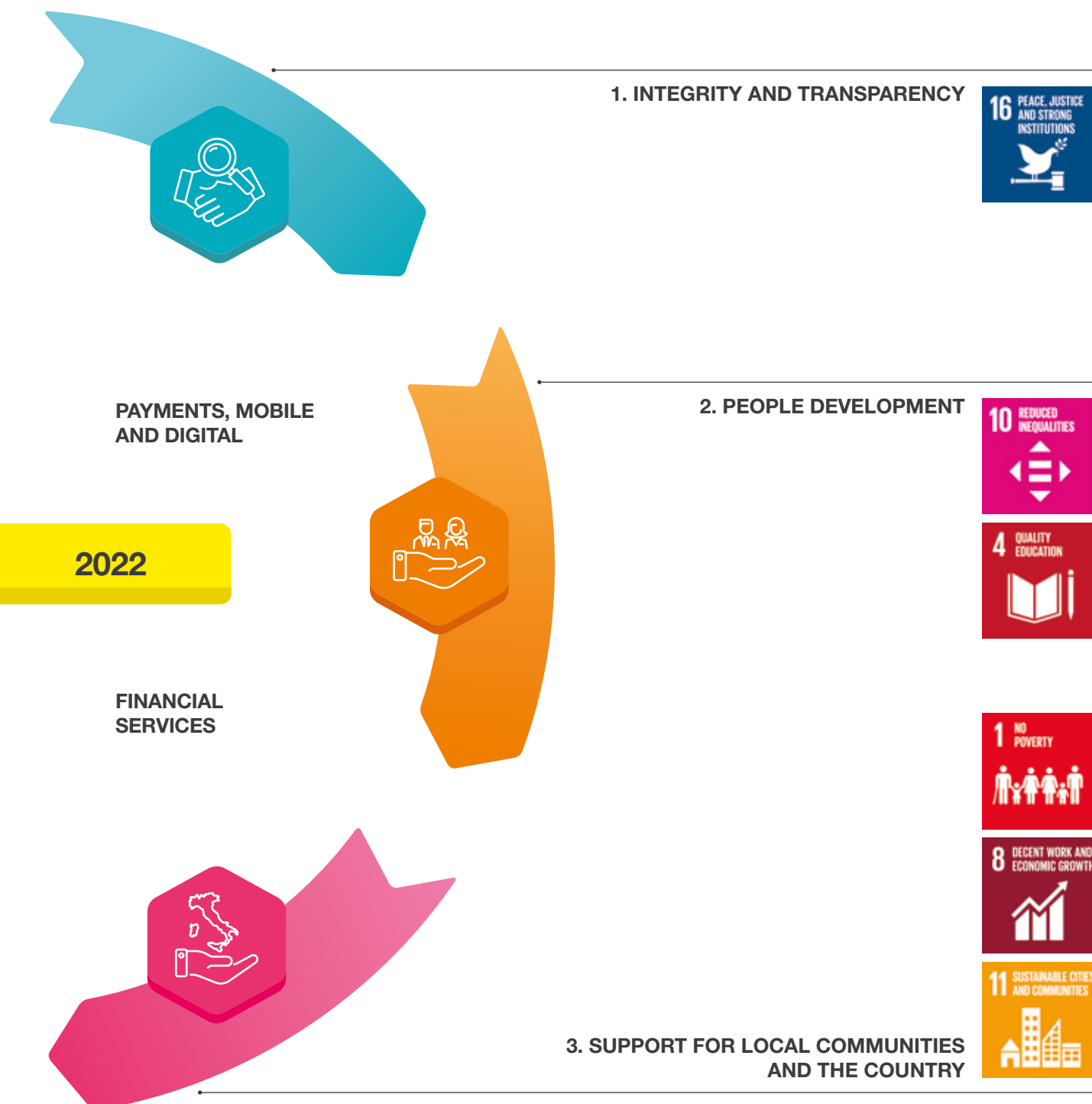
Poste Italiane's ESG Strategic Plan is based on six key sustainability pillars in the ESG areas. Each pillar includes specific actions and objectives the Company is committed to achieving relating to the proper management of material topics. These have been identified by taking into account the targets the United Nations has defined at global level in the Sustainable Development Goals, and the contribution Poste Italiane can make to achieving them through its operations.

THE PILLARS OF POSTE ITALIANE'S ESG STRATEGIC PLAN THAT SUPPORT THE DELIVER 2022 PLAN



The actions and objectives included in the Plan are the outcome of a structured process that has led the Company's management to define the key stages to be achieved in the coming years, in line with the timeframe covered by the business strategy set out in the "Deliver 2022 Plan". With a view to creating shared value, these stages have been identified taking into account the opinions expressed by stakeholders during engagement activities.

Reference should be made to the section on "Performance" in which the objectives, management methods and key performances achieved in the pillars of the Group's ESG Strategic Plan are dealt with.



Poste Italiane Group's sustainability strategy is also reflected in its active participation in national and international networks and associations that aim to promote development and ongoing discussions on sustainability issues, as well as in the Company voluntary participation in the sustainability assessments conducted by ethics rating agencies.

Signatory of:



Principles for Responsible Investment (PRI): the PRIs are a set of six principles that set out the main actions to be taken by investors and provide specific tools (e.g. frameworks, guidelines) aimed at incorporating environmental, social and governance (ESG) factors within traditional investment policies



Principles for Sustainable Insurance (PSI): the PSIs are a voluntary initiative, supported by the United Nations, aimed at addressing risks and opportunities relating to ESG issues in the insurance sector. Launched in 2012, the PSIs are aligned with and complement the principles of the UN Global Compact



Sodalitas: established in 1995 on the initiative of Assolombarda, this foundation was the first organisation to promote corporate sustainability in Italy, by contributing to the development of the role of companies as social as well as economic players, and putting the strengths of corporate culture at the service of civil society. A unique organisation in Italy, it brings together the commitment of more than 100 leading companies and a group of volunteer managers, and is a reference point for companies that consider sustainability to be a vital strategic dimension. It has gained respect as a partner of European institutions for implementing the sustainability agenda in Italy, and stands out for its ability to implement multi-stakeholder initiatives for generating shared social value



Anima per il Sociale: an association that brings together a group of managers and companies with the mission of spreading the culture of corporate social responsibility and sustainability among local companies, at an economic, social and environmental level. The partnership enables the Group to access the association's network - consisting of large companies, associations, non-profit organisations, bodies and authorities - in order to keep up to date through monitoring, communication and training activities and by participating in Corporate Social Responsibility initiatives and events



CSR Manager: a network made up of professionals working in all kinds of organisations (companies, business foundations, trade bodies, the Public Administration, non-profit entities) who manage social, environmental and sustainability issues relating to business activities. This network of association provides the opportunity to participate in conferences held, access documents and studies prepared by the network and share best practices with the other members



Valore D: founded in 2009, this is the first association of companies to promote women's diversity, talent and leadership in support of greater gender balance within its 150 member organisations. This collaboration enables Poste Italiane, as a supporting member since 2012, to actively participate in programmes and workshops organised by the association, as well as to take part in benchmarks and the sharing of best practices regarding the issues of diversity management, achievement of work-life balance and welfare



ASPHI: an organisation that has been promoting the integration of disabled people in schools, employment and companies via the use of ICT technology for over 30 years. The collaboration with Poste Italiane has been consolidated over several years, in relation to participation in programmes for the inclusion and enhancement of disabled people in corporate environments

Poste Italiane's business model

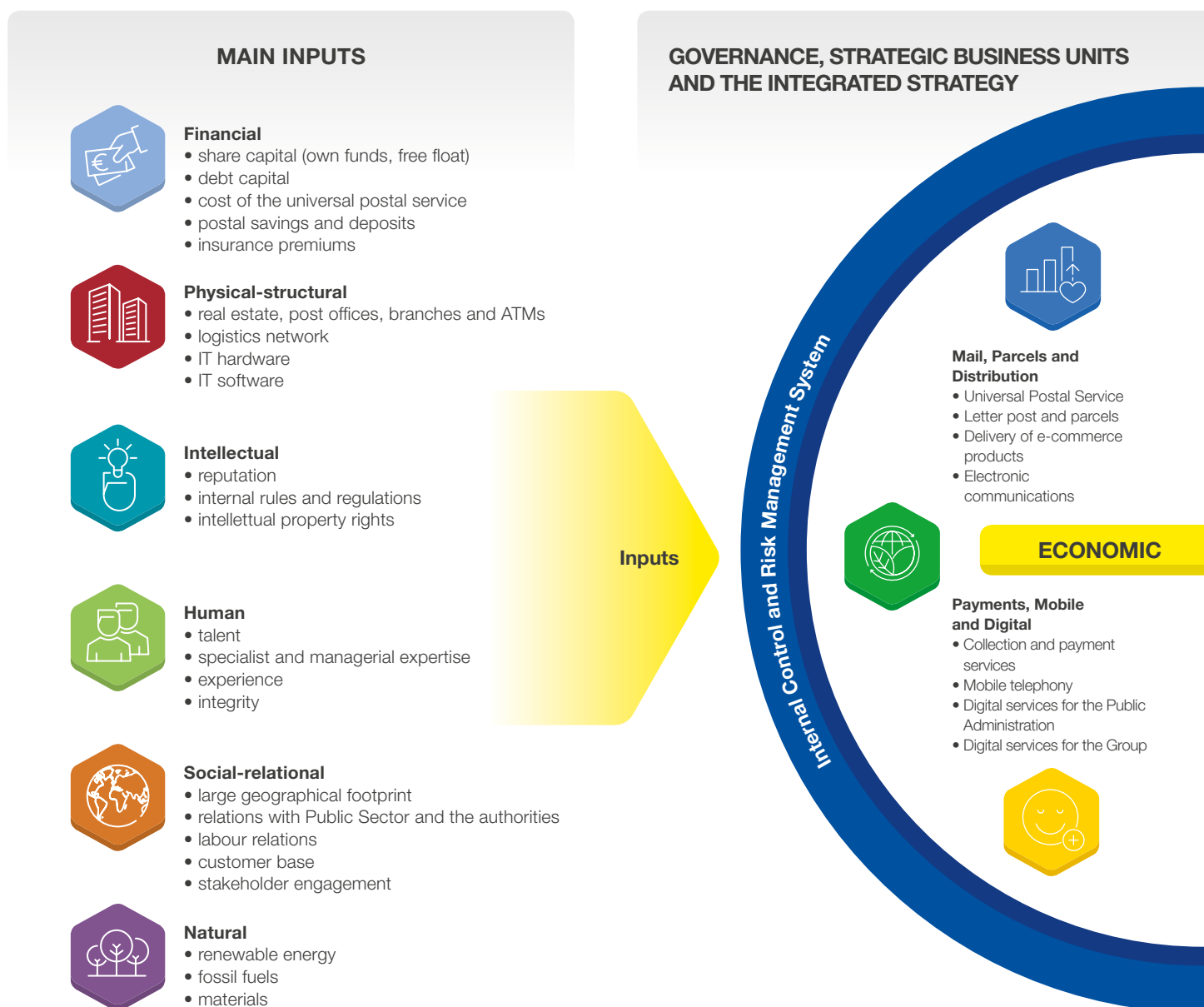
NFS

Over the years, Poste Italiane has shown its ability to transform its operational structures and services by adapting to market needs, and in some cases anticipating them, through continuous investment in technology and know-how.

The latest expression of this ability is the Deliver 2022 Strategic Plan, which aims to maximise the value of what amounts to the largest distribution network in Italy, by responding to the changing needs of customers and grasping new business opportunities on the path towards digitisation. Announced at the end of February 2018, the plan will enable full capitalisation of the unique strengths of Poste Italiane's network, which has more than 12,800 post offices nationwide, by establishing:

- financial objectives based on realistic hypothesis/assumptions, with low execution risk;
- a corporate transformation plan;

THE VALUE CREATION PROCESS AT POSTE ITALIANE



- a priority focus on the evolution of customer needs;
- sustainable growth in dividends, in line with improvement in the Group's operating performance.

The engine driving this process of value creation over time is the distinctive business model the Company has adopted to achieve the targets the Group has set itself for each operating sector, with the ESG objectives in the Integrated Strategic Plan. In particular, as previously mentioned, Poste Italiane operates as an integrated industrial group via Strategic Business Units specialising in activities that share the Group's multi-channel distribution network and uniform governance.

The following diagram illustrates the interaction between strategy, business model and forms of financial and non-financial capital that characterises Poste Italiane's value creation process over time.



The main forms of capital Poste Italiane uses to create value over time

Although the capital on which Poste Italiane's business is based is heterogeneous, it has characteristics that enable it be specifically determined and measured through performance indicators. The following table illustrates the characteristics of each form, and refers to the sections of this document in which a more detailed description is provided.

CAPITAL	DESCRIPTION	KEY MEASUREMENT INDICATORS	REFERENCES TO SECTIONS IN THE ANNUAL REPORT
 Financial	Sources of financing and ways of using financial resources	<ul style="list-style-type: none"> ■ Equity and liabilities ■ 201-1 Direct economic value generated and distributed ■ Business continuity plan resources ■ FS 11 Percentage of assets subject to positive and negative environmental or social screening regarding social/environmental aspects 	<ul style="list-style-type: none"> ■ Consolidated financial position and cash flow ■ IT security and business continuity ■ Incorporation of ESG criteria within investment policies ■ Incorporation of ESG criteria within insurance policies ■ Indicators tables
 Physical-structural	Structures, equipment and infrastructure that have an impact on efficiency and effectiveness	<ul style="list-style-type: none"> ■ Percentage of tenders conducted on the basis of environmental and social criteria ■ FS 14 Initiatives to improve access to financial services for disadvantaged people ■ Digital services numbers ■ Dematerialisation of procedures and corresponding transactions ■ Corporate fleet data ■ Aircraft fleet data 	<ul style="list-style-type: none"> ■ Legality and incorporation of ESG criteria within the procurement process ■ Financial inclusion ■ Innovation and digitisation of products, services and processes ■ Environmental impacts of real estate facilities ■ Environmental impacts of logistics ■ Indicators tables
 Intellectual	Intellectual property, procedural/organisational system, reputation	<ul style="list-style-type: none"> ■ GRI 205 Anti-corruption ■ GRI 418 Customer Privacy ■ Business continuity plan resources ■ Digital services numbers ■ Number of contacts handled 	<ul style="list-style-type: none"> ■ Working with transparency and integrity ■ IT security and business continuity ■ Innovation and digitisation of products, services and processes ■ Indicators tables
 Human	Staff knowledge and skills	<ul style="list-style-type: none"> ■ Training on anti-corruption procedures and policies ■ GRI 401 Employment ■ GRI 402 Labour/Management Relations ■ GRI 403 Occupational Health and Safety ■ GRI 404 Training and Education 	<ul style="list-style-type: none"> ■ Working with transparency and integrity ■ Protection of human rights ■ Equal career development opportunities ■ Relations with social partners ■ Occupational health and safety ■ Staff training and development ■ Staff welfare and wellbeing ■ Indicators tables
 Social-relational	Partnerships and stakeholder engagement	<ul style="list-style-type: none"> ■ Settlements ■ Community initiatives ■ Contributions to philanthropic and/or corporate citizenship activities ■ New customers in the categories most at risk of financial exclusion as a percentage of total new acquisitions ■ Initiatives to improve access to financial services for disadvantaged people ■ Customer experience in post offices ■ Customer complaints by type ■ Customer satisfaction 	<ul style="list-style-type: none"> ■ Protection of human rights ■ Supporting the socio-economic development of local communities ■ Transparent dialogue with authorities ■ Financial inclusion ■ Quality and customer experience ■ Indicators tables
 Natural	Natural resources and ecosystem services	<ul style="list-style-type: none"> ■ GRI 301 Materials ■ GRI 302 Energy ■ GRI 303 Water ■ GRI 305 Emissions ■ GRI 306 Effluents and Waste 	<ul style="list-style-type: none"> ■ Environmental impacts of real estate facilities ■ Environmental impacts of logistics ■ Indicators tables

The Strategic Business Units

In order to implement Poste Italiane's strategic vision, each of the Strategic Business Units - which have seen gradual and constant reorganisation of their operating divisions over time - has specific objectives which, viewed as a whole, enable strengthening of the growth and sustainability of all of the Poste Italiane Group's businesses.



Mail, Parcels and Distribution

The Mail, Parcels and Distribution business is at the heart of Poste Italiane's operations. Poste Italiane plans and manages commercial products and services relating to mail, integrated services, parcels, express couriers and logistics solutions, and the integrated logistics chain, which involves management of the entire process including acceptance, collection, sorting, transport, delivery and returns procedures, partly through the services provided by its subsidiaries (Postel, SDA and Mistral Air). The logistics chain, which is integrated at local level, breaks down into two levels: coordination and operations. The coordination level is managed by six logistics areas, each covering a regional or multi-regional area which are responsible for ensuring that the end-to-end logistics process for all products and services is carried out correctly. At operational level, each logistics macro-area consists of Sorting Centres and Distribution Centres. These centres provide specialised deliveries, value-added services, messaging services, delivery of undelivered items and acceptance for large customers



Payments, Mobile and Digital

The Payments, Mobile and Digital (PMD) segment – which was set up with the aim of creating a single offering centre for retail, business and Public Administration customers, by pooling Poste Italiane Group's distinctive expertise in these areas - aims to provide centralised oversight of payment services, as well as being the centre of expertise for supporting implementation of the Group's digital strategy. The segment includes collection and payment services for BancoPosta's assets (outsourced), and payment card products and services provided by PosteMobile (renamed PostePay from 1 October 2018), which over the years has gained experience in the digital field and in supporting mobile banking and mobile payments. The PMD segment is also responsible for extracting value from the equity investment in SIA



Financial Services

Poste Italiane provides financial services based on a service model that focuses on the distribution of third-party products in the absence credit risk, provided via a specific distribution platform. The Company aims to achieve sustainable growth, based on efficient capital allocation and a wide range of products. Important steps in this area include the renewal of the postal savings agreement signed at the end of 2017 with Cassa depositi e prestiti, the three-year distribution agreement signed in April 2018 with Intesa Sanpaolo, the agreement with Unicredit regarding the distribution of loans, and the conclusion in March 2018 of a series of agreements with the Anima Group regarding closer cooperation for asset management services. The services provided by BancoPosta, Poste Vita and BancoPosta Fondi SGR regard: product development; management of cash/deposits from proven public customers and the related investments; postal savings products; collection and payment services; the placement and distribution of financial and insurance products; card payments

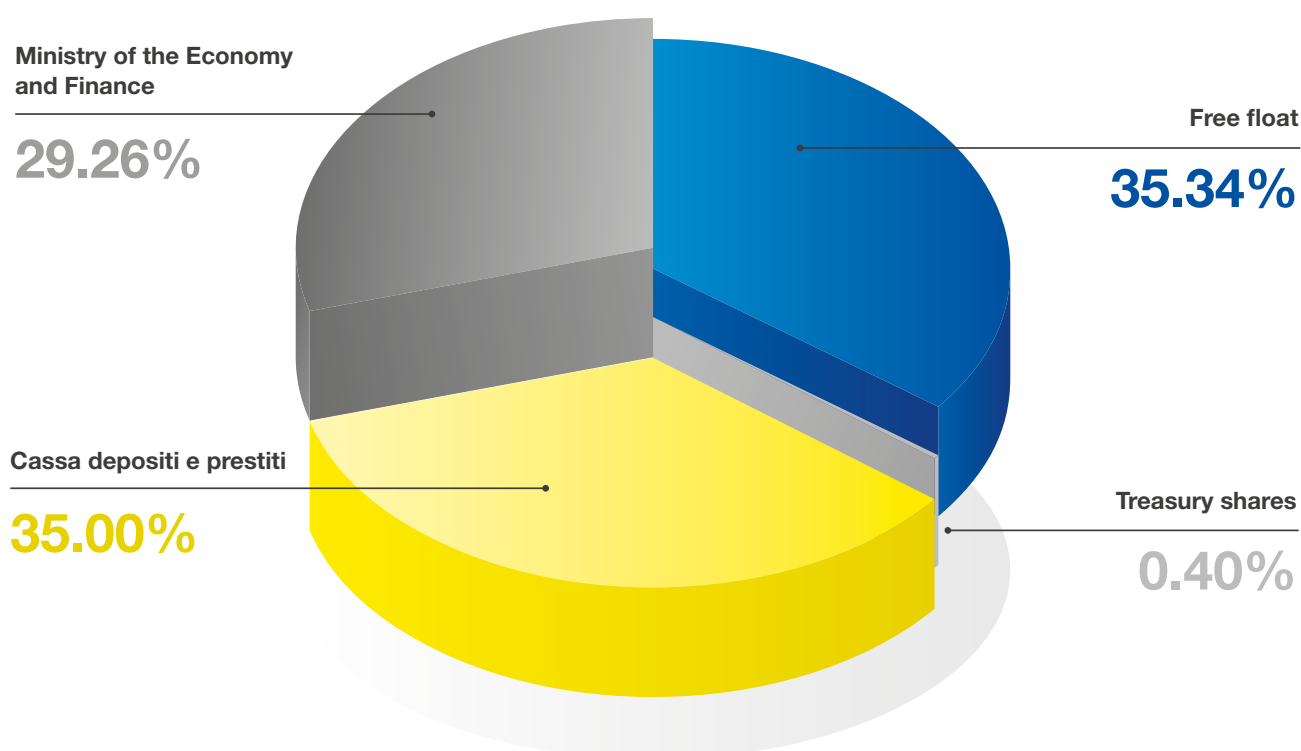


Insurance Services

Insurance services are managed by the PosteVita insurance group, which includes the parent PosteVita (a life insurance company), its subsidiary PosteAssicura (a property and non-life insurance company), and Poste Welfare Servizi (a company that provides assistance services to its customers regarding the management of health funds, and data acquisition and validation services). Insurance services are distributed by BancoPosta, via Poste Italiane's distribution network. Business processes are focused on developing and managing insurance products and services for customers. These processes consist of activities relating to "product development and reinsurance", including: the assessment of customer demand; the creation and development of products, in coordination with BancoPosta; reinsurance; activities relating to the underwriting and management of policies; underwriting; operational management; the handling of information requests and complaints; financial management

4. Governance and integrated risk management model

Shareholder structure



In the period between 4 and 15 February 2019, Poste Italiane purchased 5,257,965 own shares at an average price of €7.608, making a total cost of approximately €40 million. The purchases were made in execution of the buyback authority approved by the Annual General Meeting of shareholders held on 29 May 2018. The buybacks are part of a programme whose launch was announced to the market on 1 February 2019, pursuant to art. 144-bis of CONSOB Regulation 11971/1999.

Share buybacks are carried out with the aim of creating a stock of treasury shares of up to €50 million, equal to approximately 7 million shares or less than 1% of the share capital, partly to service any future staff incentive plans.

Poste Italiane's shares are listed on the Mercato Telematico Azionario (the MTA, an electronic stock exchange) organised and managed by Borsa Italiana SpA. The Company is controlled by the Ministry of the Economy and Finance (MEF), which holds 64.26% of the share capital, including a direct 29.26% interest and an indirect 35% interest through Cassa depositi e prestiti SpA (CDP), itself controlled by the MEF.

Management and Supervisory Bodies

BOARD OF DIRECTORS¹

Chairwoman

Maria Bianca Farina

Chief Executive Officer and General Manager

Matteo Del Fante

Directors

Giovanni Azzone
 Carlo Cerami
 Antonella Guglielmetti
 Francesca Isgrò
 Mimi Kung
 Roberto Rao
 Roberto Rossi

BOARD OF STATUTORY AUDITORS²

Chairman

Mauro Lonardo

Auditors

Alessia Bastiani
 Maurizio Bastoni

Alternates

Marina Colletta
 Antonio Santi
 Ermanno Sgaravato

SUPERVISORY BOARD³

Chairwoman

Nadia Fontana

Members

Paolo Casati⁴
 Carlo Longari

MAGISTRATE APPOINTED BY THE ITALIAN COURT OF AUDITORS TO AUDIT POSTE ITALIANE

Francesco Petronio

INDEPENDENT AUDITOR

PricewaterhouseCoopers SpA

AUDIT, RISK AND SUSTAINABILITY COMMITTEE⁵

Antonella Guglielmetti (Chairwoman)
 Giovanni Azzone
 Francesca Isgrò
 Roberto Rossi

REMUNERATION COMMITTEE⁵

Carlo Cerami (Chairman)
 Giovanni Azzone
 Roberto Rossi

NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE⁵

Roberto Rao (Chairman)
 Antonella Guglielmetti
 Mimi Kung

RELATED AND CONNECTED PARTIES COMMITTEE⁵

Francesca Isgrò (Chairwoman)
 Carlo Cerami
 Mimi Kung
 Roberto Rao

1. The Board of Directors was elected by the Annual General Meeting held on 27 April 2017 to serve for a period of three years, and will remain in office until the Annual General Meeting's approval of the financial statements for the year ended 31 December 2019.
2. The Board of Statutory Auditors was elected by the Ordinary General Meeting of 24 May 2016 to serve for a period of three years and will remain in office until the General Meeting's approval of the financial statements for the year ended 31 December 2018. On 30 January 2017, the Alternate Auditor, Andrea Bonechi, resigned from his position with immediate effect. As a result, the Annual General Meeting of 27 April 2017 elected Antonio Santi to serve as an Alternate Auditor.
3. The Supervisory Board was appointed by the Board of Directors' meeting of 24 May 2016 for a three-year term. Carlo Longari was appointed by the Board of Directors' meeting of 7 November 2018 to replace Giulia Bongiorno, who resigned on 12 March 2018.
4. The only internal member, Head of Poste Italiane SpA's Internal Auditing.
5. Committee members were appointed by the Board of Directors' meeting of 28 April 2017. At the meeting of 19 February 2018, the Board of Directors renamed the Nominations Committee and the Audit and Risk Committee the Nominations and Corporate Governance Committee and the Audit, Risk and Sustainability Committee, respectively.

The corporate governance structure reflects the recommendations in the Corporate Governance Code for listed companies published by Borsa Italiana, the provisions of Legislative Decree 58 of 24 February 1998 (the Consolidated Law on Finance), where applicable, the Supervisory Standards issued by the Bank of Italy and applicable to Poste Italiane in view of the unbundled activities conducted by BancoPosta RFC (Patrimonio destinato BancoPosta), and the legislation applicable to electronic money institutions as regards the activities carried out by Poste Italiane in implementation of the agreements entered into with PostePav – the ring-fenced EMI.

Poste Italiane has adopted a “traditional” governance model, separating the roles of the Board of Directors and the Board of Statutory Auditors. The Company’s accounts are audited by an independent firm of auditors.

Poste Italiane's financial management is overseen by the Italian Court of Auditors (Law 259 of 21 March 1958); the relevant controls are conducted by a Magistrate appointed by the Court of Auditors, who attends meetings of the Board of Directors and the Board of Statutory Auditors.

The Board of Directors and Board of Statutory Auditors are elected and dismissed by the **General Meeting of shareholders**, which is also responsible for engaging the independent auditor and determining the related fees. The General Meeting also approves the annual financial statements, amendments to the Company's By-laws and transactions of a non-recurring nature, such as rights issues, mergers and demergers in cases where the law does not grant the relevant authority to the Board of Directors.

The Board of Directors consists of nine members (eight non-executives and one executive) and normally meets once a month to examine the operating performance and vote on resolutions regarding the results of operations, proposals relating to the organisational structure and transactions of strategic importance. The Board met 14 times in 2018. Of the nine members of the Board, seven meet the requirements to qualify as independent in accordance with the Corporate Governance Code for listed companies and eight qualify as independent in accordance with the independence requirements in the Consolidated Law on Finance and the By-laws.

In accordance with the provisions of the Italian Civil Code, the Board of Directors has delegated certain executive powers to the Chief Executive Officer and has established, in accordance with the recommendations in the Corporate Governance Code and the Bank of Italy's supervisory standards, four Board Committees to provide recommendations and advice: the Nominations and Corporate Governance Committee, the Remuneration Committee, the Audit, Risk and Sustainability Committee and the Related and Connected Parties Committee. The members of the latter committee are all independent Directors, with roles and responsibilities defined by the regulations governing related and connected party transactions. At a meeting on 25 January 2018, in line with the recommendations of the Corporate Governance Code, the Board set out the criteria for defining operations of strategic, economic and financial importance, keeping them within its sphere of competence.

The role of the **Chairwoman of the Board of Directors** is to lead and oversee the Board of Directors. She is the Company's legal representative and exercises the powers provided for by law and the Company's By-laws, and those assigned by the Board of Directors' meeting of 28 April 2017, and subsequently modified at the meeting of 25 January 2018.

The **Chief Executive Officer and General Manager**, to whom all first-level departments report (except for the Internal Auditing function, which reports directly to the Board of Directors under the supervision – designed to act as a link with the Board of Directors – of the Chairwoman), has full powers for the administration of the Company, unless otherwise provided for by law and the Company's By-laws and with the exception of the powers reserved to the Board of Directors. The Chief Executive Officer is also the Company's legal representative within the scope of the powers delegated to him.

The **Board of Statutory Auditors** in office has three standing members and three alternates. The Board verifies compliance with the law, the Company's By-laws and with correct corporate governance principles, also verifying the adequacy of the organisational structure and administrative and accounting systems adopted by the Company and their functionality. The Board of Statutory Auditors met 36 times during the year.

The **Supervisory Board** in office has three members. It is endowed with autonomous powers of initiative and control, supervises the functioning of and compliance with the Organisational Model pursuant to Legislative Decree 231/2001 and updates it in line with changes in the organisational structure and the relevant regulatory framework, by making justified proposals to the Chief Executive Officer, who submits them to the Board of Directors.

The **audit firm** PricewaterhouseCoopers SpA has been appointed to audit the Company's accounts for the period 2011-2019. The appointment was made in conformity with Legislative Decree 39/2010 ("Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts"). In view of the approaching expiry of nine-year engagement as the independent auditor (the financial statements for the year ended 31 December 2019), the Company, in line with the provisions of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, under the responsibility and supervision of the Board of Statutory Auditors, in 2018 began the process of selecting a new single audit firm for the Group for the nine-year period 2020-2028. The tender procedure was completed in the first three months of 2019, providing the basis for the Board of Statutory Auditors' reasoned proposal for the choice of the new independent auditor to be submitted to the Annual General Meeting of 28 May 2019.

With regard to the governance system adopted by BancoPosta RFC, the rules governing the organisation, management and control of BancoPosta's operations are contained in the specific BancoPosta RFC Regulation.

As a result of the new Supervisory Standards applicable to BancoPosta RFC, issued by the Bank of Italy on 27 May 2014, Poste Italiane, in providing financial services to the public, is comparable – for the purposes of application of corporate governance regulations – to a major bank in terms of size and operational complexity.

Poste Italiane's Board of Directors met on 14 occasions in 2018 to examine the following principal matters and approve the following resolutions.

DATE	PRINCIPAL RESOLUTIONS
25 January 2018	Proposed changes to BancoPosta RFC: Injection of fresh capital by Poste Italiane into BancoPosta RFC to boost leverage ratio Proposed changes to BancoPosta RFC (removal from the ring-fence of the "payment services and card payments" unit); Changes to the subsidiary, PosteMobile: (A) authorisation to establish a separate ring-fenced card payments and payment services entity, (B) the transformation of this entity into a hybrid electronic money institution ("EMI"); Grant of authority to begin the process of applying for authorisation from the Bank of Italy. Participation in Anima Holding SpA's rights issue
19 February 2018	Preliminary results for 2017, proposed dividend
26 February 2018	Approval of the Deliver 2022 Strategic Plan
29 March 2018	The Company's financial statements for the year ended 31 December 2017 and the consolidated financial statements for the same period Proposed appropriation of earnings
19 April 2018	Revision of the Group's Code of Ethics Revision of the Whistleblowing Guidelines Data Protection Guidelines (GDPR)
27 April 2018	Authorisation to purchase and dispose of treasury shares
9 May 2018	Interim report for the three months ended 31 March 2018
29 May 2018	Long-term contract with Amazon for postal delivery services (parcels)
28 June 2018	Revision of the 231 Model
1 August 2018	Interim report for the six months ended 30 June 2018 Revision of the Group Anti-Money Laundering Guidelines and appointment of the Head of the Group Anti-Money Laundering function. Sustainability Guidelines "The ESG (Environmental Social and Governance) process within the Poste Italiane Group". Guidelines for application of the independence requirements for members of the Board of Directors.
20 September 2018	Report and analysis concerning completion of the planned IT upgrade provided for in the EMI authorisation and subsequent submission to the Bank of Italy of the extract from the minutes of the Board meeting, as requested by the Bank for the purposes of registering PosteMobile SpA as an EMI. Revision of SDA Express Courier's business plan and authorisation for the company's recapitalisation, amounting to a total of €50 million.
18 October 2018	Arrangement of committed revolving credit facilities of up to €2 billion with a maximum term of 36 months. Amendment of Poste Italiane's Financial Management Guidelines. Approval of the planned outsourcing of "BancoPosta's Financial Management" from BancoPosta to BancoFondi SGR.

DATE	PRINCIPAL RESOLUTIONS
7 November 2018	Interim report for the three months ended 30 September 2018
	Transaction designed to strengthen the capital of the subsidiary, Poste Vita
	Approval of the application for Poste Italiane SpA's participation in the Collaborative Compliance regime established by Legislative Decree 128/2015 and approval of the Poste Italiane Group's Tax Strategy
	Approval of the Poste Italiane Group's Integrated Policy
	Approval of the new Guidelines for managing transactions with Related and Connected Parties
13 December 2018	Supplementary agreement relating to the contract for the sale of Banca del Mezzogiorno – MedioCredito Centrale SpA signed on 8 February 2017 by Poste Italiane and Invitalia
	Approval of the human rights policy
	Approval of the Unified Security Document: IT Risk Report for 2018
	Renewal of the two-year agreement for 2019-2020 between the MEF and Poste Italiane, governing the return on the investment of current account deposits by Public Administration entities

Poste Italiane's integrated internal control and risk management system

NFS

In an environment marked by a high degree of operational and regulatory complexity, and by the need to compete increasingly efficiently in the Group's core markets, risk management and the related control systems have a central role to play in the decision-making and value creation processes.

In order to promote and maintain an adequate Internal Control and Risk Management System (also "SCIGR"), Poste Italiane uses a series of organisational, IT and regulatory tools to enable it to identify, measure, manage and monitor the Group's principal risk exposures.

This system is at the heart of Poste Italiane's corporate governance⁶ allowing the Board of Directors to pursue its priority goal of creating value over the medium to long term whilst being able to determine the nature and level of risk that is compatible with the Company's business objectives.

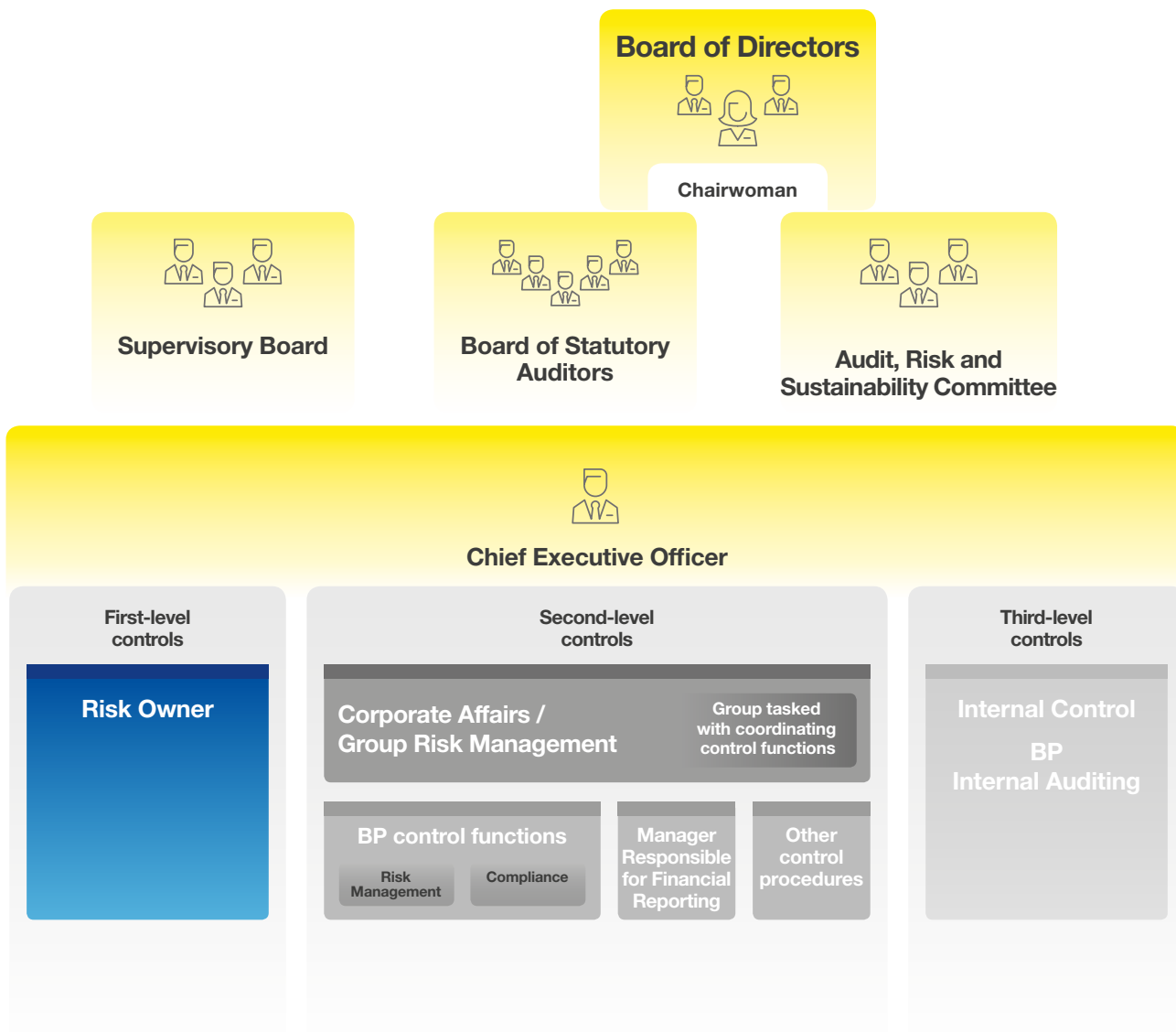
For this reason, the Company has proceeded to adopt an SCIGR that is integrated with both the system's internal and external environments. On the one hand, its components must be coordinated and interdependent with each other whilst, on the other, the overall system has to be integrated into the general organisational, administrative and accounting structures.

Poste Italiane's SCIGR is a set of tools, organisational structures, corporate rules and regulations designed to ensure sound and correct business practices, in line with the Group's objectives. This is done through an appropriate process for determining the related actors and the roles and responsibilities of the various oversight bodies and control functions, and for identifying, measuring, managing and monitoring key risks, as well as by ensuring that there are adequate information flows designed to ensure that everyone has the information they need.

In line with statutory requirements and the related best practices, the SCIGR consists of three levels of control and involves a range of actors throughout the organisation.

6. Further details of Poste Italiane's corporate governance system are provided in the Report on Corporate Governance and Ownership Structures for 2018.

POSTE ITALIANE'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM



Risk management and risk assessment

Poste Italiane has adopted a Risk Management model based on the Enterprise Risk Management (ERM) framework, with the aim of providing an organic, integrated vision and an effective, standardised response to the risks to which the Group is exposed. The Group Risk Management function (*Governo dei Rischi di Gruppo* “GRG”), which within the Corporate Affairs function is responsible for ensuring that these objectives are met. This is primarily done through the definition of an integrated risk management process that relies on the coordinated involvement of all the actors in the Internal Control and Risk management System, above all the specialist forms of second-level control, the use of standardised models and metrics based on Group-wide criteria, and the design and implementation of shared tools for assessing and managing risk. In this latter regard, the Group implemented an integrated Governance, Risk and Compliance (“GRC”) platform in 2018 to support the integrated risk management process. This IT tool assesses and manages operational risk, in accordance with Legislative Decree 231/01 and the various fraud, IT security, strategic, ESG and reputational risks, as well as ensuring compliance with the statutory requirements applicable to financial and payment services. This is the tool that has enabled the Group to maximise integration of the risk management process, ensuring that risk assessment methods are shared across all the specialist second-level control functions. At the same time, it has improved communication with senior management and corporate bodies and between the various control functions, minimising the risk of inadequate or redundant information.

The main risks associated with the activities of the Poste Italiane Group are shown below.

RISK CATEGORY	DESCRIPTION
Strategic	This category of risk could influence achievement of the goals set out in the Strategic Plan and are identified, classified and monitored with the involvement of management from the GRG function. This process describes the key nature of the risks, the triggers and the potential consequences or effects, in both financial terms (e.g. losses, increased costs due to delays or the failure to implement restructuring plans and efficiencies, reduced revenue), and in other terms (e.g. customer satisfaction)
Operational	Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. Management of operational risk takes place at both the level of specialist units within the Group (the Risk Management functions within BancoPosta, the Poste Vita Group, BancoPosta Fondi SGR and PostePay), in compliance with the respective supervisory standards, and at an integrated level, involving the GRG function. The following risks, among others, are closely monitored: i) IT risk, above all the risk that malfunctions and/or shortcomings in information systems could result in the loss of data integrity, leaks of personal data or breaches of confidentiality, potentially causing disruption to the services provided to customers; ii) health and safety risk, with specific regard to the risk of workplace injury to employees or contractors as a result of operating activities (e.g. the collection, transport and sorting of parcels and letter post, and the delivery of postal products using motor vehicles); iii) physical security risk, relating to access to the headquarters premises of Group companies, to post offices or other private areas by unauthorised or unidentified persons, and the limited protection of Poste Italiane's assets and property against criminal behaviour (robberies, losses resulting from fraud, theft, ATM attacks, vandalism, etc.). Operational risk also includes disruption and/or obstacles to entry to the Group's operating facilities (mail sorting centres and delivery centres, etc.) due to industrial action or strikes
Compliance	This refers to the risk that breaches of existing laws and regulations, such as the risks connected with Legislative Decree 231/01, Law 262/05, Data Protection and Market Abuse regulations or the introduction of new legislation or regulations (or new interpretations legislation and regulations) of either general importance (e.g. regarding administrative, accounting, tax matters, etc.) or specific to the sectors in which the Poste Italiane Group operates. This risk category includes the risks linked to the introduction of new regulations governing the management and development of universal postal services and the related rates providing a return for Poste Italiane, and the risk of the failure to meet the service quality standards set by the regulator (the <i>Autorità per le Garanzie nelle Comunicazioni</i> or AGCom)
Reputational	This category regards the risks connected with a negative perception among the Group's stakeholders, in response to which the Group has adopted a stakeholder engagement framework in order to identify and assess this type of risk at source. The main element of reputational risk to which the Group is, by its nature, exposed is linked to market performance and primarily associated with the placement of postal savings products and investment products issued by third-party entities (bonds, certificates and real estate funds) or by Group companies (insurance policies issued by the subsidiaries, Poste Vita and Poste Assicura, and mutual funds managed by BancoPosta Fondi SpA SGR), and those linked to the perceived and effective quality of the services linked to letter post and parcel delivery

The process for managing **financial risk** is regulated and overseen by supervisory authorities (the Bank of Italy and IVASS, the insurance industry regulator) and is the responsibility of the Risk Management units belonging to the various business units, coordinated by the function responsible for coordinating risk governance at Group level.

Financial risk primarily relates to the operations of BancoPosta RFC and PostePay's ring-fenced EMI (the active management of the liquidity deriving from postal current account deposits, and of collections and payments carried out in the name of and on behalf of third parties), asset financing and the investment of liquidity and, as regards the Poste Vita Insurance Group, investments designed to cover contractual obligations to policyholders.

Insurance risks derive from the stipulation of insurance contracts and the terms and conditions contained therein (technical bases adopted, premium calculation, the terms and conditions of cash surrender, etc.). In technical terms, mortality is one of the main risk factors for Poste Vita SpA, i.e. any risk associated with the uncertainty of a policyholder's life expectancy, alongside the risk associated with surrenders.

The main forms of financial risks to which the Group is exposed are described below.

RISK CATEGORY	DESCRIPTION
Spread	This is the risk of a potential fall in the value of the bonds held, following deterioration in the creditworthiness of issuers. This is due to the importance that the impact of the spread on yields on government securities has on the fair value of euro zone government and corporate securities. In the Poste Italiane Group's case, this risk particularly relates to the spread between Italian and German government securities, which influences the fair value of the Group's holdings of Italian government securities, the nominal value of these securities at 31 December 2018 amounts to €126 billion (€148 billion in terms of total bond holdings) ⁷ . At the end of 2018, the spread on ten-year government bonds was 250 bps. The yield on 10-year Treasury Notes (BTPs), which at the beginning of the year stood at 2%, had risen to 2.74% by the end of the year, with a peak of 3.70% in October 2018. At 31 December 2018, the securities portfolio (BancoPosta RFC's securities had a nominal value of €51 billion) registered fair value losses of approximately €1.7 billion. However, trading in securities from the beginning of the year resulted in gains of €379 million, in line with the targets for 2018. During 2018, the Group completed forward sales with settlement in 2019 (advance execution with an impact on gains in 2019) and forward purchases of securities providing higher yields than expected in the Strategic Plan, with a resulting positive impact on the portfolio's profitability. Again, with regard to a widening of the spread, it should be noted that changes in BancoPosta RFC's fair value reserve are not taken into account when computing capital requirements. An increase in the spread also has an impact on Poste Vita's solvency ratio, which at 31 December 2018 is 211%, down from the 279% reported in December 2017. Given the performance of the spread and pressure on the solvency ratio, in 2018, the insurance company examined and implemented measures to support its solvency ratio, including the use of so-called ancillary own funds (AOFs), represented by unfunded capital instruments in the form of unsecured guarantees or commitments that may be included in the computation of own funds. The transaction designed to strengthen the company's capital position through the use of AOFs was formalised in November 2018 with Poste Italiane's signature of an unconditional, irrevocable commitment letter with a five-year term. The letter commits the Parent Company, merely at the request of the subsidiary, to subscribe for ordinary shares to be issued in future by Poste Vita, amounting to up to €1,750 million. Following clearance from IVASS, the commitment letter signed by the Parent Company in the subsidiary's favour can be included in the computation of Tier 2 AOFs, as defined by the Solvency II Directive and the regulatory framework for insurance companies, within the limits represented by the available amount, being approximately €1,000 million at 31 December 2018. This has had a positive impact on the solvency ratio of approximately 24 percentage points
Price	This is the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market
Credit	This is the risk of default of one of the counterparties to which there is an exposure. In relation to revenue and receivables due from the state and from central and local government entities, regulated by statute and specific agreements or contracts, prompt and full payment of the amounts due is dependent on availability of the necessary funds in the state budget or in the budgets of the related public sector entities
Liquidity	This is the risk that the Poste Italiane Group is unable to meet its obligations deriving from financial instruments due to its inability to raise sufficient funds or to effectively sell assets in the market (market liquidity risk), or at market conditions (funding liquidity risk). The Poste Italiane Group applies a financial policy based on diversification of the various forms of short-term and long-term borrowings and counterparties, the availability of significant lines of credit in terms of amounts and the number of banks, and the use of dedicated analytical models to monitor the maturities of assets and liabilities
Fair value interest rate	This is the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates. This refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of changes in interest rates on the fixed components (the interest spread) of floating rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the financial instrument's duration
Cash flow interest rate	This is defined as the uncertainty related to the generation of future cash flows, due to fluctuations in market interest rates. Such risk may arise from the mismatch – in terms of interest rate, interest rate resets and maturities – of financial assets and liabilities until their contractual maturity and/or expected maturity (banking book), with effects in terms of interest spreads and, as such, an impact on future results.
Cash flow inflation	This is defined as the uncertainty related to future cash flows due to changes in the rate of inflation observed in the market
Foreign exchange risk	This is the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency. This risk primarily regards trade receivables and payables due from and to overseas counterparties, investments in equity instruments and holdings in certain funds

7. The indicated amounts do not take into account the nominal value of forward purchases and sales of securities with a total nominal value of approximately €3 billion.

RISK CATEGORY	DESCRIPTION
Downgrade of Poste Italiane	<p>This regards the risk of a downgrade of the ratings assigned to Poste Italiane by the three rating agencies, the latest being:</p> <ul style="list-style-type: none"> ■ Standard & Poors: BBB/Negative ■ Moody's: Baa3/Stable ■ Fitch: BBB/Negative <p>An eventual downgrade due to a significant deterioration in Poste Italiane's creditworthiness, above all to below investment grade, could have an impact on Poste Italiane's cost of funding and potentially restrict Poste Italiane's access to certain forms of financing, including the capital markets</p>
Downgrade of the Italian Republic	<p>This is the risk of a downgrade of the Italian Republic, to which Poste Italiane is indirectly exposed. Poste Italiane's rating is closely linked with the sovereign rating and, based on the methods currently used by the rating agencies, further downgrades of Italy could have a similar impact on Poste Italiane's ratings.</p> <p>In addition, any new downgrade of Italy, above all a downgrade to below investment grade, could cause a further widening of the spread between the yields on Italian and German government bonds, leading to the effects described in the "Spread risk" category</p>

Incorporating risk management and sustainability within Poste Italiane's strategy

In 2018, Poste Italiane developed a framework with the priority goal of integrating ESG (Environmental, Social and Governance) principles into its strategy, governance and business processes. Poste Italiane has for some time now been working on a plan to, on the one hand, improve awareness and understanding of reputation risk and, on the other, integrate sustainability into all aspects of its strategy. This process is closely linked to decisions taken in response to changes in the operating environment, such as the additional disclosures required by investors, regulatory changes and the growing attention paid by stakeholders. This has required Poste Italiane to go beyond the current statutory requirements, developing specific cross-segment guidelines and drawing up an inclusive, open and transparent sustainability action plan, capable of supporting delivery of the Company's strategy and giving shared value to all its distinctive features.

In August 2018, Poste Italiane's Board of Directors, prior receiving opinion from the Audit, Risk and Sustainability Committee, approved the ESG Guidelines, which describe the activities carried out by the Poste Italiane Group with regard to sustainability issues. These include the uniform, consistent, cross-functional integration of the principles on which the concept of sustainability is based into the Group's various activities, the permanent, transparent and proactive involvement of stakeholders and oversight of the associated reputational risk.

The ESG Guidelines provide for, among other things, the establishment of a Cross-functional Sustainability Group (*Gruppo Interfunzionale di Sostenibilità* "GIS"), made up of representatives from central functions and from Group companies, who contribute to implementation of the sustainability strategy and are responsible for achievement of the goals included in the ESG Strategic Plan, given their roles as managers of the people, tools and know-how needed to proceed with the related implementation.

Implementation of this process enables the Group to pursue the following key objectives:

- to identify and engage with stakeholders in all phases of the process, with the aim of ensuring widespread, shared and close participation on the ESG goals integrated into the Group's strategy;
- to identify material topics in order to enable the Poste Italiane Group to adopt a Sustainable Development Policy in line with the related scenario analysis and the expectations of key stakeholders;
- to identify business and reputational risks, with particular attention to ESG risks (those of a social nature, including risks relating to human rights, and the environmental risks connected with climate change);
- to implement the actions decided and agreed on through coordination of the various functions involved;
- to use the available tools and models for monitoring sustainability initiatives, and the related indices measuring the Group's performance, to be implemented within the Group's GRC (Governance, Risk & Compliance) platform;
- to provide integrated reporting, above all for investors, illustrating how the organisation's strategy, governance, performance and outlook are enabling it to create value over the short, medium and long term;
- to promote the dissemination of a corporate culture increasingly based around the concept of sustainable development, by drawing up specific policies and appropriate communication campaigns targeting both external and internal stakeholders.

The level of integration of sustainability strategies within the organisational structure is an indicator of the robustness of a business's corporate governance processes, resulting in an understanding of how non-financial factors are managed.

Poste Italiane ranks in the "Top Ten" in the Integrated Governance Index for 2018.

In 2018, Poste Italiane was eleventh in the Integrated Governance Index (IGI) out of 47 companies, obtaining the tenth best score and this entering the "Top Ten". Poste Italiane was awarded almost 65% of the available points, placing the Company above average in the overall sample (54.5%). Moreover, at industry level, Poste Italiane ranks third, scoring just below the second ranked company and again above the average (56.2%).

The IGI is the result of the new Integrated Governance Survey and is drawn up with the involvement of Italy's top 100 companies by stock market capitalisation. The IGI takes a snapshot of companies' governance infrastructure and processes in order to gauge how they manage non-financial factors and assesses the level of companies' understanding and analysis of integrated governance.

5. Performance

Macroeconomic environment

The international macroeconomic environment was positive in 2018, despite a weakening of global growth. The economic cycle reached its peak at the beginning of 2018, with the pace of growth gradually dropping off over the rest of the year. The OECD, in its Interim Economic Outlook for November 2018, predicted global growth of 3.7%, in line with the figure for 2017, but lowered estimates for 2019 to 3.5% from the 3.7% predicted in September. The OECD also highlighted how performance was uneven among the various countries, noting that economic activity in the euro area had slowed more than expected⁸.

The slowdown in growth resulted in an easing of commodity prices. After sharp increases in the third quarter (\$82.69 a barrel on 28 September), the oil price fell to \$54.15 by the end of the year. The agreement reached by OPEC and Russia at the beginning of December, reducing output, probably avoided a further fall in prices, but may not be sufficient to bring prices back towards \$80, given that world demand is expected to be weak⁹.

Trade tensions are having an impact on global trade. The uncertainty caused by US protectionism has dampened enthusiasm among economic operators and risks slowing investment, with a resulting impact on growth and jobs.

The impact of the trade tensions on the **United States** has been limited and the rate of growth continues to be one of the highest among the advanced economies, partly due to fiscal stimulus. Trend GDP growth in the third quarter was 3.5% per year, even if this was down from the 4.2% of the previous quarter. The trade deficit, however, continued to widen, with exports down 3.5% and imports up 9.1%, figures that have served to strengthen the current administration's protectionist policies. The Federal Reserve, having raised interest rates in December, increasing the FED Funds rate from 2.25% to 2.5%, dampened expectations of further rate rises in 2019 in view of the low rate of inflation. Investors expect strong growth in 2019, though the pace is expected to ease slightly¹⁰.

Against a backdrop provided by the general slowdown in Europe, the **UK** economy continued to grow. Unemployment was stable at approximately 4%, helping to support consumer spending, despite rising inflation, whilst net exports made a positive contribution to GDP thanks to the weakness of sterling. The outcome of the Brexit process remains uncertain¹¹, as does the related impact on the economy and on relations with Europe.

China ended 2018 with average growth of 6.6%, after the 6.8% of 2017. Trend growth was slightly down in the last quarter compared with the previous quarter (6.4% and 6.5%, respectively). Signs of a slowdown are confirmed by the most recent figures for industrial output. Investment was slightly up, on the other hand, probably reflecting the new economic policy designed to boost public investment, above all at local level. The country is responding to trade tariffs with expansionary fiscal policies that have raised household disposable income and thus boosted internal consumption¹².

After forging ahead in 2017, the **euro area** is slowing more than expected. Annual growth in 2018 was 1.8%, compared with 2.5% in 2017. The trade surplus declined as European businesses proved highly sensitive to the prospects for the international market. Germany, above all, slowed, leading the government to cut its growth estimate for 2019 from 1.8% to 1%. On the supply side, manufacturing saw a slowdown in growth, with reduced order books also having an impact on services. The €-coin indicator¹³ in December continued to reflect a worsening of business and consumer confidence, falling for the second month running from 0.47 in November to 0.42. A further decline in confidence could remove support for domestic consumption, which has so far remained solid, which would add to weak overseas demand. Following the end of

8. Source: OECD, Interim Economic Outlook, November 2018.

9. Source: <https://finanza-mercati.ilsole24ore.com/quotazione-petrolio-brent-wti>.

10. Source: Prometeia, Economic Outlook - December 2018; Il Sole 24 ore (October and December 2018)

11. Source: Prometeia, Economic Outlook - December 2018; Il Sole 24 (November 2018)

12. Source: Prometeia, Economic Outlook - December 2018; Il Sole 24 (January 2019).

13. An indicator developed by the Bank of Italy in collaboration with the Centre for Economic Policy Research (CEPR) which provides an indication of the current economic performance of the euro area in terms of quarterly GDP growth shorn of the most variable components (seasonal factors, measurement errors and short-term volatility).

Quantitative Easing, the ECB would find itself in the difficult situation of trying to normalise monetary policy in a decelerating economy¹⁴.

Italy, like Germany, is slowing more than other European countries. Figures from ISTAT show that GDP was down 0.1% in the fourth quarter of 2018, resulting in an “acquired” growth rate of 0.9% for 2018¹⁵. Uncertainty had a negative impact on household spending and on business investment. The weakening economic cycle has particularly hit the manufacturing sector, where automobile production fell by almost 20%, whilst the production of intermediate goods was down 5.3%. This phase could continue into early 2019, whilst the expansionary effects of the economic measures approved by the government in December 2018 are expected to be seen in the second part of 2019¹⁶.

The market for European government bonds in 2018 reflected the progressive slowdown in the euro area’s economy. The yield on 10-year Bunds reached a peak of 0.80% on 8 February, before closing the year at 0.24%. In contrast, the yield on BTPs was affected by the political uncertainty surrounding the new government: the ten-year spread between BTPs and Bunds began the year at 163 bps, before falling to a low of 114 bps on 24 April. In the second part of 2018, the spread rose to 327 bps, before then falling in the last weeks of the year. At the end of 2018, the ten-year spread stood at 250 bps. The yield on ten-year BTPs, which had begun the year at 2%, closed 2018 at 2.74%, after reaching a peak of 3.80%.

Group financial review

Consolidated operating results

€m		2017	2018	Increase/(decrease)	
EXTERNAL REVENUE		10,629	10,864	+236	+2%
TOTAL OPERATING COSTS		9,506	9,366	(140)	-1%
EBIT		1,123	1,499	+376	+34%
EBIT Margin %		10.6%	13.8%		
NET PROFIT		689	1,399	+709	+103%
EPS (€/SHARE)		0.53	1.07		
ROE		10%	18%		
CAPEX		467	538	+71	+15%
% of revenues		4.4%	5.0%		

14. Source: Prometeia, Economic Outlook - December 2018; Il Sole 24 (January 2019).

15. “Acquired” GDP growth is the annual growth rate that would be obtained if growth in the other quarters of the year was zero.

16. Source: ISTAT, “GDP and public debt” – March 2018; ISTAT, “Quarterly economic performance” – March 2019; Il Sole 24 (January 2019).

EBIT amounts to €1,499 million, marking an increase of 34% compared with the previous year (€1,123 million), primarily due to revenue growth in almost all the Group's operating segments and a reduction in operating costs.

A particularly significant contributions came from the Financial Services Strategic Business Unit, where EBIT is up 33% from €646 million in 2017 to €859 million in 2018, and from the Payments, Mobile and Digital Strategic Business Unit, where EBIT is up 5% from €194 million in 2017 to €204 million in 2018.

Profit for the year is up €709 million, partly reflecting deferred tax income at Poste Vita (€385 million). Capital expenditure rose significantly in order to support the transformation of the Company and the individual businesses.

Reclassified consolidated statement of profit or loss

		4° quarter		Results of operations for the year ended 31 December (€m)	Year			
Increase/(decrease)		2017	2018		2018	2017	Increase/(decrease)	
6.5%	178	2,735	2,913	Total revenue	10,864	10,629	236	2.2%
				<i>of which:</i>				
2.1%	20	971	991	Mail, Parcels & Distribution	3,580	3,632	(51)	-1.4%
5.5%	8	150	158	Payments, Mobile and Digital*	592	532	61	11.4%
12.6%	150	1,192	1,342	Financial Services*	5,221	5,010	211	4.2%
-0.2%	(1)	423	422	Insurance Services	1,470	1,456	15	1.0%
3.9%	103	2,656	2,759	Total costs	8,796	8,961	(165)	-1.8%
				<i>of which:</i>				
7.3%	134	1,852	1,986	Total personnel expenses	6,137	6,093	45	0.7%
2.3%	32	1,364	1,396	of which personnel expenses	5,519	5,593	(75)	-1.3%
21.0%	102	488	590	of which early retirement incentives	619	500	119	23.9%
-3.9%	(32)	804	773	Other operating costs	2,659	2,868	(209)	-7.3%
94.8%	75	79	154	EBITDA	2,068	1,668	400	24.0%
23.2%	31	133	164	Depreciation, amortisation and impairments	570	545	24	4.5%
81.6%	44	(54)	(10)	EBIT	1,499	1,123	376	33.5%
1.6%	-2.0%	-0.3%		EBIT Margin	13.8%	10.6%	3.2%	
-457.3%	(66)	14	(52)	Finance income/(costs) and profit/(loss)	(8)	(55)	47	85.0%
-56.4%	(22)	(39)	(62)	Profit before tax	1,490	1,067	423	39.6%
n/s	(400)	(5)	(404)	Income tax expense	92	378	(286)	-75.8%
n/s	377	(35)	343	Net profit	1,399	689	709	102.9%
-	0.26	-	0.26	Earnings per share	1.07	0.53	0.54	102.9%

n/s: not significant

* The figures for 2018 and 2017 have been reclassified in accordance with the reorganisation following from the transfer of BancoPosta RFC's card payments and payment services unit (the Financial Services segment) to the newly established PostePay SpA (the Payments, Mobile and Digital segment) with effect from 1 October 2018.

Group Workforce	2018	2017	Increase/(decrease)	
Average workforce expressed in full-time equivalent terms	134,360	138,040	(3,680)	-2.7%
Ordinary unit cost of labour (€000)	41.1	40.8	0.3	0.7%

Group capital expenditure (€m)	2018	2017	Increase/(decrease)	
Group capital expenditure	538.2	467.4	70.8	15.1%
<i>of which:</i>				
Mail, Parcels & Distribution	416.0	380.0	36.0	9.5%
Payments, Mobile and Digital	52.5	41.9	10.6	25.4%
Financial Services	44.8	30.4	14.3	47.1%
Insurance Services	24.9	15.1	9.9	65.5%

Financial position (€m)	2018	2017	Increase/(decrease)	
Non-current assets	3,035	3,077	(42)	-1.4%
Net working capital	1,737	1,452	285	19.6%
Gross invested capital	4,772	4,529	243	5.4%
Sundry provisions and other assets/liabilities	(2,039)	(2,546)	507	-19.9%
Net invested capital	2,732	1,983	749	37.8%
Equity	8,105	7,550	555	7.4%
Net funds	(5,372)	(5,567)	195	-3.5%
Net funds of the Mail, Parcels & Distribution segment	(1,131)	(1,335)	204	-15.3%

The Group's total revenue of €10.9 billion is up €236 million (2.2%) compared with the previous year.

In detail, total revenue from Mail, Parcels and Distribution services amounts to €3,580 million, a reduction of 1.4% compared with 2017. This reflects a decrease in traditional letter post and in other revenue, partly offset by the performance of parcels, where volumes were up 12.6% from 113 million items in 2017 to 127 million in 2018, resulting in a 9.8% increase in revenue from €693 million to €761 million.

The Payments, Mobile and Digital segment contributed €592 million to total revenue, an increase of 11.4% compared with 2017. This reflects a good performance from card payments, where revenue is up from €238 million in 2017 to €291 million.

Total revenue from Financial Services amounts to €5,221 million, marking growth of 4.2% compared with the €5,010 million of the previous year. Alongside an improvement in the interest margin, the improvement reflects a 16.6% increase in commission income on the collection of postal savings deposits, reflecting the mechanisms established in the new agreement with Cassa di Risparmio di Bologna, as well as a positive contribution from asset management. The result also reflects a reduction in realised gains, in line with the Group's new strategy of reducing the dependence of its results on non-recurring items, and a decrease in revenue due to the sale of Banca del Mezzogiorno-MCC, completed on 7 August 2017.

The Insurance Services segment contributed €1,470 million to total revenue, an increase of €15 million despite a reduction in gross premium revenue compared with the previous year (a decline of €3.7 billion). The improvement reflects the increase in the net investment result which, in contrast, benefitted from the greater volume of assets under management, and a positive contribution from the Non-life business.

As anticipated, total costs are down from the €9 billion of 2017 to €8.8 billion, a reduction of 1.8%. This primarily reflects a reduction in other operating costs, amounting to €2,659 million after a 7.3% reduction compared with the €2,868 million of 2017. This reflects higher provisions for risks and charges in 2017, for the most part linked to the operational risk associated with the Company's sale of units in real estate funds in the period between 2002 and 2005.

Personnel expenses of €6,137 million (€6,093 million in 2017) reflect a reduction of €75 million in the ordinary component, linked to a decrease in the average workforce (approximately 3,700 fewer FTEs compared with 2017) and an increase in the cost of early retirement incentives, which is up from €500 million in 2017 to €619 million in 2018, primarily due to provisions for early retirement schemes, totalling approximately €136 million, which will cover the cost of further early retirement initiatives for

personnel meeting the related requirements in the next 5 years under existing legislation (such as, for example, the Solidarity Fund and art. 4 of the Fornero Law).

Depreciation, amortisation and impairments amount to €570 million (up 4.5% compared with 2017).

Net finance costs of €8 million compare with the figure of €55 million for 2017, which reflected the impairment loss of €82 million on the Contingent Convertible Notes issued by Alitalia in 2014, and the impairment loss of €12 million on the Atlante fund.

Income tax expense of €92 million (€378 million in 2017) benefitted from the positive impact of deferred tax income of €385 million recognised by Poste Vita on temporary differences resulting the application of paragraph 1-*bis* of art. 111 of the Consolidated Law on Income Tax (introduced by art. 38, paragraph 13-*bis* of Law Decree 78 of 31 May 2010). This legislation provides for a partial exemption (based on a specific percentage deduction) of the movement in the obligatory technical provisions relating to the Life business from taxation, whereas the full amount of such movements was previously included in the tax base for the purposes of IRES. In Poste Vita's case, the percentage deduction is 98.5%.

The company, in common with other leading players in the sector, has begun a review of its internal processes and developed and implemented appropriate information systems to support the correct assessment and recognition of the above deferred tax assets.

Net Profit for 2018 amounts to €1,399 million (€689 million for 2017).

Consolidated financial position and cash flow

at 31 December (€m)	2018	2017	Increase/(decrease)	
Property, plant and equipment and Investment property	1,993	2,053	(60)	-2.9%
Intangible assets	545	516	29	5.6%
Investments accounted for using the equity method	497	508	(11)	-2.2%
Total non-current assets	3,035	3,077	(42)	-1.4%
Trade receivables, Other receivables and assets and Inventories	6,914	6,170	744	12.1%
Trade payables and other liabilities	(5,282)	(4,788)	(494)	10.3%
Current tax assets and liabilities	105	70	35	50.0%
Net working capital	1,737	1,452	285	19.6%
Gross invested capital	4,772	4,529	243	5.4%
Provisions for risks and charges	(1,519)	(1,595)	76	-4.8%
Provisions for employee termination benefits	(1,187)	(1,274)	87	-6.8%
Deferred tax assets/(liabilities)	666	323	343	106.2%
Net invested capital	2,732	1,983	749	37.8%
Equity	8,105	7,550	555	7.4%
<i>of which: net profit</i>	<i>1,399</i>	<i>689</i>	<i>709</i>	<i>102.9%</i>
<i>of which: fair value reserve</i>	<i>(69)</i>	<i>371</i>	<i>(440)</i>	<i>-118.6%</i>
Financial liabilities	66,929	63,244	3,685	5.8%
Technical provisions for the insurance business	125,076	123,579	1,497	1.2%
Financial assets	(190,864)	(186,766)	(4,098)	2.2%
Cash and deposits attributable to BancoPosta	(3,318)	(3,196)	(122)	3.8%
Cash and cash equivalent	(3,195)	(2,428)	(767)	31.6%
Net funds	(5,372)	(5,567)	195	-3.5%

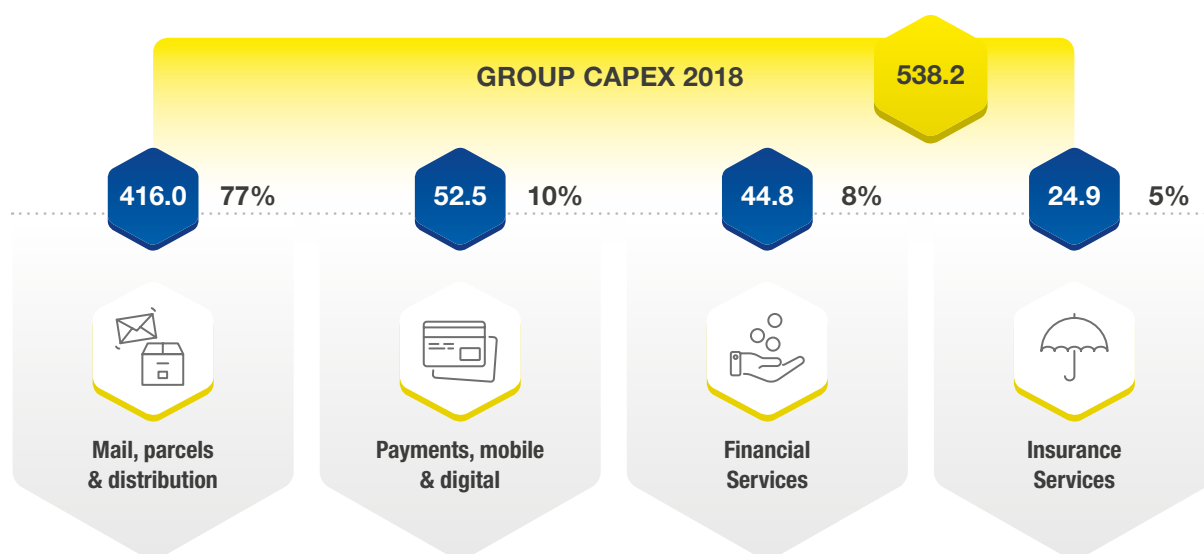
at 31 December 2018 (€m)	Mail, Parcels & Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Adjustments and elimination	Total
Property, plant and equipment and Investment property	1,957	23	-	12	1	1,993
Intangible assets	467	30	-	48	-	545
Investments accounted for using the equity method	1,434	280	214	157	(1,588)	497
Total non-current assets	3,858	333	214	217	(1,587)	3,035
Trade receivables, Other receivables and assets and Inventories	2,534	382	2,798	2,433	(1,232)	6,914
Trade payables and other liabilities	(3,259)	(502)	(1,917)	(836)	1,231	(5,282)
Current tax assets and liabilities	86	(3)	1	22	(1)	105
Total current assets	(639)	(123)	882	1,619	(2)	1,737
Net working capital	3,219	210	1,096	1,836	(1,589)	4,772
'Provisions for risks and charges	(980)	(16)	(512)	(11)	(1)	(1,519)
Provisions for employee termination benefits	(1,178)	(2)	(5)	(2)	1	(1,187)
Deferred tax assets/(liabilities)	389	15	135	127	1	666
Net invested capital	1,450	207	714	1,950	(1,588)	2,732
Equity	2,581	243	2,911	3,958	(1,588)	8,105
<i>of which: net profit</i>	<i>(372)</i>	<i>153</i>	<i>617</i>	<i>1,001</i>	<i>-</i>	<i>1,399</i>
<i>of which: fair value reserve</i>	<i>4</i>	<i>-</i>	<i>(72)</i>	<i>(1)</i>	<i>-</i>	<i>(69)</i>
Financial liabilities	1,259	4,307	67,022	1,034	(6,693)	66,929
Technical provisions for the insurance business	-	-	-	125,076	-	125,076
Financial assets	(1,417)	(4,097)	(64,578)	(126,545)	5,773	(190,864)
Cash and deposits attributable to BancoPosta	-	-	(3,318)	-	-	(3,318)
Cash and cash equivalent	(973)	(246)	(1,323)	(1,574)	921	(3,195)
Net debt/(funds)	(1,131)	(36)	(2,197)	(2,008)	-	(5,372)

at 31 December 2017 (€m)	Mail, Parcels & Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Adjustments and elimination	Total
Property, plant and equipment and Investment property	2,025	18	1	9	-	2,053
Intangible assets	440	33	-	43	-	516
Investments accounted for using the equity method	1,294	286	222	157	(1,451)	508
Total non-current assets	3,759	337	223	209	(1,451)	3,077
Trade receivables, Other receivables and assets and Inventories	2,352	115	2,454	1,972	(723)	6,170
Trade payables and other liabilities	(2,892)	(171)	(1,526)	(781)	582	(4,788)
Current tax assets and liabilities	77	3	(1)	(9)	-	70
Net working capital	(463)	(53)	927	1,182	(141)	1,452
Gross invested capital	3,296	284	1,150	1,391	(1,592)	4,529
Provisions for risks and charges	(1,031)	(21)	(532)	(11)	-	(1,595)
Provisions for employee termination benefits	(1,253)	(3)	(16)	(3)	1	(1,274)
Deferred tax assets/(liabilities)	388	10	94	(170)	1	323
Net invested capital	1,400	270	696	1,207	(1,590)	1,983
Equity	2,735	325	2,702	3,378	(1,590)	7,550
<i>of which: net profit</i>	<i>(502)</i>	<i>146</i>	<i>499</i>	<i>546</i>	<i>-</i>	<i>689</i>
<i>of which: fair value reserve</i>	<i>12</i>	<i>-</i>	<i>180</i>	<i>179</i>	<i>-</i>	<i>371</i>
Financial liabilities	2,249	3,249	62,274	1,017	(5,545)	63,244
Technical provisions for the insurance business	-	-	-	123,579	-	123,579
Financial assets	(1,587)	(3,283)	(60,688)	(125,860)	4,652	(186,766)
Cash and deposits attributable to BancoPosta	-	-	(3,196)	-	-	(3,196)
Cash and cash equivalent	(1,997)	(21)	(396)	(907)	893	(2,428)
Net debt/(funds)	(1,335)	(55)	(2,006)	(2,171)	-	(5,567)

Changes 31 December 2018 vs.31 December 2017 (€m)	Mail, Parcels and Distribution	Payments, Mobile & Digital	Financial Services	Insurance Services	Adjustments and elimination	Total
Property, plant and equipment and Investment property	(68)	5	(1)	3	1	(60)
Intangible assets	27	(3)	-	5	-	29
Investments accounted for using the equity method	140	(6)	(8)	-	(137)	(11)
Total non-current assets	99	(4)	(9)	8	(136)	(42)
Trade receivables, Other receivables and assets and Inventories	182	267	344	461	(509)	744
Trade payables and other liabilities	(367)	(331)	(391)	(55)	649	(494)
Current tax assets and liabilities	9	(6)	2	31	(1)	35
Net working capital	(176)	(70)	(45)	437	139	285
Gross invested capital	(77)	(74)	(54)	445	3	243
'Provisions for risks and charges	51	5	20	-	(1)	76
Provisions for employee termination benefits	75	1	11	1	-	87
Deferred tax assets/(liabilities)	1	5	41	297	-	343
Net invested capital	50	(63)	18	743	2	749
Equity	(154)	(82)	209	580	2	555
<i>of which: net profit</i>	<i>130</i>	<i>7</i>	<i>118</i>	<i>455</i>	<i>-</i>	<i>709</i>
<i>of which: fair value reserve</i>	<i>(8)</i>	<i>-</i>	<i>(252)</i>	<i>(180)</i>	<i>-</i>	<i>(440)</i>
Financial liabilities	(990)	1,058	4,748	17	(1,148)	3,685
Technical provisions for the insurance business	-	-	-	1,497	-	1,497
Financial assets	170	(814)	(3,890)	(685)	1,121	(4,098)
Cash and deposits attributable to BancoPosta	-	-	(122)	-	-	(122)
Cash and cash equivalent	1,024	(225)	(927)	(667)	28	(767)
Net debt/(funds)	204	19	(191)	163	-	195

The Poste Italiane Group's **non-current assets** amount to €3,035 million at 31 December 2018, a reduction of €42 million compared with the figure at the end of 2017. This figure reflects investment of €538 million – offset by depreciation, amortisation and impairments, totalling €570 million – and the Parent Company's subscription, in April 2018, for shares issued by Anima Holding SpA as a result of its rights issue, amounting to €30 million. Further movements regard impairment losses of approximately €40 million recognised following impairment tests.

The Group's **investment** amounted to €538 million in 2018, an increase of 15% compared with 2017 (up €71 million).



In line with the investment programme for the period 2018-2022, designed to support delivery of the Strategic Plan, around 25% of the Group's investment (€133 million) focused on the transformation process and almost entirely regarded the **Mail, Parcels and Distribution Strategic Business Unit**.

Approximately €50 million was invested in the modernisation of technology infrastructure and in consolidating the Group's Data Centre infrastructure, whilst over €40 million was invested in new sorting equipment at the Bologna and Milan Peschiera Borromeo sorting centres, the automation of the hubs and in the lean program, which aims to automate Parcels and Mail operations. Approximately €10 million was invested in the rollout of the new "Joint delivery" model, which began in April and involved the reorganisation of 350 delivery centres, and around €7 million in the installation of LED lighting to replace fluorescent lighting in 1,032 buildings.

As part of the process of modernising its vehicle fleet, the Group is progressively introducing alternative electric delivery vehicles (3-wheeled vehicles). This will improve occupational safety and extend the process, launched in recent years, of adopting eco-friendly forms of transport, involving the introduction of a fleet of 4-wheeled electric vehicles.

Approximately 33% of investment (€178 million) regarded work on real estate, physical security and information technology, with aim of guaranteeing business continuity in the post office network, at head offices and delivery offices. This investment also focused primarily on the **Mail, Parcels and Distribution Strategic Business Unit**.

As part of IT-related initiatives, investment in the optimisation of the applications and systems used in supplying services. This included the "Cloud" project, which aims to migrate and transform the technology platforms used by the Mail, Parcels and Distribution segment to Cloud infrastructure.

Investment in ICT was allocated to the Strategic Business Units who made requests, although the Group's service model assigns responsibility for coordinating all the Group's investment for every Business Unit to a central department within Poste Italiane.

Around 14% of investment (€75 million) was spent on developing and/or defending the business and related to all the Business Units. The main items of expenditure included the development of letter post services, upgraded applications for the Electronic Postman platform, with the introduction of functions enabling delivery to alternative addresses or delivery points, investment in the start-up of PostePay, fixed and mobile telecommunications offerings, postal savings, retail loan products and development of the offerings marketed by Poste Vita and Poste Assicura.

Approximately 28% of investment focused on projects needed to meet legal requirements (€152 million). In the **Mail, Parcels and Distribution Strategic Business Unit**, approximately €70 million was invested in improving safety for employees in accordance with the related legislation (Legislative Decree 81/08) and approximately €20 million was spent on IT security, the GDPR and anti-money laundering. In the **Financial Services Strategic Business Unit**, around €27 million was spent on IT Risk, on the MiFID 2 regulations (3 January 2018) and the new IDD - Insurance Distribution Directive (1 October 2018).

Investment in the **Payments, Mobile and Digital** and **insurance Services** units also focused on the upgrade of systems to comply with the introduction of new regulations, such as Electronic Invoicing and, in the case of the Poste Vita Group, the GDPR (EU/679/2016).

Net working capital amounts to €1,737 million at 31 December 2018, an increase of €285 million compared with the end of 2017. This reflects an increase in receivables of €740 million, mainly due to an increase in payments on account of withholding tax and substitute tax on capital gains on Life insurance policies.

Provisions for risks and charges total €1,513 million (€1,595 million at the end of December 2017) and include provisions for early retirement incentives of €444 million, to cover the liabilities that Poste Italiane will incur, under the current arrangements agreed with the unions, as a result of a certain number of staff taking voluntary early retirement by 31 December 2020.

The balance also takes into account provisions for operational risk, reflecting adjustments to provisions for potential liabilities linked to claims brought by customers who invested in real estate funds in the period between 2002 and 2005 and whose performance was not in line with their expectations.

The €343 million increase in net deferred tax assets/(liabilities) primarily reflects the recognition of deferred tax assets of €385 million on the non-deductible movement in the obligatory technical provisions relating to the Life business and the net positive effect on taxation of fair value losses taken to reserves. These losses primarily reflect positive and/or negative movements in the value of investments classified in the new FVTOCI category (a net positive effect on deferred tax assets and liabilities of €121 million).

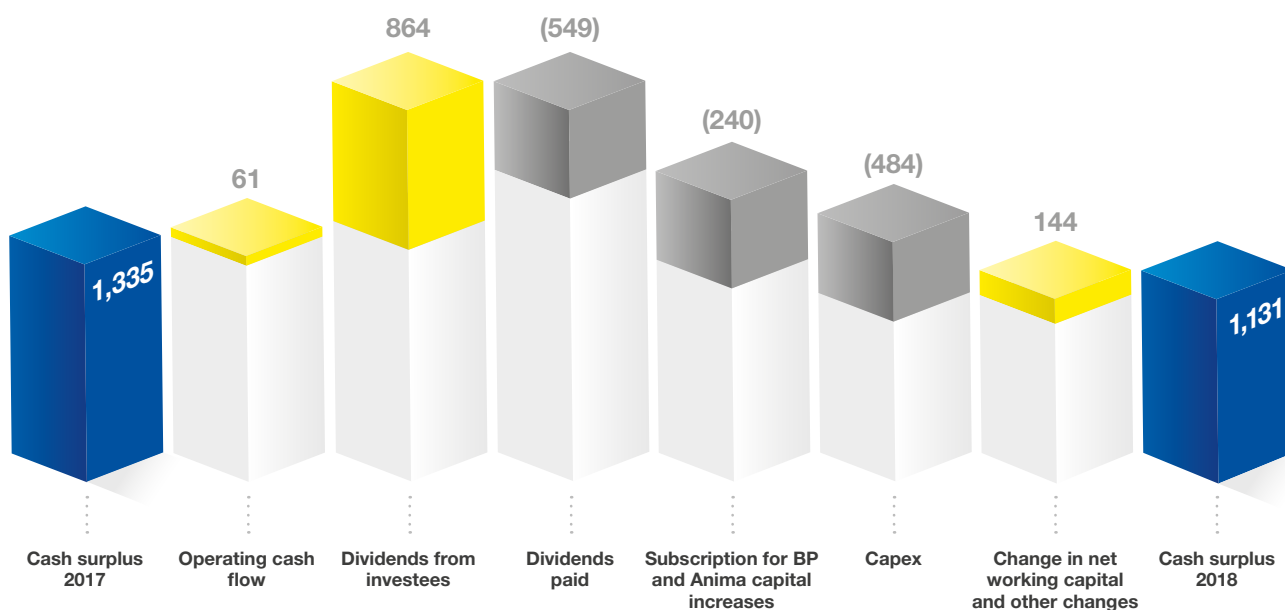
Equity amounts to €8,105 million at 31 December 2018, an increase of €555 million compared with 31 December 2017. The change primarily reflects net profit for the year of €1,399 million, partly offset by the payment of dividends totalling €549 million from net profit for 2017, a reduction of €440 million in the fair value reserve (including the positive effect of €1,233 million resulting from the transition to IFRS 9), reflecting movements (positive and/or negative) in the value of investments classified in the new FVTOCI category, and an increase of €150 million in the cash flow hedge reserve.

Total **net funds** at 31 December 2018 amount to €5,372 million, down from the figure at 31 December 2017 (when net funds totalled €5,567 million). The change during the period reflects the increase in net working capital and a reduction in the fair value of investments classified as FVTOCI, which is not reflected in the change in technical provisions for the insurance business (as these investments are primarily held by BancoPosta RFC).

With reference to the sale of the 100% interest in Banca del Mezzogiorno–Mediocredito Centrale SpA (“BdM”) to the *Agenzia nazionale per l’attrazione degli investimenti e lo sviluppo d’impresa* (Invitalia) in 2017, on 31 October 2018, Invitalia informed Poste Italiane that the Bank of Italy had requested the buyer not to proceed with the reduction of BdM’s capital scheduled for 2018, and preparatory to payment of a €40 million tranche of the related consideration. In line with the terms of the agreement, Poste Italiane and Invitalia, acting in good faith, have concluded an agreement that entails: i) Invitalia’s payment of a sum of €20 million, which took place in February 2019; ii) payment of the remaining €20 million from the dividends to be paid by BdM in 2018, 2019 and 2020, taking into account the supervisory instructions and recommendations from the Bank of Italy. The remaining portion of the price, totalling €30 million, will be paid by June 2022 in accordance with the contract. Impairment losses of €20 million have been recognised on these receivables, following the prudent application of the measurement criteria in IFRS 9.

Analysis of the net debt/(funds) of the Mail, Parcels and Distribution Strategic Business Unit in accordance with ESMA guidelines

Net funds attributable to the Mail, Parcels and Distribution Strategic Business Unit at 31 December 2017, amounting to €845 million, have been adjusted to take into account a financial receivable of €490 million, following the reclassification of the investments in FSIA and Anima Holding, in the Payments, Mobile and Digital and Financial Services segments, respectively, which are now accounted for using the equity method. Net funds at 31 December 2018, before the above reclassification, amount to €611 million (taking into account the further €30 million incurred by the Parent Company in order to subscribe for the new shares issued by Anima Holding in 2018, in addition to the above €490 million).



€m

The net funds attributable to the Mail, Parcels and Distribution Strategic Business Unit are down €204 million, from €1,335 million at 31 December 2017 to €1,131 million at 31 December 2018.

(€m)	At 31 December 2018	At 31 December 2017	Increase/(decrease)	
A. Liquidity	(973)	(1,997)	1,024	-51.3%
B. Current loans and receivables	(57)	(245)	188	-76.7%
C. Current bank borrowings	201	201	-	n/s
D. Current portion of non-current debt	-	763	(763)	-100.0%
E. Other current financial liabilities	23	82	(59)	-72.0%
F. Current financial debt (C+D+E)	224	1,046	(822)	-78.6%
G. Current net (funds)/debt (A+B+F)	(806)	(1,196)	390	-32.6%
H. Non-current bank borrowings	-	200	(200)	-100.0%
I. Bond issues	50	49	1	2.0%
J. Other non-current liabilities	27	36	(9)	-25.0%
K. Non-current financial debt (H+I+J)	77	285	(208)	-73.0%
L. Net (funds)/debt (ESMA guidelines) (G+K)	(729)	(911)	182	-20.0%
Non-current financial assets	(570)	(585)	15	-2.6%
Net (funds)/debt	(1,299)	(1,496)	197	-13.2%
Intersegment loans and receivables and financial liabilities	168	161	7	4.3%
Industrial net (funds)/debt after adjusting for intersegment transactions	(1,131)	(1,335)	204	-15.3%

This reflects:

- operating profit of €61 million (including €156 million in net profit and depreciation and amortisation and €95 million reflecting the change in provisions for risks and charges and for employee termination benefits or TFR);
- a net inflow from the change in equity, totalling €75 million, primarily due to net dividends of €315 million, (dividends received of €864 million, after dividends paid to shareholders of €549 million), net of the fresh capital injected into BancoPosta RFC, amounting to €210 million, and into Anima Holding SpA, totalling €30 million;
- an outflow of €484 million for investing activities;
- a net inflow from the change in net working capital and other transactions, totalling €144 million, primarily due to the gain of €120 million realised on the sale of shares in Anima SGR to Anima Holding.

The borrowings shown in the above analysis primary regard the following:

- an EIB loan of €200 million maturing in March 2019 (current bank borrowings);
- a private placement of €50 million (bond issues).

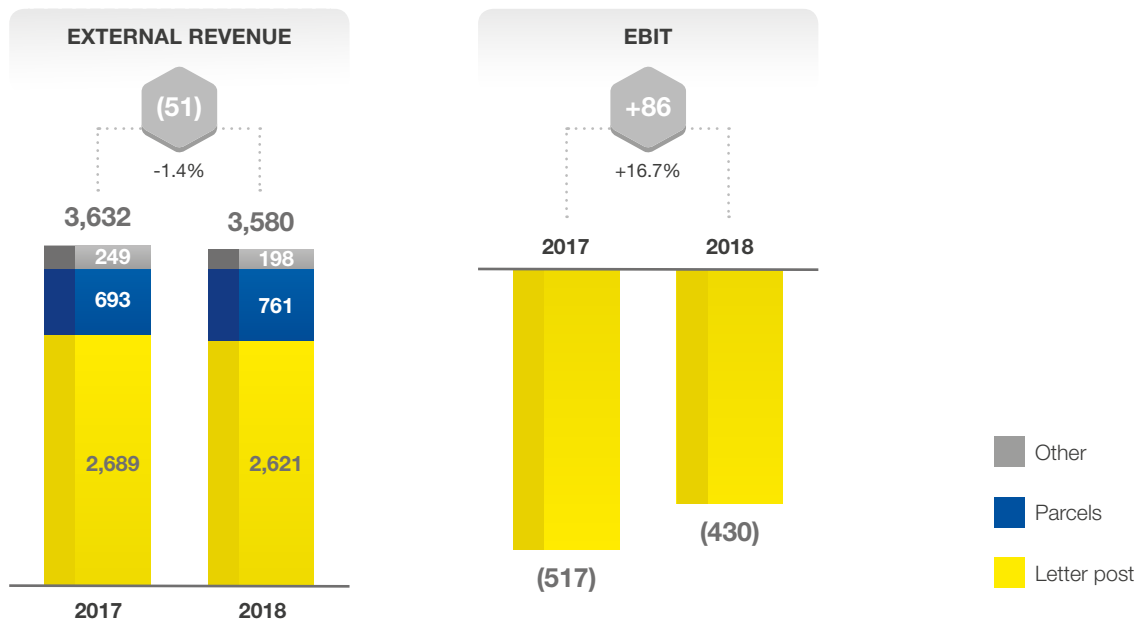
Another EIB loan of €200 million reached maturity and was repaid in April 2018.

A five-year bond issue with a nominal value of €750 million, issued by the Parent Company on 18 June 2013, matured and was repaid in June 2018.

Non-current financial assets include BTPs with a total value of €532 million (a nominal value of €500 million).

Operating results by Strategic Business Unit

MAIL, PARCELS & DISTRIBUTION

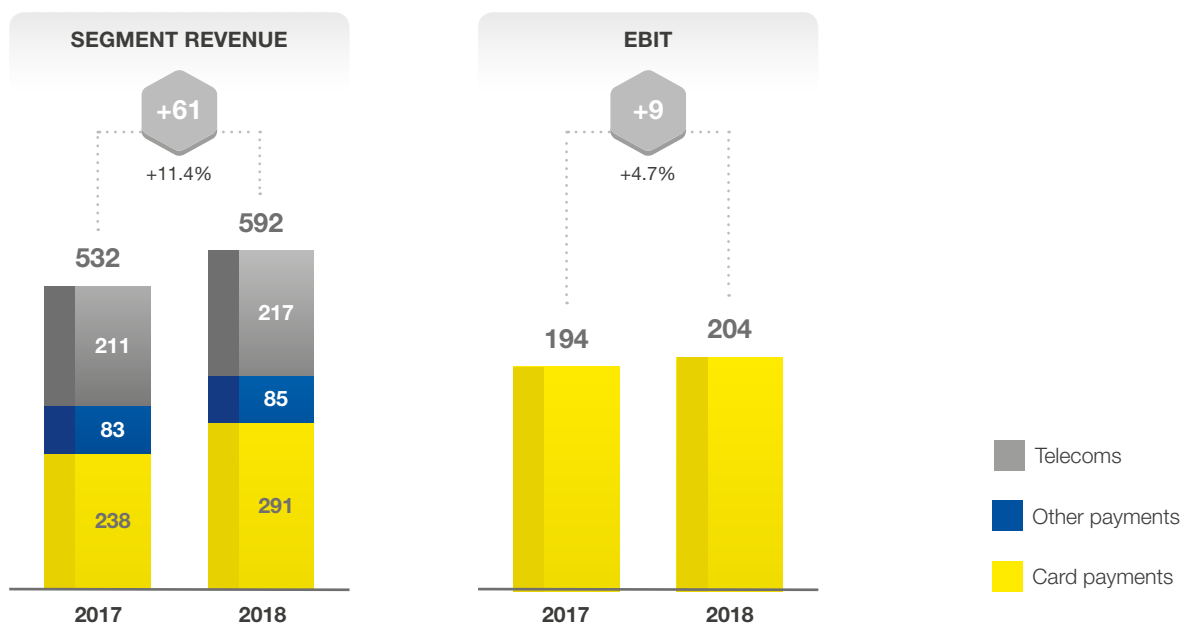


(€m)

Whilst registering a 3% decline, the Mail business recorded an improvement with respect to historical trends and the reduction was offset by growth in the Parcels business (up 10%), in line with the objectives set in the Deliver 2022 Plan.

EBIT, though negative, has improved thanks partly to process efficiencies following the introduction of the new delivery model, the cost efficiency drive and economies of scale generated by the increase in volumes, which has cut the average unit cost.

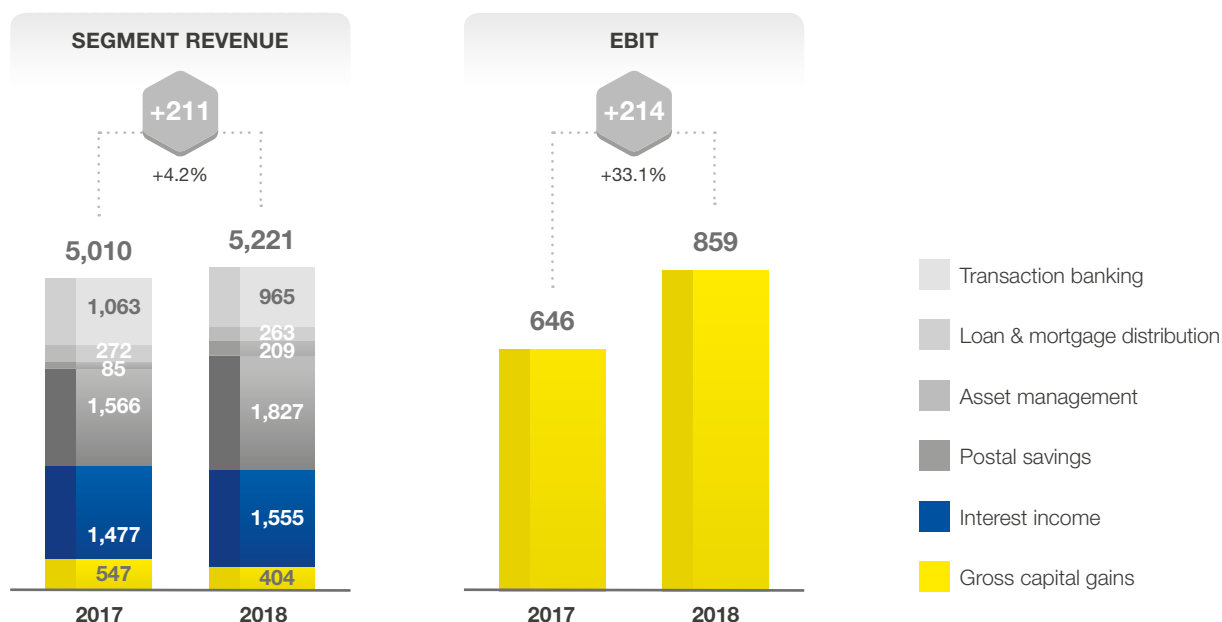
PAYMENTS, MOBILE & DIGITAL



(€m)

Card payments recorded a 22% increase in revenue, thanks to the contribution from PostePay Evolution. Revenue from the Mobile business are also up (3%), having benefitted from the good performance of fixed line services.

FINANCIAL SERVICES

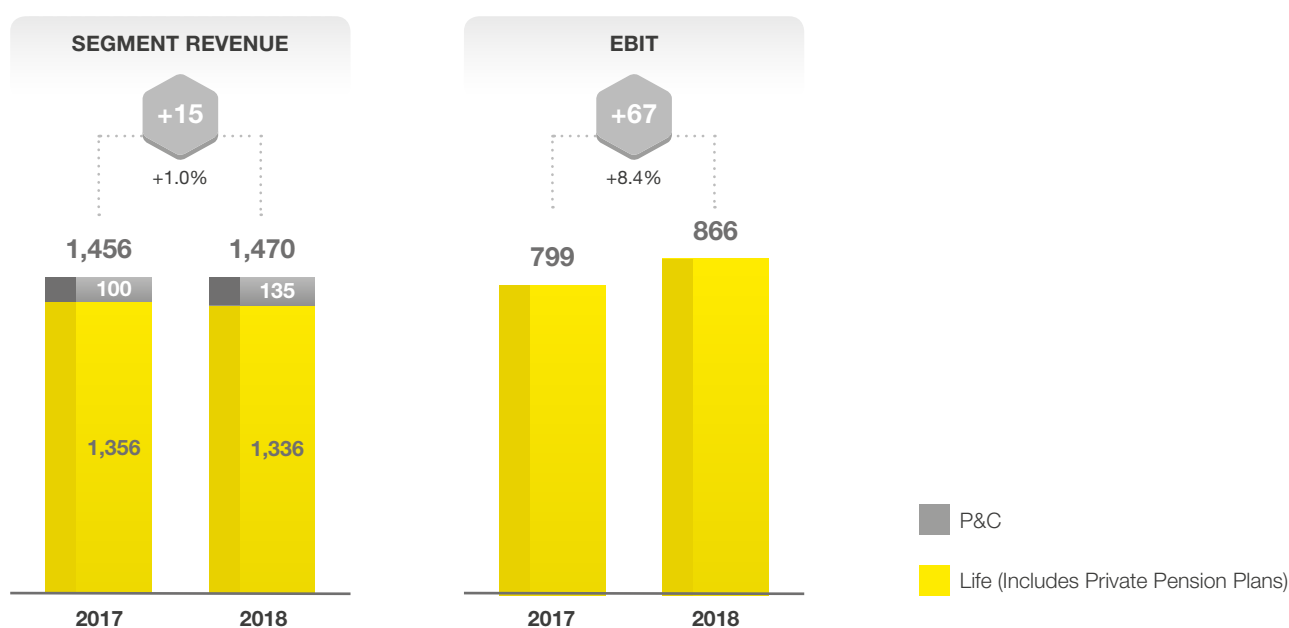


(€m)

Revenue from Financial Services is up 4%, reflecting a good performance from Postal Savings, and the positive contribution from assets management linked to the stronger partnership with the Anima group.

Gross gains realised, amounting to €404 million compared with the €547 million of 2017, are in line with the objective in the Deliver 2022 Plan to reduce the dependence of the segment's results on non-recurring items.

INSURANCE SERVICES



(€m)

EBIT is up 8.4% to €866 million, compared with €799 million for 2017. The Non-life business performed well during the year.

2018 (€m)	Mail, Parcels & Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Adjustments and eliminations	Total
Total revenue	8,210	952	5,871	1,472	(5,641)	10,864
External revenue	3,580	592	5,221	1,470	-	10,864
Intersegment revenue	4,630	360	649	2	(5,641)	-
Total costs	8,641	748	5,011	606	(5,641)	9,365
Total personnel expenses	5,989	31	80	38	-	6,137
<i>of which personnel expenses</i>	<i>5,381</i>	<i>31</i>	<i>70</i>	<i>37</i>	<i>-</i>	<i>5,519</i>
<i>of which early retirement incentives</i>	<i>608</i>	<i>-</i>	<i>10</i>	<i>1</i>	<i>-</i>	<i>619</i>
Other operating costs	2,056	304	214	84	-	2,659
Depreciation, amortisation and impairments	528	24	0	17	-	570
Intersegment costs	67	390	4,718	467	(5,641)	-
EBIT	(430)	204	859	866	-	1,499
EBIT MARGIN	-5.2%	21.4%	14.6%	58.8%	-	13.8%
Finance income/(costs)	(31)	4	(32)	51	-	(8)
Profit/(Loss) before tax	(462)	208	827	917	-	1,490
Income tax expense	(89)	55	210	(84)	-	92
Net profit	(372)	153	617	1,001	-	1,399

Mail, Parcels and Distribution Services

The postal services market

The postal services market is going through a period of radical change, primarily linked to the digital transformation of the economy, which has influenced the volume of letters and parcels in circulation. The ongoing decline in traditional mail, which is being replaced with more immediate forms of communication such as e-mail and instant messaging, is accompanied by a significant increase in the volume of parcels sent, linked to the growth in e-commerce.

As part of the strategy designed to promote the digital single market and with the aim facilitating the shipment of parcels within the European market and drive the development of e-commerce, Regulation (EU) 2018/644 was approved on 4 March 2018.

The regulation supplements the measures contained in Directive 97/67/CE¹⁷ regarding cross-border parcel delivery services and, for the purposes of implementation, establishes a minimum level of regulatory oversight. The role of Italy's national regulator (the Autorità per le Garanzie nelle Comunicazioni or AGCom) has been confirmed, and it has given specific responsibilities with a view to surveying the market and obtaining information on the providers of parcel delivery services currently operating in the market.

In this context, in view of the expected growth in online shopping and the development of new organisational and business models in post services markets, and considering the above measures in the EU regulation designed to standardise the conditions applicable to cross-border services, AGCom has issued **Resolution 399/18/CONS** of 25 July 2018. This launched a market survey of parcel delivery services in order to assess the outlook for competition and the impact of existing regulation, as well as to identify potential remedies designed to restore competition in order to protect users.

17. Directive 97/67/CE defines common rules for the development of the internal market for postal services within the EU and for the improvement of service quality.

Legislative and regulatory environment

The regulator issued Resolution **77/18/CONS** on 20 February 2018, setting out the regulations governing the issue of special licences to provide postal services relating to legal process and the notification of violations of the Highway Code. Poste Italiane's exclusive right to provide these services was eliminated with effect from 10 September 2017 by Law 124/2017. This licence is subject to meeting a series of requirements (e.g. reliability, professionalism and integrity) and satisfying certain universal service obligations covering the security, quality, continuity, availability and provision of the services.

The Ministry for Economic Development Decree, setting out procedures for the issue of the special individual licenses, was published in September 2018. Law 205 of 27 December 2017 (the 2018 Budget Law) and Law 145 of 30 December 2018 (the 2019 Budget Law) introduced changes to text of Law 890 of 20 November 1982, regarding the delivery of legal process and notifications of violations of the Highway Code by post.

Finally, according to the new regulatory framework governing these services, in Resolution **600/18/CONS** of 12 December 2018, the regulator has set out measures and the related procedures for the payment of compensation for legal process and violations of the Highway Code.

In Resolution **266/18/CONS**, dated 6 June 2018, AGCom has fixed new, higher basic rates for the universal postal services provided to publishers¹⁸ (for shipments in excess of 2,000 copies) with effect from 1 July 2018. However, subsidised rates paid by publishers and non-profit associations and organisations are unchanged. This will ensure continued provision of a service of general economic interest, the aim of which is to make information available to end users.

In Resolution **453/18/CONS**, effective from 1 October 2018, the regulator then extended the new basic rates to shipments of less than 2,000 and approved the special prices proposed by Poste Italiane for such shipments.

The funds earmarked to finance government subsidies for 2018 by the 2018 Stability Law, amount to €59.3 million.

The 2019 Budget Law has provided funding of €54.9 million for 2019 and, with respect to future years, has made provisions of €54.3 million for 2020 and €54.6 million for 2021.

Within the constraints imposed by AGCom Resolution **728/13/CONS** in order to protect consumers, from 3 July 2018, Poste Italiane has introduced new rates for certain universal services. The increases meet the need to maintain high standards of quality, enabling a partial recovery of the costs incurred in guaranteeing the universal postal service throughout the country. On 3 September 2018, the consumer associations, CODACONS and *Associazione Articolo 32-97*, lodged a challenge against the rate rises before the Lazio Regional Administrative Court. The hearing on the merits of the challenge has yet to be scheduled.

With Resolution **571/18/CONS**, published on 11 February 2019, AGCom has launched a public consultation on the assessment of the net cost of providing the Universal Postal Service in 2015 and 2016, with the estimated costs of providing the service amounting to €378 million for 2015 and €355 million for 2016, compared with revenue of €279 million and €262 million recognised by Poste Italiane. Interested parties have 45 days from publication of the Resolution in which to send their contributions to the consultation. The above figures may be adjusted by the regulator in its final decision following closure of the consultation.

In Resolution **452/18/CONS**, AGCom has introduced a "price test" in order to assess the effective replicability of bulk mail service offerings with a value in excess of €500 thousand. These services are carried out by Poste Italiane on behalf of major private customers or offered by the Company when bidding for contracts in public tenders. Replicability is measured in terms of the position of a postal operator who, in order to offer a complete delivery service, must use Poste Italiane's network in the areas in which it does not have a direct presence. The test aims to ensure compliance with the principle of non-discrimination and reduce the potential for Poste Italiane's competitors to suffer from margin squeeze¹⁹.

18. Pursuant to Legislative Decree 261 of 1999, deliveries of books, catalogues, newspapers, periodicals and similar publications fall within the scope of the Universal Postal Service.

19. This is a form of anti-competitive behaviour designed to block entry to or exclude competitors from a market. It occurs when the difference between the price at which a vertically integrated provider sells a certain essential product or service – when that provider also has a dominant market position – and the downstream price is negative or insufficient to cover the competitors' costs.

Contratto di Programma (Service Contract)

The *Contratto di Programma* (Service Contract) regulates relations between the Ministry of the Economy and Finance, the Ministry for Economic Development and Poste Italiane SpA in connection with the Universal Postal Service.

The current *Contratto di Programma* (Service Contract) for 2015-2019 was signed by the parties on 15 December 2015 and is effective from 1 January 2016 to 31 December 2019.

Poste Italiane has begun talks with the interested parties with a view to reaching agreement on a new *Contratto di Programma*.

Mail, Parcels and Distribution segment profit or loss

		4 th quarter		Results of operations (€m)	Year			
Increase/(decrease)		2017	2018		2018	2017	Increase/(decrease)	
-3.4%	(25)	718	694	Mail	2,621	2,689	(68)	-2.5%
22.1%	42	191	233	Parcels	761	693	68	9.8%
4.1%	2	61	63	Other revenue	198	249	(51)	-20.6%
5.1%	54	1,051	1,105	Intersegment revenue	4,630	4,497	133	3.0%
3.6%	74	2,022	2,096	Total revenue	8,210	8,129	82	1.0%
8.2%	148	1,813	1,961	Personnel expenses	5,989	5,922	67	1.1%
3.3%	44	1,328	1,372	of which personnel expenses	5,381	5,430	(49)	-0.9%
21.5%	104	485	589	of which early retirement incentives	608	492	116	23.6%
-1.3%	(7)	582	574	Other operating costs	2,056	2,154	(98)	-4.6%
1.2%	0	16	16	Intersegment costs	67	64	3	4.2%
5.8%	141	2,410	2,551	Total costs	8,112	8,141	(28)	-0.3%
-17.2%	(67)	(388)	(455)	EBITDA	98	(12)	110	917.9%
23.9%	29	123	152	Depreciation, amortisation and impairments	528	505	24	4.7%
-18.8%	(96)	(511)	(608)	EBIT	(430)	(517)	86	16.7%
-3.7%	-25.3%	-29.0%		EBIT MARGIN	-5.2%	-6.4%	1.1%	
-661.9%	(13)	(2)	(15)	Finance income/(costs)	(31)	(112)	81	72.2%
-21.3%	(109)	(513)	(622)	Profit/(Loss) before tax	(462)	(629)	167	26.6%
-36.6%	(42)	(114)	(155)	Income tax expense	(89)	(127)	38	29.8%
-16.9%	(67)	(400)	(467)	Net profit	(372)	(502)	129	25.8%

KPIs for the Mail, Parcels & Distribution segment	2018	2017	Increase/(decrease)	
Mail & Parcels				
Mail volumes (m)	2,951	3,124	(173)	-5.5%
Parcel volumes (m)	127	113	14	12.6%
Revenue/FTEs (€)	62,143	60,065	2,078	3.5%
Number of delivery centres	1,793	2,051	(258)	-12.6%
Vehicle load factor*	80%	78%		
Overall fleet size** ('000)	27.1	29.2	(2)	-7.4%
Progress of Joint Delivery model rollout	50%	n/a		
New PuntoPoste network (number of Lockers and alternative collection points)	417	5	412	n/s
Distribution				
Post offices	12,812	12,822	(10)	-0.1%
Customers (m)	34.9	34.4	0.5	1.5%
Customer visits to post offices / daily average (m)	1.42	1.45	(0.03)	-2.1%
Consulting rooms	6,509	6,482	27	0.4%
Stands promoting PosteMobile products and services	341	341	-	-
Poste office stands***	118	118	-	-
Postamat ATM network	7,282	7,257	25	0.3%

* Ratio of the load capacity used and the total load capacity of vehicles.

** Number of vehicles used in delivery operations.

*** This format, present in post offices with high growth potential, is used to promote ancillary current account services and provide information on insurance products, directing interested customers to specialists in the relevant area.

The Mail, Parcels and Distribution Strategic Business unit reports negative EBIT of €430 million, an improvement of €86 million compared with negative EBIT of €517 million for the previous year.

External revenue is down from €3,632 million to €3,580 million, a decline of 1.4% due to lower revenue from traditional letter post (down €68 million) and a fall in other revenue (down €51 million). Among other things, this includes the revenue generated by the airline, Mistral Air, which in 2018 progressively withdrew from the passenger transport market to focus exclusively on its cargo business. On the other hand, revenue from the parcels segment grew 9.8% (up €68 million compared with 2017), especially in the B2C segment, thanks to the ongoing expansion of e-commerce.

Total costs of €8,112 million are down compared with 2017 (a decline of €28 million), reflecting a reduction in other operating costs (down €98 million). This is primarily linked to a reduction in variable costs at the airline, Mistral Air, as a result of its previously mentioned withdrawal from the passenger transport market, at Poste due to a decline in the volume of printing, and a decrease in other costs following the release of provisions for disputes with third parties, as the related liabilities for which provision had been made in previous years failed to materialise.

Ordinary personnel expenses are down €49 million, reflecting a decrease in the average workforce. In contrast, provisions for early retirement incentives are up €116 million, in relation to the Company's decision to accelerate generational turnover through voluntary early retirement for employees who are close to retirement.

Net finance costs of €31 million represent a 72.2% improvement compared with the previous year, when the figure was impacted by the impairment loss (€82 million) on the Contingent Convertible Notes issued by Midco (the company that owns 51% of Alitalia SAI).

Performance analysis

Mail

	Volumes (m)				Revenue (€m)			
	2018	2017	Increase/(decrease)		2018	2017	Increase/(decrease)	
Unrecorded Mail	1,347	1,381	(34)	-2.5%	775	811	(35)	-4.4%
Recorded Mail	203	199	4	2.1%	997	982	15	1.5%
Direct Marketing	503	545	(42)	-7.7%	127	142	(15)	-10.8%
Integrated services	27	29	(1)	-4.0%	188	203	(15)	-7.6%
Other*	870	970	(100)	-10.3%	273	289	(16)	-5.7%
Universal Service Obligation (USO) compensation**	-	-	-	-	262	262	-	-
Total Mail attributable to the Group	2,951	3,124	(173)	-5.5%	2,621	2,689	(68)	-2.5%

* Includes services for publishers, multi-channel services, printing, document management, other basic services. This item also includes tariff subsidies relate to external revenue earned on products and services discounted in accordance with the law.

** Universal Service compensation also includes compensation relating to the standard parcels service.

The performance of the Group's Mail services saw volumes and revenue decrease by 5.5% (173 million fewer items) and 2.5% (down €68 million), respectively, compared with 2017. This essentially reflects the structural decline in demand for traditional postal services as a result of the digitalisation of the economy.

In detail, the contraction in volumes of Unrecorded Mail (34 million fewer items, or 2.5% less than in the previous year) led to a fall in revenue of €35 million (4.4%).

The Recorded Mail segment registered an increase in volumes and revenue of 2.1% (4 million more items), and 1.5% (up €15 million), respectively, compared with 2017. This primarily reflects growth in inbound international registered mail relating to the shipment of small objects linked to the development of e-commerce.

Direct Marketing volumes are down 7.7% (42 million fewer items), due to customers rationalising their mail spend. This slow-down led to a contraction in revenue of 10.8% (€15 million).

Integrated Services registered an increase in volumes and revenue of 4.0% and 7.6%, respectively, compared with the previous year. This was primarily due to the positive contribution from the Integrated Notification Service provided to the Municipality of Milan, to which the Company currently only provides delivery services for legal process.

Finally, other revenue that includes, among other things, revenue from the Printing services provided by the subsidiary, Postel, is down 10.3% in volume terms (100 million fewer shipments) and 5.7% in revenue terms (down €16 million) compared with 2017, due to a decline in the market for printing services. Publisher tariff subsidies amount to approximately €61 million and are also included in other revenue (€43 million in 2017).

The compensation partially covering the cost of the Universal Service for 2018, as provided for in the 2015-2019 Service Contract in force, amounts to €262 million.

Parcels

	Volumes (m)				Revenue (€m)			
	2018	2017	Increase/(decrease)		2018	2017	Increase/(decrease)	
B2B	31	29	2	7.5%	219	207	11	5.4%
B2C	74	58	16	27.0%	301	236	66	27.8%
C2C	6	6	(0)	-2.9%	57	59	(2)	-2.6%
Other*	17	20	(3)	-17.0%	184	191	(7)	-3.7%
Total Parcels	127	113	14	12.6%	761	693	68	9.8%

* This item includes international parcels, partnerships with logistics operators, dedicated services, integrated logistics and other revenue.

The performance of the Parcels segment saw growth in volumes and revenue of 12.6% (14.2 million more items) and 9.8% (€68.2 million), respectively, compared with 2017. This is essentially due to the expansion of Poste Italiane's presence in the e-commerce market and the positive performance of the B2C segment, which generated revenue of €301 million, an increase of 27.8% compared with 2017, on 74 million items shipped. The B2B segment, which in 2017 was adversely affected by industrial action at the subsidiary, SDA, in September and October, registered growth in both volumes and revenue of 7.5% (2 million more items) and 5.4% (€11 million), respectively.

Operating review

Following agreement with the labour unions, the progressive rollout of the new "Joint delivery" model began in April. The new model, which aims to keep pace with the development of e-commerce and changing customer needs, enables parcels to be delivered via the network of postmen and women, introducing afternoon and weekend shifts.

The flexibility offered by the "Joint delivery" model also played a role in the conclusion of an agreement with Amazon in June, covering the delivery of products throughout Italy. Thanks to this partnership, which will have a duration of three years, renewable for a further two, the Group will help to drive the development of e-commerce in Italy.

Progressive expansion of the new PuntoPoste network, providing 417 points for collecting online purchases and sending returns and prefranked or prepaid parcels, began during the year. The new PuntoPoste network offers customers 328 lockers (automated kiosks equipped with touchscreens, barcode readers and mini-printers) located in the self-service areas of a number of post offices and in high footfall locations such as supermarkets, shopping centres, fuel stations and 89 alternative collection points to meet the growing need for readily accessible service points and flexible opening hours. Major progress was made in this sense with the conclusion of a framework cooperation agreement between Poste Italiane and the Federation of Italian Tobacconists, which enables tobacconists' shops to join the PuntoPoste network.

Work continued during the period on improving sorting processes through the introduction of automation. This included the installation of new mail sorting systems at the Bologna and Milano Peschiera Borromeo sorting centres and the reorganisation, on a lean manufacturing basis, of 7 sites in the sorting office network (Turin, Padua, Bologna, Bari, Naples, Florence and Rome, with the introduction, for example, of new equipment designed to make operations and workstations safer and more ergonomic).

In addition, as part of the process of modernising its vehicle fleet, the Group is progressively introducing alternative electric delivery vehicles (3-wheeled vehicles). This will improve occupational safety and extend the process, launched in recent years, of adopting eco-friendly forms of transport, involving the introduction of a fleet of 4-wheeled electric vehicles.

The quality of the Universal Postal Service

The quality results achieved for the Universal Service, whose objectives are defined by AGCom, are shown below. The regulator verifies compliance with the objectives and publishes the results annually, together with those regarding ordinary mail reported by the independent body.

	Delivered within	Target	Performance	
			2018	2017
Posta 1 - Priority*	1 day	80.0%	85.9%	n/a
Posta 1 - Priority*	2 days	80.0%	92.3%	n/a
Posta 1 - Priority*	1 day	80.0%	n/a	82.2%
Posta 1 - Priority	4 days	98.0%	98.9%	99.1%
Posta 4 - Ordinary	4 days	90.0%	87.6%	91.4%
Posta 4 - Ordinary	6 days	98.0%	96.5%	97.1%
Bulk mail	4 days	90.0%	98.5%	96.7%
Bulk mail	6 days	98.0%	99.7%	99.6%
Registered mail	4 days	90.0%	95.0%	95.1%
Registered mail	6 days	98.0%	97.9%	98.0%
Insured mail	4 days	90.0%	99.3%	99.6%
Insured mail	6 days	98.0%	99.8%	99.9%
Standard parcels	4 days	90.0%	95.1%	92.2%

* The figure for 2018 has been calculated as J1 in unregulated municipalities and J2 in regulated municipalities, following the introduction of the new alternate day delivery model in regulated areas. The figure for 2017 is based on J1 at national level, without distinguishing between regulated and unregulated municipalities.

Other information

On 3 October 2018, the Company proceeded to pay the fine of €23 million plus interest imposed by the *Autorità Garante della Concorrenza e del Mercato* (AGCM - the Antitrust Authority) following its ruling, in January 2018, that Poste Italiane had abused its dominant market position as per art. 102 of the TFEU. This does not constitute acceptance or admission of liability in relation to the alleged misconduct and does not affect the Company's right to defend its position through the appropriate channels. At 31 December 2018, the provisions made in 2017 have been used in full.

On 4 March 2019, the AGCM notified the Company that it was satisfied that the actions taken by Poste Italiane to remedy the earlier issues had been effective and that the Company was in compliance with the regulations, ruling therefore that: (i) no further fine would be imposed; (ii) Poste Italiane can continue to offer competing alternative operators a service equivalent to Posta Time; (iii) Poste Italiane, within 30 days of notice of the ruling, must inform the regulator in writing of the degree to which the Posta Time equivalent service has been extended.

In November 2018, **Consorzio Postemotori** received notice of an order issued by the Criminal Court in Rome and of the precautionary seizure of a BancoPosta current account in the consortium's name, amounting to €4.6 million. This was accompanied by precautionary measures concerning both the people under investigation and real property. In response, the consortium's management board declared itself in full agreement with the considerations and conclusions contained in two independent expert opinions, one of which regarded the public law aspects of the concession under which the consortium provides its services to the Ministry of Infrastructure and Transport (management and registration of payments due from users in return for the services provided by the Department of Land Transportation) and the other the related tax aspects. The former concluded that the concession's legal framework and, in particular, the payments due to the consortium, are in compliance with the legislation governing service concessions, without identifying any critical issues or illegality regarding the payments due or the billing of those payments. The latter judged the risk of potential tax liabilities for the consortium as a result of the charges brought by the Public Prosecutor to be remote.

Payments, Mobile and Digital

The market for mobile and digital payments

The card payments market again registered growth in 2018, continuing the trend seen in 2017. The latest available figures show that the total value of transactions stood at €160 billion in September 2018 (up 6.5% compared with the same period of the previous year), despite a reduction in the average value of individual transactions for every type of card. This reduction indicates increasingly widespread usage, partly due to the progressive extension of the service to segments where use is less intensive. Prepaid cards saw the sharpest growth in terms of both value and the number of transactions (up 24% and 30%, respectively, compared with the same period of the previous year). Credit cards, on the other hand, were again the second most used form of payment after debit cards, generating transactions worth €50 billion in approximately 700 million transactions (up 12% compared with the same period of the previous year) and resulting in an increase in the average spend²⁰.

In terms of the **digital market**, 92% of the Italian population has access to the internet (55 million people) and there are around 35 million social media users, with the number of users rising continuously year after year. 85% of users access the internet from a mobile device and 52% use social media from their mobile phone. The average time spent on the internet is 6 hours a day, including 2 hours primarily spent on social media.

Digitalisation is also a growing priority for the Public Administration. The SPID, the Public Digital ID system aims to provide citizens with a single system for logging in to access all the online services provided by the Public Administration. The system enables access to over 4,300 online services provided by approximately 4,000 participating central and local government entities, including INPS, the tax authority, municipal authorities and universities²¹. In 2018, the number of people registering for the SPID digital identities provided by Poste Italiane rose by around 700,000, with highs of over 5,000 registrations a day coinciding with tax deadlines.

In July 2018, the process of pre-notification of the SPID to the European Commission, begun on 24 November 2017, was completed in accordance with the requirements of eIDAS (electronic IDentification Authentication and Signature) regulation. Following pre-notification, Italy is the second European country, after Germany, to opt for reciprocal recognition of its national digital identity system and the first to pre-notify a system that involves the private sector.

According to the latest available figures²², **mobile market** penetration, in terms of total mobile lines, stands at approximately 173% of the population, with MVNOs accounting for 15%. The total number of lines at 30 September 2018 amounts to 103 million, including approximately 20 million Machine to Machine (M2M) SIM cards. In terms of market share, PosteMobile, with a total market share of approximately 4%, accounts for approximately 47% of the total customers of mobile virtual network operators²³.

2018 has seen a strengthening of competition in the sector as a result of the launch of the new operator, Iliad, followed, at the end of June, by the entry of Ho.Mobile, Vodafone's second brand. Against this backdrop, PosteMobile was the only operator to increase its market share, thanks to its defensive segmented marketing and pricing strategies, which enabled it to stop customers switching and prevent SIM cards from remaining unused.

The growth of the Internet of Things (IoT) market²⁴ also strengthened in 2018, with revenue expected to rise by up to 11% by 2025.

Regulatory environment

Legislative Decree 218 of 15 December 2017 has transposed the EU's Payment Services Directive (EU 2015/2366 or PSD2) into Italian law. This was followed, in March 2018, by publication of Delegated Regulation (EU) 2018/389, supplementing PSD2 and defining the requirements to be met by payment service providers (PSPs) in terms of the implementation of specific security measures. Poste Italiane has planned the necessary technology upgrades to ensure compliance with the new statutory requirements, which will come into effect from 14 September 2019.

20. Source: Bank of Italy – Data based on supervisory reports, back up by internal and external data provider estimates.

21. Source: www.spid.gov.it

22. Source: AGCom Communications Observatory no. 4/2018.

23. Source: AGCom Communications Observatory no. 4/2018.

24. 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. These include fitness sensors, cars, radios and air-conditioning systems, but also electrical appliances, lighting, video cameras and shipping containers.

The new text of the Digital Administration Code (DAC), as amended by Legislative Decree 217 of 13 December 2017, came into effect on 27 January 2018. The aim of the revision of the DAC is to ensure that citizens have the right to access their data, documents and services in digital form. Extension of the DAC to include public service providers, as part of the application process, produces a series of effects and will require changes to the way that digital services are provided.

The related providers will also, in relation to public interest services, be required to accept payments in electronic form – including via the use of mobile phone credits – using the platform made available by AgID.

On 17 September 2018, the European Banking Authority (EBA) published a document concerning Guidelines on reporting requirements for fraud data. The guidelines require payment service providers to supply detailed information on frauds linked to the various forms of payment to their respective supervisory authorities, who are then required to share aggregated data with the EBA and the ECB.

On 4 December 2018, the EBA published Guidelines regarding the technical standards regulating strong customer authentication and common and secure open standards of communication in accordance with Delegated Regulation (EU) 2018/389, which has supplemented Directive (UE) 2015/2366 (the PSD2) - “Final report. Guidelines on the conditions to benefit from an exemption from the contingency mechanism under Article 33 (6) of Regulation (EU) 2018/389 (RTS on SCA & CSC)”. The Guidelines sets out the conditions that account servicing payment service providers (ASPSPs) must meet in order to be exempted from the obligation to prepare contingency measures under article 33 of Regulation (EU) 2018/389 regarding the strong customer authentication and common and secure open standards of communication. The EBA has encouraged ASPSPs to begin testing and implementing their interfaces ahead of the September 2019 deadline and the Bank of Italy has already notified, in a consultation document, its intention to apply the guidelines in full. The bank has announced that they will apply to banks, Poste Italiane SpA as regards Bancoposta’s operations, payment service providers, electronic money institutions and financial intermediaries authorised to provide payment services.

Payments, Mobile and Digital segment profit or loss*

		4° quarter		Results of operations (€m)	Year			
Increase/(decrease)		2017	2018		2018	2017	Increase/(decrease)	
20.1%	13	66	79	Card payments	291	238	53	22.3%
-6.9%	(2)	27	25	Other payments	85	83	2	2.9%
-5.4%	(3)	57	54	Telecoms	217	211	5	2.6%
5.5%	5	89	94	Intersegment revenue	360	361	(1)	-0.3%
5.5%	13	239	252	Total revenue	952	892	60	6.7%
-11.4%	(1)	9	8	Personnel expenses	31	31	(0)	-0.9%
-11.4%	(1)	9	8	of which personnel expenses	31	31	(0)	-0.9%
-	-	-	-	of which early retirement incentives	-	-	-	-
13.3%	10	78	89	Other operating costs	304	281	23	8.2%
7.3%	7	94	101	Intersegment costs	390	363	27	7.3%
9.0%	16	181	197	Total costs	725	675	49	7.3%
-5.4%	(3)	58	55	EBITDA	227	217	10	4.8%
10.9%	1	6	6	Depreciation, amortisation and impairments	24	22	1	6.1%
-7.3%	(4)	52	48	EBIT	204	194	9	4.7%
-2.6%	21.8%	19.1%		EBIT MARGIN	21.4%	21.8%	-0.4%	
68.3%	1	1	2	Finance income/(costs)	4	7	(3)	-38.3%
-5.3%	(3)	53	51	Profit/(Loss) before tax	208	201	6	3.2%
-0.6%	(0)	14	14	Income tax expense	55	55	(1)	-1.1%
-7.0%	(3)	39	36	Net profit	153	146	7	4.8%

* The figures for 2018 and 2017 have been reclassified in accordance with the reorganisation following from the transfer of BancoPosta RFC's card payments and payment services unit (the Financial Services segment) to the newly established PostePay SpA (the Payments, Mobile and Digital segment) with effect from 1 October 2018.

KPIs for the Payments, Mobile & Digital segment	2018	2017	Increase/(decrease)	
Number of cards in issue (m)*	26.6	25.2	1.4	5.7%
of which Postepay cards stock(m)	19.0	17.7	1.3	7.6%
of which Postepay Evolution cards stock (m)**	6.3	4.7	1.6	33.0%
Payment card transactions (m)	1,100	932	167.7	18.0%
of which e-commerce transactions (m)	202	165	36.9	22.4%
Total value of card transactions (€m)	28,147	23,879	4,268	17.9%
Postepay Digital e-Wallets in issue (m)	2.8	1.7	1.1	64.0%
Registered online users (m)	17.6	15.0	2.6	17.7%
App downloads (m)	21.6	15.0	6.6	44.0%
Daily online users (web and app) (m)	1.5	1.3	0.2	13.8%
Electronic identification (m)	2.6	1.8	0.7	39.8%
Digital financial transactions - Consumers (m)	47.9	39.4	8.6	21.7%
New PosteMobile lines ('000)	1,094	1,123	(28.7)	-2.6%

* The figure includes Postepay and Postamat cards and Credit Cards.

** The figure includes business customers.

The Payments, Mobile and Digital segment reports EBIT of €204 million for 2018, an increase of 4.7% compared with the previous year.

Total revenue of €952 million (up 6.7%) benefitted from the positive performance of card payments, which recorded growth of 22.3% (€53 million), and a 2.6% increase in mobile revenue (up €5.4 million).

Card payments also includes revenue from acquiring services, which doubled compared with 2017, rising from €3.6 million to €7.5 million (an increase of 109%) thanks to growth in the value of transactions due to an increase in prepaid cards.

At 31 December 2018, there are approximately 19 million Postepay cards in circulation (17.7 million in 2017), including 6.3 million Postepay Evolution cards, an increase of 33.0% compared with 31 December 2017.

Revenue from other payments totals approximately €85 million (up 2.9% compared with 2017) and reflects the positive performance of revenue from bank transfers (up 56% compared with 2017) and from the processing of tax payments using forms F23/F24 (up 1.6%), which offset the reduction in revenue from international transfers (down 14% compared with 2017).

The reduction in mobile service revenue, after taking into account intersegment items (down €6.4 million), reflects a decline in revenue from product sales, offset by an increase in fixed line revenue (up €13.8 million), due to strong growth in the PosteMobile Casa customer base, which is up from 42,000 lines in 2017 to 118,000 in 2018.

The segment's total costs amount to €725 million, an increase of 7.3% compared with 2017 and in line with the growth in revenue. Intersegment costs are up 7.3% and primarily include the cost of distribution, IT management, back office, customer care activities involved in monitoring fraud and customer communication services provided by other segments within Poste Italiane to the card payments and payment services business.

After income tax expense for the year (€55 million), the segment's net profit amounts to €153 million, up 4.8% on 2017.

Operating review

In order to effectively respond to changes in the market and the entry into effect of the European Payment Services Directive (PSD2), in 2018, the Group embarked on a strategy designed to expand PosteMobile's operations, including through the creation of a new Payments, Mobile and Digital Strategic Business Unit and the launch of operations typical of an electronic money institution ("EMI"), following the company's transformation into a hybrid EMI.

Following the transfer, pursuant to art. 2558 of the Italian Civil Code, of BancoPosta's payment services unit to PosteMobile, following its removal from BancoPosta RFC's ring-fence, PosteMobile was renamed PostePay and operates, in its role as a hybrid EMI, as a payment service provider and as a card issuer, following the creation of a specific ring-fenced entity.

PostePay aims to be the largest digital payments platform in Italy, operating in synergy with Italy's most widespread distribution network, made up of post offices, in order to enable the Poste Italiane Group to consolidate its role as a driver of the country's development and innovation. PostePay forms part of Poste Italiane's digital transformation in response to a changing competitive scenario in the payments sector, designed to take advantage of the opportunities offered by market deregulation and the changes in progress.

The first product to be launched by PostePay SpA, from November 2018, was Postepay Connect, the integrated solution that exploits the synergies between connectivity and digital payments. Postepay Connect combines the advantages of Postepay Evolution and PosteMobile SIM cards in order to offer an integrated digital experience via its Postepay App. The product brings together payment services and telecommunications services in a single offer with an annual charge. It provides services designed for the community represented by Postepay Connect customers, such as: the real-time transfer free of charge of data (G2G) from PosteMobile Connect SIM card to another PosteMobile Connect SIM card; money transfers between two Postepay accounts (p2p); the purchase of extra data using the Postepay App with the cost debited automatically to a Postepay Evolution account; automatic renewal of the card and the SIM debited to a Postepay Evolution account.

As regards collections, partly in response to development of the PagoPA platform, made available by the Digital Italy Agency (AgID), enabling the progressive digitalisation of payments to Public Administration entities, work was carried out in 2018 on reengineering the payment slip product. In this regard, from October 2018, payment slips are now integrated into payment notices from Public Administration entities and can be used to effect payments through either physical (post offices) or digital channels. This development marks an important milestone in the digital transformation, which envisages the development of services making it easier to make payments to the Public Administration.

In response to changes in the competitive scenario in the mobile market, the Group has further enhanced its customer acquisition strategy in 2018, revising price plans, in terms of both line rental and service charges, and launching specific promotions designed to build customer loyalty, stop customers switching and prevent SIM cards from remaining unused in an attempt to safeguard the quality of acquisitions.

In terms of fixed line services, the PosteMobile Casa offering consolidated its competitive position in its target market, launching cross-selling promotions with other products marketed by Poste Italiane.

Work on boosting the Internet of Things (IoT) offering proceeded with the launch, for consumers, of the *PosteMobile Qui* solution, an App that allows the user to locate their pet.

In compliance with Law Decree 4 of 28 January 2019, Poste Italiane will handle applications for the citizen's basic income through our widespread network of over 12,800 post offices, and will issue the cards necessary in order to access the related financial benefits.

This will be carried out in implementation of the service previously assigned to Poste Italiane by article 81, paragraph 35.b) of Law Decree 112 of 25 June 2008, regarding the *Carta Acquisti* (Social Card). The service will be provided on the same financial terms and conditions as for the Social Card and will involve the issue of the same number of electronic cards needed to distribute the benefit.

Financial Services

Financial market trends²⁵

After a particularly positive 2017, 2018 was marked by a high degree of equity market volatility. Having seen the S&P reach an all-time high at the end of September 2018, on the back of strong growth in the domestic economy and improved corporate earnings, in part thanks to the tax reform introduced at the end of 2017, US markets then proceeded to give up the gains accumulated since the beginning of the year. This reflected fears that a worsening of trade tensions with China and Europe could have a negative influence on the global economy and on corporate earnings. 2018 ended with the S&P 500 down 6.24% and the Euro Stoxx 50 off 14.34%. The FTSE MIB closed the year down 16.15%.

The market for European government bonds was impacted by the progressive slowdown in the euro area's economy in 2018. The yield on 10-year *Bunds* reached a peak of 0.80% on 8 February, before closing the year at 0.24%. In contrast, the yield on BTPs was affected by the political uncertainty surrounding the new government: the ten-year spread between BTPs and Bunds began the year at 163 bps, before falling to a low of 114 bps on 24 April. In the second part of 2018, the spread rose to 327 bps, before then falling in the last weeks of the year. At the end of 2018, the ten-year spread stood at 250 bps. The yield on ten-year BTPs, which had begun the year at 2%, closed 2018 at 2.74%, after reaching a peak of 3.80%.

BTP SPREAD OVER *BUND* 10 YEARS



This performance was reflected in management of the securities portfolio. By the beginning of the year, all the gains necessary to complete the process of stabilising revenue in 2018 had been achieved in line with the Plan target for 2018, and a series of forward sales of government securities were carried with settlement at the beginning of 2019. In the second half of the year, management of the portfolio focused on purchases of securities maturing towards the end of 2018, in addition to those maturing in early 2019 and securities to replace those sold for settlement at the beginning of 2019. All the purchases achieved yields that were higher than expected and above those available until May 2018. Yields towards the higher end of the BTP curve also benefitted from deposits from Public Administration customers, which were deposited with the Ministry of the Economy and Finance. The return on these deposits was significantly higher in the second half of 2018 than in the first half.

25. Source: Bloomberg.

The euro progressively weakened over 2018, reflecting the slowdown of the euro area economy and the fact that the US economy continued to see solid growth ahead of expectations. In this scenario, the euro declined from approximately US\$1.20 to the euro to US\$1.15.

Banking system²⁶

Funding by banks operating in Italy in 2018, represented by deposits by resident Italian savers (current accounts, certificates of deposit and repurchase agreements) and bond issues, was stable overall. Estimates from ABI (the Italian banking association) indicate that total funding in December 2018 amounted to approximately €1,732 billion, registering a year-on-year increase of 0.2%. As in previous years, this is due to a year-on-year increase in deposits by resident Italian savers of approximately €38 billion in absolute terms (up 2.6% on December 2017), which more or less offset a sharp decline in bond issues, amounting to approximately €34 billion (a year-on-year reduction of 12.3%). The cost of bank funding (deposits, bonds and repurchase agreements) progressively eased from the beginning of 2018, declining from 0.69% in January to 0.61% in December. Bank lending rose consistently over the year: according to estimates from ABI for December 2018, total lending to Italian residents (private sector and the Public Administration) - excluding interbank loans - amounted to approximately €1,720 billion, presenting a year-on-year increase of 1.92%. Household loans also rose, recording a 2.7% year-on-year increase as at December 2018.

Doubtful loans within the banking system, after impairments and provisions made from own funds, amounted to approximately €29 billion in December 2018, sharply down compared with the figure for December 2017 (€64 billion). In percentage terms, doubtful loans have fallen from 3.70% of total lending in December 2017 to 1.72% in December 2018. The average interest rate applied to household loans (current account overdrafts and revolving credit) continued to fall, declining to 4.53% in December 2018 (5.0% in December 2017).

Regulatory environment

On 3 January 2018, the new Directive 2014/65/EU (so-called “MiFID2”) came into effect throughout the European Union. Together with MiFIR - Markets in financial instruments regulation (Regulation (EU) 600/2014), the Directive has amended the previous regulations. The new regulations have increased the efficiency and transparency of financial markets, boosting protections for investors and strengthening certain organisational requirements and rules for intermediaries.

During 2018, the platform used to support the consultancy service was further enhanced and developed, with initiatives designed to add new functions and strengthen interactions with customers.

On 16 May 2018, the decree implementing Directive (EU) 2016/97 on insurance distribution (the “IDD”) as published, before coming into effect on 1 October 2018. This legislation regulates the distribution of insurance contracts and brings into line the rules governing insurance broking with those applicable to investment services, reforming the various models and systems designed to protect customers. Application of the legislation, which will affect the processes involved in product governance, customer profiling, assessment of whether or not the recommended product meets the customer’s needs and the provision of information is the subject of a specific cross-functional project at Group level. In particular, Class I insurance-based investment products have been included in the “MiFID” consulting service, resulting in changes to the contract governing the provision of investment services, in the product governance process and in the scope of investment services.

EU Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the so-called GDPR Regulation) came into effect on 25 May 2018. Poste Italiane has revisited its internal data protection procedures, defining the related roles and responsibilities (appointing a Data Protection Officer), updating the information provided to customers on data protection and their rights in this regard and strengthening the measures designed to protect the data held by the Group.

On 9 July 2018, the Ministry of the Economy and Finance published Circular 22 of 15 June 2018, regarding the application of PSD2 (the Payment Services Directive) by the Public Administration (PA) who use treasury or cash management services provided by a bank or by Poste Italiane. The aim is to identify, with regard to the application of PSD2, the statutory requirements applicable to the PA, the specific nature of the treasury (or cash) management services, the aspects that might have an impact on the relationship between the PA and the treasurer/cash management provider, and the accounting solutions enabling the correct application of the new legislation.

26. Source: ABI, Monthly Outlook – February 2019

On 13 December 2018, the European banking Authority (EBA) published a “Consultation Paper. EBA draft guidelines on ICT and security risk management” and began a public consultation in accordance with EU Directive 2366/2015 (PSD2). This requires the Authority to draw up guidelines for the definition, implementation and audit of the security measures that payment service providers must adopt in order to manage operational and IT security risks. The consultation is due to come to an end on 13 March 2019.

On 19 December 2018, the Bank of Italy, in implementing the guidelines issued by the EBA on “Governance arrangements and product oversight for retail banking products”, dated 22 March 2016, published a Directive amending the provisions regarding “Transparency of banking and financial transactions and services. Fairness in dealings between intermediaries and customers” (issued by the Bank of Italy on 29 July 2009, as amended). This Directive sets out the procedures for governing and reviewing banking and financial products, detailing the organisational measures that intermediaries are required to adopt in order to monitor and audit products for retail customers falling within the scope of Title VI of the Consolidated Law on Banking. The new regulations will only apply to products developed and offered on the market from 1 January 2019.

Financial Services segment profit or loss*

		4° quarter		Results of operations (€m)	Year			
Increase/(decrease)		2017	2018		2018	2017	Increase/(decrease)	
-100%	(10)	10	-	Gross capital gains	404	547	(143)	-26.2%
8.4%	31	373	404	Interest income	1,555	1,477	78	5.3%
22.6%	89	394	483	Postal savings	1,827	1,566	261	16.6%
-26.7%	(88)	330	242	Transaction banking	965	1,063	(98)	-9.2%
10.8%	7	63	70	Distribution of third-party products	263	272	(9)	-3.4%
592.2%	122	21	142	Asset management	209	85	123	144.5%
-3.4%	(6)	166	161	Intersegment revenue	649	695	(46)	-6.6%
10.7%	145	1,358	1,503	Total revenue	5,871	5,705	165	2.9%
-58.9%	(12)	20	8	Personnel expenses	80	103	(24)	-23.0%
-57.6%	(10)	18	8	of which personnel expenses	70	97	(27)	-27.7%
-71.5%	(1)	2	1	of which early retirement incentives	10	6	3	48.0%
-31.3%	(39)	124	85	Other operating costs	214	349	(135)	-38.7%
229.5%	0	0	0	Depreciation, amortisation and impairments	0	1	(0)	-54.6%
4.9%	53	1,082	1,135	Intersegment costs	4,718	4,607	111	2.4%
0.2%	2	1,226	1,228	Total costs	5,011	5,060	(49)	-1.0%
108.0%	142	132	274	EBIT	859	646	214	33.1%
8.5%	9.7%	18.3%		EBIT MARGIN	14.6%	11.3%	3.3%	
n/s	(41)	1	(40)	Finance income/(costs)	(32)	6	(38)	-641.0%
75.9%	101	133	234	Profit/(Loss) before tax	827	651	176	27.0%
774.3%	39	5	44	Income tax expense	210	152	58	38.0%
48.3%	62	128	190	Net profit	617	499	118	23.6%

n/s: not significant

* The figures for 2018 and 2017 have been reclassified in accordance with the reorganisation following from the transfer of BancoPosta RFC's card payments and payment services unit (the Financial Services segment) to the newly established PostePay SpA (the Payments, Mobile and Digital segment) with effect from 1 October 2018.

KPIs for the Financial Services segment	31 December 2018	31 December 2017	Increase/(decrease)	
TFA - Total Financial Assets ¹ (€bn)	513,8	509,9	3,9	0.8%
of which				
Postal Savings	325,3	322,9	2,4	0.7%
Interest-bearing postal certificates	219,5	214,3	5,2	2.4%
Postal Saving Books	105,8	108,6	(2,8)	-2.6%
Current Accounts	52,8	51,9	1,0	1.8%
Technical provisions for Life insurance business	125,0	123,5	1,5	1.2%
Mutual funds	8,1	8,0	0,1	1.2%
Assets under custody	2,7	3,6	(1,0)	-26.2%
CET1 Capital (€m)	2,286	2,059	226,8	11.0%
CET1 Ratio	18.4%	16.9%	1.5%	
Leverage Ratio	3.2%	3.1%	0.1%	

* Include asset management (bonds, government securities, equity instruments, certificates, etc.).

	2018	2017	Increase/(decrease)	
Net inflows* (€m)	1,568	3,286	(1,718)	-52.3%
Average postal savings (€bn)	307,6	305,6	2,0	0.6%
Average current account deposits** (bn)	58,7	55,5	3,1	5.6%
Loans and mortgages - volumes lent (€m)	3,143	2,642	501	19.0%
Product sales (m)	8,4	8,0	0,3	4.1%
Fees per client*** (€)	235	222	13,0	5.9%
Average return excluding capital gains	2.62%	2.64%	-0.02%	
Net capital gains (€m)	379	532	(153)	-28.8%
Unrealised capital gains (€m)	(1,687)	1,615	(3,302)	-204.5%

* Net inflows include asset management (bonds, government securities, equity instruments, certificates, etc.).

** The figure does not include Poste Italiane's own liquidity.

*** The figure includes revenue from financial and insurance services.

The Financial Services Strategic Business Unit generated EBIT of €859 million in 2018, an increase of 33.1% compared with the previous year (€646 million).

Total revenue of €5,871 million is up 2.9% on the €5,705 million of 2017, reflecting the good performance of postal savings (up 16.6% or €261 million), partly reflecting the mechanisms established in the new agreement with Cassa di Risparmio di Roma, applied from 1 January 2018, the performance of interest earned on the investment of current account deposits, which is up €78 million (up 5.3% compared with 2017) as a result of an increase in deposits during the period (up from €55.0 billion in 2017 to €58.7 billion in 2018), and the positive contribution from asset management (up €123 million), linked to the partnership between Poste Italiane and Anima Holding.

Gross gains during the period total €404 million, compared with €547 million in 2017, in line with the goal set in the Deliver 2022 Plan of reducing the dependence on non-recurring items.

Transaction banking revenue is down 9.2% from €1,063 million in 2017 to €965 million, primarily due to the sale of shares in Mastercard during 2017 for €91 million and a downturn in the volume of payment slips processed.

The modest reduction in income from the distribution of third-party financial products, amounting to €263 million in 2018 compared with €272 million in 2017 (down 3.4%), is primarily due to the loss of revenue linked to the sale of BDM-MCC on 7 August 2017. Despite adoption of the new accounting standard, IFRS 15, as a result of which fees to be passed on to partners, following the early repayment of loans, are to be accounted for as a direct reduction in revenue from 1 January 2018, this category of revenue is up as a result of the increased volume of loans and salary loans arranged in 2018.

The segment's total costs €5,011 million are down €49 million (1.0%) compared with the previous year, primarily due to a decrease in other operating costs (down €135 million or 38.7%), partially offset by an increase in intersegment costs of

€111 million (up 2.4%). The change in other operating costs is above all due to a reduction in net provisions for risks and charges compared with 2017, relating to potential liabilities resulting from the sale of investment products in the period between 2003 and 2005 whose performance was not in line with customers' expectations. Personnel expenses are also down, declining from €103 million to €80 million (a decrease of 23.0%), reflecting the sale of BdM and the reorganisation of BancoPosta from 1 October 2018.

After net finance costs, broadly relating to the impairment loss recognised on the investment in Anima Holding at 31 December 2018, following the conduct of an impairment test, and income tax expense, the segment ended 2018 with net profit of €617 million, up 23.6% (€118 million) on the €499 million of 2017.

Operating review

In line with the Deliver 2022 Plan, commercial initiatives in 2018 were designed to enhance the offering of postal savings products, and develop the distribution of financial, insurance, consumer credit and corporate loan products and services.

In terms of **Postal Savings**, the new agreement between Poste Italiane and Cassa depositi e prestiti for the three-year period 2018-2020, signed in December 2017, came into effect in 2018. On the one hand, the intention is to consolidate the role played by Interest-bearing Postal Certificates and Savings Books in the Italian savings market and, on the other, to launch a new and expanded range of products and services, partly thanks investment in technology, advertising, promotions and training. As a result, the offering was enlarged in 2018, in terms of both the type of product and returns. Training was provided to personnel responsible for promoting Interest-bearing Postal Certificates and Savings Books to the public and a number of promotional and communication campaigns were launched. Further steps were also taken in 2018 to improve the customer experience, taking better account of customer needs, including through both digital inclusion initiatives and a multi-channel approach. In December 2018, the BancoPosta App was expanded with new functions relating to the management of Interest-bearing Postal Certificates and Savings Books, making it possible to manage Postal Savings products in one place together with the other products and services offered by BancoPosta. The activities carried out during the year resulted in an increase in net inflows with respect to the previous year.

With regard to the distribution of financial products, On 11 April 2018, Poste Italiane and Intesa Sanpaolo signed a three-year framework agreement for the distribution of specific products and services offered by the two groups. Under this agreement, and with particular regard to asset management, Poste Italiane's network has begun to distribute BancoPosta Orizzonte Reddito, a mutual investment fund created as a result of the partnership between BancoPosta Fondi SGR and Eurizon Capital SGR, a wholly owned subsidiary of Intesa Sanpaolo.

In terms of loans, at the end of July 2018, the offer of property mortgages provided by Intesa San Paolo solely to employees of Poste Italiane was launched. The offer of mortgages, in order to purchase property or to replace or refinance an existing mortgage, was extended to all customer in October 2018.

With regard to the real estate funds marketed in the period between 2002 and 2005, on 19 February 2018, Poste Italiane SpA's Board of Directors approved an initiative designed to protect customers of the Europa Immobiliare 1 fund. On 28 March 2018, the manager of the fund, Vegagest SGR, announced to the market that it had provisionally suspended the resolution approving the final liquidation financial statements and, in June 2018, approved the partial repayment to quotaholders of 50% of the final liquidation value. Poste Italiane's Board of Directors subsequently reviewed the above initiative designed to protect customers, with the resulting impact on risks and charges at 31 December 2018 of approximately €17 million.

On 29 January 2019, Vegagest SGR announced to investors that it was to pay a further return of €98.78 per quota. Payment took place on 6 February 2019.

With regard to asset management, the Group launched 8 new mutual investment funds in 2018, 6 of which resulting from the partnership with Anima SGR.

In terms of loans provided by partners (to private and corporate customers), a number of promotions were run during the year for specific categories of borrower, supported by advertising campaigns.

As regards Transaction Banking services, marketing of the new BancoPosta account continued. In addition to guaranteeing multi-channel access in line with customer needs and market trends, this product offers customers a competitive, low-cost alternative.

With regard to insurance products, bearing in mind the introduction of the IDD regulation from 1 October 2018, the range of products was strengthened and improved in terms of its ability to meet customer needs, cover and pricing. In the Life segment, the offering of Class I products was restructured and new products were launched. One of these offers investors the option of making flexible payments and to receive periodic returns, whilst another is a multiclass policy combining the capital guarantees typical of Class I products with the opportunity to invest in an internal insurance fund offering various levels of risk. In the Protection segment, new products were launched and the offering was reviewed. In addition, a new Protection and Pensions platform was launched to provide advice on insurance products.

Other information

Bank of Italy

With regard to the inspection conducted by the Bank of Italy in 2017, with the aim of assessing the governance, control and operational and IT risk management systems in relation to BancoPosta's operations, the process of implementing the relevant compliance initiatives is still in progress and work is proceeding according to the established timing.

Following an inspection of a sample of post offices that was completed in December 2017, relating to efforts to combat money laundering and the financing of terrorism, in May 2018, the Bank of Italy invited BancoPosta to provide a report, updated to 30 September 2018, on the progress made in implementing all the initiatives undertaken in this regard. The report in question, containing a list of the initiatives implemented as of the above date and those to be taken in future, together with the related time-scale, was sent to the Bank of Italy on 29 October 2018, after having been presented to Poste Italiane's Board of Directors on 18 October 2018.

CONSOB

The changes made to the related procedures and IT systems, and the further initiatives planned for 2018 in order to implement the MiFID II Directive, were the subject of a specific report to the CONSOB in March 2018.

In July and August, two requests were received from the CONSOB: the first, dated 27 July, was also sent to other intermediaries and regarded an in-depth assessment of the key issues relating to implementation and application of MiFID II; the second, dated 13 August, contained a request for a meeting with the aim of obtaining greater details on the provision of investment services. During this meeting, held at the CONSOB in September 2018, additional information was provided with respect to the information previously made available, and the related implementation plan was presented, in line with the details submitted to the regulator in the Tableau de Bord on Compliance at 30 June 2018, supplemented with further guidance based on evidence emerging during the process. Finally, during the above meeting, the CONSOB requested further details on specific issues, later formalised in writing, to which the Group gave a full and timely response.

Insurance Services

The insurance services market

Based on the available official data, at 31 December 2018²⁷, new business for Life insurance policies, including EU undertakings, amounts to €99.2 billion (including €14 billion relating to undertakings operating on a freedom of establishment basis), slightly down (1.2%) compared with 2017. New business for Italian undertakings is up 3.8% to €85.5 billion, whilst EU undertakings operating in Italy have registered a 24.2% decline in new business to approximately €14 billion.

Class I premiums amount to €54.2 billion, an increase of 8.6% compared with the previous year, confirming that this is the leading class. Class III products, on the other hand, recorded a 4.5% reduction in premiums to €26.8 billion compared with 2017.

Single premiums continued to be the preferred form of payment for policyholders, representing 93.5% of total premiums written and 61.6% of policies by number.

With regard, finally, to distribution channel, around 70% of new business was obtained through banks and post offices in 2018, with premium revenue of €57.3 billion up 4.2% compared with 2017.

NEW BUSINESS FOR INDIVIDUAL LIFE POLICIES BY CLASS*

(updated to December 2018 in €m)

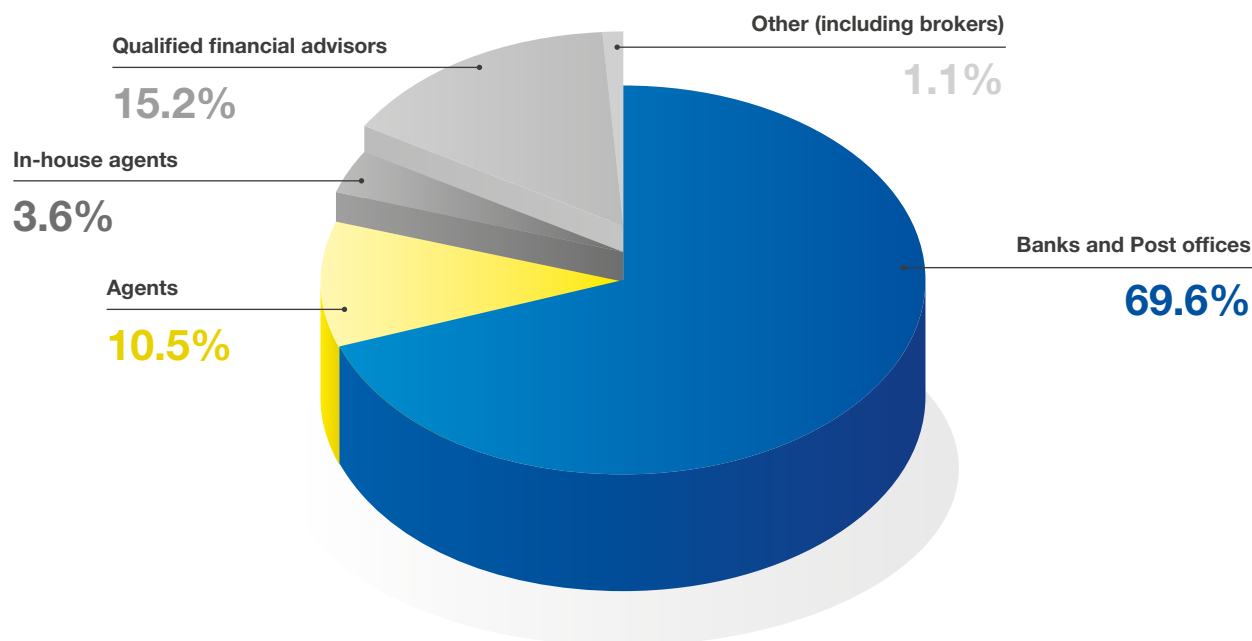
Premiums by class/product	Premiums since beginning of year	% change 2018 vs 2017
Life - Class I	55,624	8.4%
Capitalisation - Class V	2,141	1.4%
Linked - Class III	26,755	-4.5%
<i>of which: unit-linked</i>	26,755	-4.5%
<i>of which: index-linked</i>	-	-
Medical - Class IV	50	60.8%
Open-end pension funds - Class VI	892	4.9%
Italian insurers - non-EU	85,462	3.8%
EU insurers**	13,698	-24.2%
Total	99,160	-1.2%

* Source: ANIA

** The term "EU insurers" refers to the Italian subsidiaries of undertakings with a registered office in an EU country operating under the right of establishment and freedom to provide services. The figures refer solely to undertakings taking part in the survey.

27. ANIA Newsletter on new Life business (February 2019).

NEW LIFE BUSINESS BY DISTRIBUTION CHANNEL



Source: ANIA - figures updated to December 2018

Based on the available official data²⁸ total direct Italian premiums in the Non-life insurance market, thus including policies sold by Italian and overseas undertakings, amounted to €26.2 billion at the end of the third quarter of 2018, slightly up compared with 2017 (2.4%). This marks the sixth consecutive quarter reversing the negative trend seen over the previous five years. The performance was helped by both the slight increase in premium revenue from vehicle insurance and further growth in other Non-life classes.

In terms of distribution channel, agents continue to lead the way with a market share of 75.7%.

DIRECT NON-LIFE PREMIUMS BY CLASS*

(updated to September 2018 in €m)

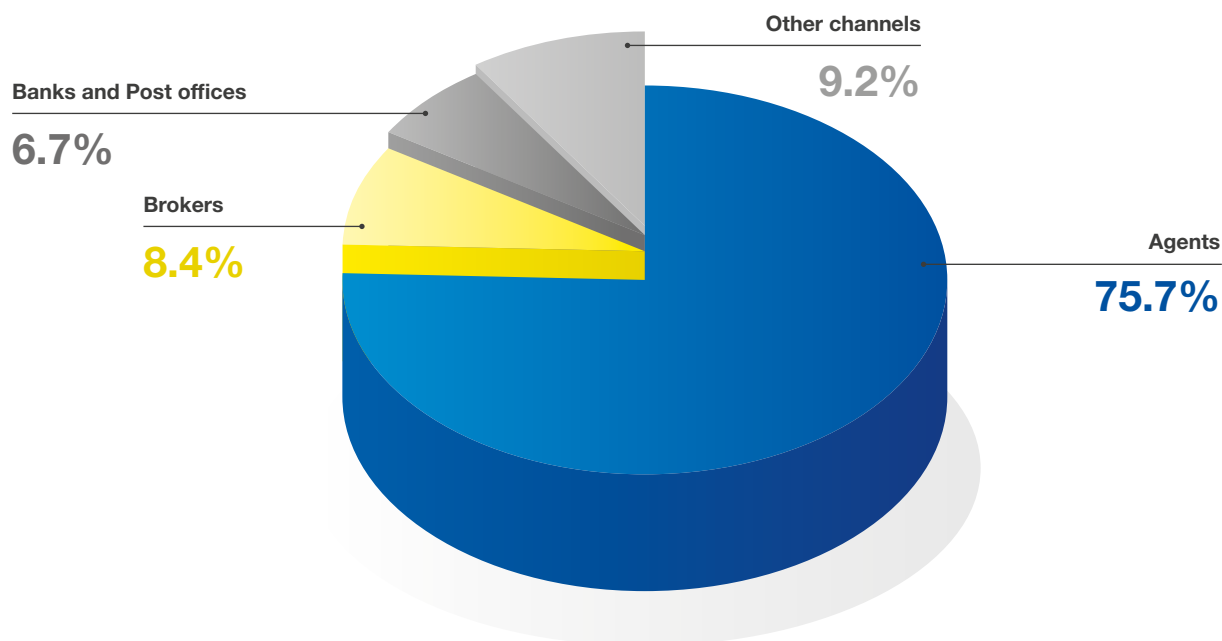
Premiums by class**	Premiums since beginning of year	% change 2018 vs 2017
Land vehicle insurance	10,221	0.5%
Land vehicle hull insurance	2,319	5.7%
Total motor vehicle sector	12,540	1.4%
Other Non-life classes	13,636	3.2%
Total Non-life classes	26,176	2.4%

* Source: ANIA

** Premiums refer to Italian and non-EU undertakings and EU undertakings

28. ANIA Newsletter on quarterly Non-life premiums (November 2018).

DISTRIBUTION OF DIRECT PREMIUMS BY DISTRIBUTION CHANNEL²⁹



Source: ANIA - figures updated to September 2018

Regulatory environment

On 3 July 2018, IVASS issued Regulation 38, containing provisions regarding the corporate governance system for both undertakings and groups. The new regulations implement the EIOPA guidelines on corporate governance and, where compatible with the new primary regulations, also apply the following:

- ISVAP Regulation 20 of 26 March 2008, containing provisions regarding internal controls, risk management, compliance and outsourcing;
- ISVAP Regulation 39 of 9 June 2011, relating to remuneration policies; and
- ISVAP Circular 574/2005, regarding passive reinsurance.

The provisions in the Regulation should be interpreted alongside the Letter to the Market dated 5 July 2018, in which the regulator puts forward the first concrete attempt to apply the principle of proportionality, in line with the Solvency II standards, which call for prudential provisions to be applied on the basis of the risk profile of the undertaking, determined with respect to the nature, significance and complexity of its business risks.

In addition, on 2 August 2018, the regulator issued IVASS Regulation 42, setting out the disclosures to be included in solvency and financial condition reports ("SFCRs") by undertakings and groups. The Regulation also establishes that the disclosures must be subject to an external audit by independent or statutory auditors and sets out the form that the audits must take. The above Regulation primarily aims to boost the confidence of potential users of the reports with regard to the quality and reliability of a major part of the disclosures contained in an SFCR.

On 12 February 2019, IVASS published Regulation 43 concerning implementation of the provisions regarding the temporary suspension of short-term losses on securities, introduced by law Decree 119 of 23 October 2018, converted into Law 136 of 17 December 2018. The legislation allows a temporary exemption from the regulations provided for in the Italian Civil Code and has been introduced in response to financial market volatility in 2018.

For the purposes of preparing statutory financial statements under local GAAP in 2018, an undertaking that elects to take advantage of this option must measure its current securities on the basis of the value at the time of initial recognition, as presented in its financial statements for 2017 or, in the case of securities not held at 31 December 2017, at purchase cost, with the exception of permanent losses.

29. Italian undertakings and subsidiaries of non-EU undertakings.

Insurance Services segment profit or loss

4 th quarter				Year			
Increase/(decrease)		2017	2018	Results of operations (€m)	2018	2017	Increase/(decrease)
-14.1%	(13)	90	78	Upfront Life	341	422	(81) -19.2%
-7.5%	(24)	328	303	Net investment result Life	1,011	993	18 1.8%
n.s.	12	1	12	Technical margin Life	30	14	16 112.5%
62.5%	15	(25)	(9)	Change in other technical provisions and other technical costs/income	(46)	(73)	27 37.1%
-2.6%	(10)	394	384	Net Life revenue	1,336	1,356	(20) -1.5%
29.2%	10	34	44	Premium revenue	168	131	37 28.4%
262.1%	(5)	(2)	(7)	Change in technical provisions and claims expenses	(35)	(29)	(6) -20.3%
90.4%	2	(3)	(0)	Result from reinsurance	(8)	(8)	0 4.2%
30.5%	1	(3)	(2)	Net Non-life income*	(1)	(4)	3 67.0%
31.9%	8	27	35	Net Non-life revenue	123	89	34 38.5%
26.3%	1	3	3	Other operating income	11	11	1 6.2%
74.3%	0	0	0	Intersegment revenue	2	1	1 -91.7%
-0.2%	(1)	423	423	Total revenue	1,472	1,457	15 1.1%
-6.1%	(1)	10	10	Personnel expenses	38	36	1 4.0%
-2.8%	(0)	9	9	of which personnel expenses	37	35	1 4.2%
-42.2%	(0)	1	0	of which early retirement incentives	1	1	(0) -0.6%
25.6%	5	20	25	Other operating costs	84	84	0 0.1%
19.3%	1	4	5	Depreciation, amortisation and impairments	17	17	(0) -1.1%
-6.7%	(8)	115	108	Intersegment costs	467	519	(53) -10.2%
-4.5%	(5)	107	102	of which fees	431	483	(52) -10.7%
-1.6%	(2)	150	147	Total costs	606	657	(51) -7.8%
0.6%	2	274	275	EBIT	866	799	67 8.4%
0.5%	64.6%	65.1%		EBIT MARGIN	58.8%	54.9%	4.0%
-95.7%	(13)	14	1	Finance income/(costs)	51	44	7 14.8%
-4.0%	(11)	287	276	Profit/(Loss) before tax	917	843	73 8.7%
-445.2%	(397)	89	(308)	Income tax expense	(84)	297	(382) -128.3%
194.9%	386	198	584	Net profit	1,001	546	455 83.3%

* Includes finance income from investments by the Non-life business and other income and expenses from insurance activities.

KPIs for the Insurance Services segment	31 December 2018	31 December 2017	Increase/(decrease)	
Group Net technical provisions (€bn)	125.1	123.6	1.5	1.2%
of which Poste Vita SpA	125.0	123.5	1.5	1.2%

	2018	2017	Increase/(decrease)	
GWP - Life (€m)*	16,610	20,263	(3,653)	-18.0%
GWP - P&C (€m)*	187	141	46	32.6%
Combined ratio (confirmed by ANIA)	52.5%	56.4%	-3.9%	
Loss ratio	23.8%	24.5%	-0.7%	
Expenses ratio (confirmed by ANIA)	28.8%	31.9%	-3.2%	

* Includes gross premium revenue before the premium reserve and outward reinsurance premiums.

The Insurance Services Strategic Business Unit generated EBIT of €866 million in 2018, an increase of 8.4% compared with the previous year (€799 million).

Total revenue amounts to €1,472 million (€1,457 million in 2017), essentially reflecting the performance of the Life business, which contributed €1,336 million, whilst the contribution from the Non-life business is €123 million.

Net Life revenue is down 1.5% from €1,356 million in 2017 to €1,336 million in 2018, primarily due to a reduction in gross premium revenue of compared with the previous year (down €3.7 billion). This resulted in a reduction in upfront fees of €81 million, partially offset by an increase of €18 million in the net investment result which, on the other hand, benefitted from the greater volume of assets under management.

Net Non-life revenue is up 38.5% compared with the previous year (an increase of €34 million), driven by the growth of the business, with total gross premium revenue amounting to €187 million, a 33% increase compared with 2017 (€141 million). This was accompanied by a positive technical performance as a result of a reduced volume of claims with respect to the growth in sales.

Total costs of €606 million are down €51 million compared with 2017. They primarily consist of intersegment costs, amounting to €467 million (€519 million in 2017), mainly regarding fees paid for distribution, collection and maintenance services, totalling €431 million. This figure is down from the €483 million of the previous year, reflecting the reduction in gross premium revenue.

Net finance income amounts to €51 million, marking a 14.8% (€7 million) increase compared with the previous year, when the impairment loss of €12 million on the investment of in the Atlante fund weighed.

Net profit of €1,001 million is higher than the pre-tax result (€917 million) and compared with the previous year (€546 million, up 83.3%). This reflects the positive impact in 2018 of deferred tax income on the non-deductible change in technical provisions, amounting to €385 million. This reflects application of paragraph 1-*bis* of art. 111 of the Consolidated Law on Income Tax (introduced by art. 38, paragraph 13-*bis* of Law Decree 78 of 31 May 2010). This legislation provides for a partial exemption (based on a specific percentage deduction) of the movement in the obligatory technical provisions relating to the Life business from taxation, whereas the full amount of such movements was previously included in the tax base for the purposes of IRES. In Poste Vita's case, the percentage deduction is 98.5%.

In keeping with its strategic objectives, in 2018, the Poste Vita insurance group primarily focused its efforts on:

- strengthening its leadership in the life insurance market, with a greater focus on Class III policies and pensions;
- boosting its position in the protection and welfare segment.

The performance of premium revenue at the **Life business** is shown below:

Poste Vita SpA	2018	2017	Increase/(decrease)	
Gross premium revenue	16,610	20,263	(3,653)	-18.0%
Class I	15,870	19,726	(3,856)	-19.5%
<i>of which traditional with-profits products*</i>	14,143	18,468	(4,324)	-23.4%
<i>of which pension products</i>	1,095	1,075	21	1.9%
<i>of which multiclass products (Class I portion)</i>	631	184	447	243.5%
Class III	740	537	203	37.8%
<i>of which unit-linked products</i>	383	358	24	6.8%
<i>of which multiclass products (Class III portion)</i>	357	179	179	99.9%
Claims paid	10,884	10,829	54	0.5%
<i>of which expirations</i>	5,804	6,339	(535)	-8.4%
<i>of which surrenders</i>	3,398	2,973	425	14.3%
Surrender rate	2.98%	2.89%	0.09%	
Net premium revenue	5,726	9,434	(3,708)	-39.3%
Technical provisions	124,966	123,490	1,476	1.2%

* Includes Protection and Class V products.

Management of the **Non-life business** was also along the lines set out in the business plan, seeking to meet the new needs of customers in the areas of welfare and health insurance, expanding the offering and enhancing the model for network support. Poste Assicura's premium revenue of €187 million is a significant improvement on the previous year (up 33%). The performance was driven by all segments and above all welfare, where premium revenue rose from €5 million in 2017 to €25 million.

Technical provisions for the Non-life business, before the portion ceded to reinsurers, amount to €183 million at the end of the period, up 16% compared with the end of 2017 (€160 million).

Other information

The increase in the spread during the year had a negative impact on the market value of the securities held by Poste Vita, offset in the Group's IFRS financial statements by changes in technical provisions. In the financial statements prepared under Local GAAP, the company took advantage of the option granted by IVAS Regulation 43/2019 and suspended losses of approximately €450 million on securities held in current assets. As mentioned above, statutory net profit of approximately €580 million also benefitted from the recognition of deferred tax income on the partial deductibility of the movement in the obligatory technical provisions relating to the Life business, totalling approximately €385 million, which improved the Solvency Ratio by around 8-10 percentage points.

The Solvency Ratio at 31 December stands at 211%, down from 279% in December 2017.

Given the performance of the spread and pressure on the solvency ratio, in 2018, the insurance company examined and implemented measures to support its solvency ratio, including the use of so-called ancillary own funds (AOFs), represented by unfunded capital instruments in the form of unsecured guarantees or commitments that may be included in the computation of own funds.

The transaction designed to strengthen the company's capital position through the use of AOFs was formalised in November 2018 with Poste Italiane's signature of an unconditional, irrevocable commitment letter with a five-year term. The letter commits the Parent Company, merely at the request of the subsidiary, to subscribe for ordinary shares to be issued in future by Poste Vita, amounting to up to €1,750 million.

Following clearance from IVASS, the commitment letter signed by the Parent Company in the subsidiary's favour can be included in the computation of Tier 2 AOFs, as defined by the Solvency II Directive and the regulatory framework for insurance companies, within the limits represented by the available amount, being approximately €1,000 million at 31 December 2018. This has had a positive impact on the solvency ratio of approximately 24 percentage points.

It should be noted that, in view of the maturity, in May 2019, of a subordinated security with a nominal value of €750 million, currently included in Tier 2 capital, if the Solvency Capital Requirement were at least equal to the amount registered at the end of December 2018, in June 2019 the full amount of the commitment, totalling €1,750 million, could be included in the computation of the company's supervisory capital.

Financial review for Poste Italiane SpA

Operating results of Poste Italiane SpA

(€m)	2018	2017	Increase/(decrease)	
Revenue from sales and services	8,419	8,060	359	4.5%
Other income from financial activities	418	646	(228)	-35.3%
Other operating income	452	584	(132)	-22.6%
Total revenue	9,289	9,290	(1)	0.0%
Personnel expenses	5,934	5,865	69	1.2%
<i>of which personnel expenses*</i>	5,317	5,374	(57)	-1.1%
<i>of which early retirement incentives</i>	617	491	126	25.7%
Other operating costs	2,103	2,165	(62)	-2.9%
Total costs	8,037	8,030	7	0.1%
EBITDA	1,252	1,260	(8)	-0.6%
Depreciation, amortisation and impairments	474	480	(6)	-1.3%
EBIT	778	780	(2)	-0.3%
EBIT MARGIN	8.4%	8.4%	(0)	-0.2%
Finance income/(costs)	(45)	(107)	62	-57.9%
Profit/(Loss) before tax	733	673	60	8.9%
Income tax expense	149	56	93	166.1%
Net profit	584	617	(33)	-5.3%

* Includes the item "Capitalised costs and expenses".

Poste Italiane SpA's total revenue amounts to €9,289 million for 2018, broadly in line with the previous year (€9,290 million in 2017). This reflects a good performance from revenue from sales and services (up €359 million), which benefitted from a strong performance from financial services, a reduction in other income from financial activities (down €228 million or 35.3%), in line with the Group's new strategy of reducing its dependence on non-recurring gains, and a decrease in other operating income, which is down from €584 million in 2017 to €452 million, reflecting a reduction in dividends from subsidiaries.

Total costs are also in line with 2017, having risen from €8,030 million in 2017 to €8,037 million. In detail, personnel expenses of €5,934 million (€5,865 million in 2017) reflect an overall reduction of €57 million in the ordinary component, linked to a decrease in the average workforce and an increase in the cost of early retirement incentives, which is up from €491 million in 2017 to €617 million in 2018, primarily due to provisions for early retirement schemes, totalling approximately €136 million, which will cover the cost of further early retirement initiatives for personnel meeting the related requirements in the next 5 years under existing legislation (such as, for example, the Solidarity Fund and art. 4 of the Fornero Law).

Other operating costs of €2,103 million are down 2.9% compared with the €2,165 million of 2017. This reflects higher provisions for risks and charges in 2017, for the most part linked to the operational risk associated with the Company's sale of units in real estate funds in the period between 2002 and 2005.

Income tax expense is up from €56 million for 2017 to €149 million for 2018. The total effective tax rate for 2018 is 20.3%, reflecting an IRES tax rate of 15.24% and an IRAP rate of 5.06%. The difference in the effective IRES tax rate compared with the statutory rate (24%) is primarily due to the fact that 95% of the dividends received from a number of subsidiaries and the realised gain on investments was exempt from taxation, under the participation exemption. In 2017, the Parent Company received more dividends from investees, which had a greater impact on the tax rate.

Poste Italiane SpA's net profit for the year ended 31 December 2018 is €584 million (€617 million in 2017).

Financial position and cash flow of Poste Italiane SpA

(€m)	at 31 December 2018	at 31 December 2017	Increase/(decrease)	
Property, plant and equipment and Investment property	1,882	1,964	(82)	-4.2%
Intangible assets	448	385	63	16.4%
Investments	2,198	2,081	117	5.6%
Non-current assets	4,528	4,430	98	2.2%
Trade receivables and other receivables and assets	4,415	4,061	354	8.7%
Trade payables and other liabilities	(4,602)	(3,988)	(614)	15.4%
Current tax assets and liabilities	82	71	11	15.5%
Net working capital	(105)	144	(249)	-172.9%
Gross invested capital	4,423	4,574	(151)	-3.3%
Provisions for risks and charges	(1,431)	(1,538)	107	-7.0%
Provisions for employee termination benefits	(1,158)	(1,244)	86	-6.9%
Deferred tax assets/(liabilities)	487	447	40	8.9%
Net invested capital	2,321	2,239	82	3.7%
Equity	5,459	5,512	(53)	-1.0%
<i>of which: net profit</i>	<i>584</i>	<i>617</i>	<i>(33)</i>	<i>-5.3%</i>
<i>of which: fair value reserve</i>	<i>(68)</i>	<i>191</i>	<i>(259)</i>	<i>-135.6%</i>
Financial liabilities	67,154	63,208	3,946	6.2%
Financial assets	(64,846)	(61,246)	(3,600)	5.9%
Cash and deposits attributable to BancoPosta	(3,318)	(3,196)	(122)	3.8%
Cash and cash equivalent	(2,128)	(2,039)	(89)	4.4%
Net (funds)/debt	(3,138)	(3,273)	135	-4.1%

Poste Italiane SpA's net invested capital amounts to €2,321 million at 31 December 2018 (€2,239 million at 31 December 2017).

Non-current assets of €4,528 million are up €98 million compared with the end of 2017, essentially following the subscription for new shares issued by PosteMobile (from 1 October, renamed PostePay), amounting to €140 million, via the contribution of the card payments and payment services business unit following its prior removal from the BancoPosta RFC's ring-fence. The balance also reflects impairment losses on investments, totalling €121 million, based on the impairment tests carried out and the injection of €90 million in fresh capital into SDA Express Courier to cover losses incurred through to 31 December 2017 and 30 June 2018 and to recapitalise the company, as authorised by Poste Italiane's Board of Directors on 25 January 2018 and 20 September 2018. The balance also includes the subscription for the new shares issued by Anima Holding, totalling €30 million.

Net working capital at 31 December 2018 amounts to a negative €105 million, a reduction of €249 million compared with the end of 2017, primarily due to the amount payable to Poste Vita (€114 million) as a result of Poste Italiane's role as the consolidating entity for the tax consolidation arrangement, and to the amount payable to PostePay (€72 million). This represents the difference between the carrying amounts of the assets and liabilities of the card payments and payment services business unit contributed to PostePay from 1 October 2018, which will be settled by Poste Italiane in early 2019.

Provisions for risks and charges amount to €1,431 million (€1,538 million at the end of December 2017) and primarily take into account provisions for early retirement incentives of €444 million, to cover the liabilities that Poste Italiane will incur, under the current arrangements agreed with the unions, as a result of a certain number of staff taking voluntary early retirement by 31 December 2020.

The balance also takes into account provisions for operational risk, reflecting adjustments to provisions for potential liabilities linked to claims brought by customers who invested in real estate funds in the period between 2002 and 2005 and whose performance was not in line with their expectations.

Equity amounts to €5,459 million, a reduction of €53 million. The decrease primarily reflects the payment of dividends totalling €549 million and a reduction in the fair value reserve of €259 million (including the positive effect of €1,372 million resulting

from the transition to IFRS 9), reflecting movements (positive and/or negative) in the value of investments classified in the new FVTOCI category. These reductions were partially offset by net profit for the year of €584 million and an increase in the cash flow hedge reserve of €150 million.

Poste Italiane SpA's net (funds)/debt in accordance with ESMA guidelines

(€m)	At 31 December 2018	At 31 December 2017	Increase/(decrease)	
A. Liquidity	(875)	(1,885)	1,010	-53.6%
B. Current loans and receivables	(168)	(363)	195	-53.7%
C. Current bank borrowings	200	200	-	-
D. Current portion of non-current debt	-	763	(763)	-100.0%
E. Other current financial liabilities	118	106	12	11.3%
F. Current financial debt (C+D+E)	318	1,069	(751)	-70.3%
G. Current net (funds)/debt (A+B+F)	(725)	(1,179)	454	-38.5%
H. Non-current bank borrowings	-	200	(200)	-100.0%
I. Bond issues	50	50	0	0.0%
J. Other non-current financial liabilities	27	36	(9)	-25.0%
K. Non-current financial debt (H+I+J)	77	286	(209)	-73.1%
L. Net (funds)/debt (ESMA guidelines) (G+K)	(648)	(893)	245	-27.4%
Non-current financial assets	(815)	(835)	20	-2.4%
Industrial net(funds)/debt outside the ring-fence	(1,463)	(1,728)	265	-15.3%
Intersegment loans and receivables and financial liabilities	829	718	111	15.5%
Industrial net (funds)/debt outside the ring-fence after adjusting for intersegment transactions	(634)	(1,010)	376	-37.2%

BancoPosta RFC Management review

Corporate Governance at BancoPosta RFC

With regard to BancoPosta RFC's governance, the rules governing the organisation, management and control of BancoPosta's operations are contained in the specific BancoPosta RFC Regulation approved by the Extraordinary General Meeting of 14 April 2011 and recently amended by the Extraordinary General Meeting of 29 May 2018. Following the issue by the Bank of Italy on 27 May 2014 of an update to the prudential supervisory regulations for banks, the corporate governance regulations for banks are applied to BancoPosta RFC (Part One, Title IV, Chapter I "Corporate governance" of Circular 285). Further information regarding the corporate governance structure is provided in Poste Italiane's "Report on Corporate Governance and the Ownership Structure", approved by the Board of Directors and published in the "Governance" section of the Company's website.

The operating model, organisational structure and the associated responsibilities assigned to the various functions are set out in BancoPosta RFC Regulation approved by Poste Italiane's Board of Directors and last revised on 31 January 2019.

In compliance with the regulations for the sector, the BancoPosta function is responsible for coordination of the Group company, BancoPosta Fondi SGR.

On 25 January 2018, Poste Italiane SpA's Board of Directors approved the removal from BancoPosta RFC's ring-fence of the assets and liabilities attributable to the card payments and payments services business unit and their subsequent transfer to the Group company, PosteMobile, in order to enable the latter to operate as a hybrid electronic money institution ("EMI"). Following the receipt of clearance from the Bank of Italy, the Extraordinary General Meeting of Poste Italiane's shareholders held on 29 May 2018 approved the proposed removal, from the ring-fence that applies to BancoPosta RFC. On 26 September 2018, PosteMobile was entered into the Register of Electronic Money Institutions set up by article 114 – *quater* of the Consolidated Law on Banking. From 1 October 2018, Poste Mobile assumed its new name of "PostePay" and began operating as an intermediary specialising in mobile and digital payments.

Following on from the Board of Directors' resolution of 25 January 2018 and the subsequent Extraordinary General Meeting of Poste Italiane SpA's shareholders, on 27 September 2018, Poste Italiane injected €210 million of fresh capital of into BancoPosta RFC.

BancoPosta RFC financial review

Key performance indicators	2018	2017
CET 1 CAPITAL*	2,286	2,059
CET 1 RATIO**	18%	17%
ROA***	0.82%	0.87%
ROE****	26%	28%
Net interest income / Net interest and other banking income*****	27%	26%
Operating expenses / Net interest and other banking income*****	84%	83%

* CET 1 Capital includes the initial equity reserve and non-distributable revenue reserves (Tier 1 capital), taking into account the transitional regime (Regulation 2017/2395 EU).

** The CET 1 Ratio represents the adequacy of Tier 1 capital in terms of Pillar 1 capital requirements (operational, credit, counterparty and market risks).

*** Return On Assets. Represents the ratio of profit for the period and total assets.

**** Return On Equity. Represents the ratio of profit for the period and equity after deducting profit for the period and the valuation reserves.

***** Represents the contribution from net interest income as a ratio of net interest and other banking income.

***** Cost/income ratio.

The above indicators reflect the particular nature of BancoPosta RFC and the fact that amounts payable to Poste Italiane functions are classified in “Administrative expenses”. These indicators should not, therefore, be considered in absolute terms or in comparison with the market, but only over time.

Operating results

€m)	2018	2017	Increase/(decrease)	
Interest and similar income	1,556	1,477	79	5.3%
Interest and similar expense	(29)	(29)	-	-
Net interest income	1,527	1,448	79	5.5%
Fee and commission income	3,861	3,629	232	6.4%
Fee and commission expense	(140)	(65)	(75)	115.4%
Net fee and commission income	3,721	3,564	157	4.4%
Dividends and similar income	1	1	-	-
Profits/(Losses) on trading	6	2	4	200.0%
Fair value adjustments in hedge accounting	(2)	2	(4)	-200.0%
Profit/(Loss) from sale of financial assets/liabilities	379	624	(245)	-39.3%
Profit/(Losses) on financial assets and liabilities measured at fair value through profit or loss	9	-	9	-
Net operating income	5,641	5,641	-	-
Administrative expenses	(4,686)	(4,616)	(70)	1.5%
Other operating income/(expenses)	(31)	(58)	27	-46.6%
Net operating expenses	(4,717)	(4,674)	(43)	0.9%
Operating profit/(loss)	924	967	(43)	-4.4%
Net provisions for risks and charges	(72)	(182)	110	-60.4%
Net losses /recoveries on impairment of loans and advances	(22)	(15)	(7)	46.7%
Income/(Loss) before tax from continuing operations	830	770	60	7.8%
Taxes on income from continuing operations	(233)	(185)	(48)	25.9%
Net profit	597	585	12	2.1%

BancoPosta RFC's performance in 2018 resulted in net profit of €597 million, an increase of 2.1% compared with the previous year (up €12 million).

The interest margin amounts to €1,527 million, an improvement of 5.5% (€79 million). This reflects returns on investment linked to the volume of funds raised through postal current account deposits and repurchase agreements, and the return earned on interest-bearing deposits at the MEF, which as a whole generated interest income of €1,556 million, up 5.3% on the €1,477 million of the previous year (up €79 million). Interest expense, on the other hand, mainly regards interest paid to current account holders, interest on repurchase agreements and interest on deposits used as security for derivative transactions, amounting to €29 million, in line with the previous year.

Net fee and commission income amounts to €3,721 million, an increase of 4.4% (€157 million) compared with 2017. This reflects fee and commission income of €3,861 million (up 6.4% or €232 million compared with 2017), after benefitting primarily from the collection of Post Savings on behalf of Cassa depositi e prestiti, due to the strong performance of this service (the related fees are up from €1,566 million in 2017 to €1,827 million) and reflecting the mechanisms provided for in the new agreement that came into effect from 1 January 2018.

Fee and commission expense is up from €65 million in 2017 to €140 million, essentially as a result of trading relations relating to the provision of payment and card payment services provided under a service arrangement with PostePay from 1 October 2018.

The net profit from the sale of financial assets, amounting to €379 million, is down 39.3% compared with the €624 million of the previous year, reflecting reduced gains realised, in keeping with the strategy in the Deliver 2022 Plan to progressively reduce the dependence on non-recurring income. 2017 benefitted from €91 million in income generated by the sale of Class B Mastercard Incorporated shares.

The net profit on assets and liabilities measured at fair value through profit or loss, totalling €9 million, includes the overall change in the fair value of Visa Incorporated shares reclassified as a result of the application of IFRS 9 from 1 January 2018.

Net interest and other banking income, after the increase in the interest margin and in net fee and commission income and the reduction in the net profit from the sale of financial assets, amounts to €5,641 million, in line with the figure for 2017.

Net operating expenses, which include personnel expenses of €82 million, other administrative expenses of €4,604 million and other operating costs in the form of operating losses resulting from withdrawals that customers claim not to have made, totalling €31 million, amount to a total of €4,717 million, slightly up on the €4,674 million of the previous year (up €43 million). The increase in this item is above all linked to the costs incurred as a result of the services provided to BancoPosta RFC by Poste Italiane functions (up €89 million), reflecting the growth of the business and the reorganisation process that has resulted in the centralisation of operations within Poste Italiane. These costs are partially offset by a reduction in personnel expenses, service costs and sundry expenses (down €46 million).

Provisions for risks and charges of €72 million primarily relate to operational risks linked to the distribution of Post Savings products, the distribution of real estate funds whose performance was not in line with customers' expectations, and the fees to be passed on to financial partners in relation to the sale of loan products. The reduction of €110 million in this item is primarily linked to a reduction in net provisions for liabilities resulting from the distribution of real estate funds.

Net credit losses amount to €22 million for 2018, compared with €15 million for the previous year.

Income tax expense for 2018 amounts to €233 million (€185 million in 2017, an increase of 25.9%). The resulting net profit totals €597 million.

BancoPosta RFC's workforce

	Number of employees*			
	Average for the year ended 31 December		At 31 December	
	2018	2017	2018	2017
Permanent workforce				
Executives	48	55	34	53
Middle managers	426	479	333	474
Operational staff	869	1,194	96	1,131
Total	1,343	1,728	463	1,658
Flexible workforce				
Fixed-term contracts	-	2	-	2
Total	-	2	-	2
Total permanent and flexible workforce	1,343	1,730	463	1,660

* Shown in full-time equivalent terms.

At 31 December 2018, the BancoPosta function has 11 second-level functions, including 4 Marketing functions: Affluent, Business and Public Administration, Place Marketing and Mass Market and Small Business; 1 Sales function: Financial Sales Coordination; 3 Staff functions: Administration and Outsourcing Governance, HR Business Partner BancoPosta and Planning, Control and Data Analysis; 3 Control functions: Compliance, Internal Auditing and Risk Management. 2018 witnessed a number of organisational and corporate changes with the BancoPosta function, designed to focus on the intermediary's role in overseeing product development and distribution, in collaboration with Group companies, and in managing the sales network. In this context, in compliance with regulations for the related sector, BancoPosta has assumed responsibility for the coordination of BancoPosta Fondi SGR (the Group's asset management arm).

This reorganisation has been accompanied by a restructuring of the card payments and payment services business unit, which, following its removal from BancoPosta RFC's ring-fence, has been transferred to a ring-fenced entity that will operate as an electronic money institution at PostePay. This was accompanied by the centralisation of back-office functions and responsibility for managing the risks relating to money laundering and the financing of terrorism within Poste Italiane.

Financial position and cash flow

Statement of financial position

Assets (€m)	at 31 December 2018	at 31 December 2017	Increase/(decrease)	
Cash and cash equivalents	3,328	3,217	111	3.5%
Financial assets measured at fair value through profit or loss	58	-	58	-
Financial assets measured at fair value through other comprehensive income	32,040	39,140	(7,100)	-18.1%
Financial assets measured at amortised cost	33,743	22,014	11,729	53.3%
Hedging derivatives	368	395	(27)	-6.8%
Tax assets	507	406	101	24.9%
Other assets	2,445	2,063	382	18.5%
Total assets	72,489	67,235	5,254	7.8%

Liabilities and equity (€m)	at 31 December 2018	at 31 December 2017	Increase/(decrease)	
Financial liabilities measured at amortised cost	64,203	59,636	4,567	7.7%
Hedging derivatives	1,829	1,637	192	11.7%
Tax liabilities	372	308	64	20.8%
Other liabilities	2,692	2,335	357	15.3%
Employee termination benefits	3	17	(14)	-82.4%
Provisions for risks and charges	511	543	(32)	-5.9%
Valuation reserves	15	115	(100)	-87.0%
Reserves	2,267	2,059	208	10.1%
Profit/(Loss) for the year	597	585	12	2.1%
Total liabilities and equity	72,489	67,235	5,254	7.8%

Assets are represented by cash and cash equivalents, financial assets and hedging derivatives, tax assets and other assets.

With regard to financial assets, from 1 January 2018, the Poste Italiane Group has adopted IFRS 9 *Financial Instruments*, electing not to restate comparatives for prior periods.

Cash and cash equivalents amount to €3,328 million (€3,217 million at 31 December 2017) and includes cash at post office counters and companies that provide cash transportation services, totalling €2,980 million, and cash deposited with the Bank of Italy to settle interbank transactions, totalling €348 million.

Financial assets measured at fair value through profit or loss, amounting to €58 million at 31 December 2018, regard Visa Incorporated shares not listed on a regulated market, totalling €50 million, and the amount receivable on the sale of a Visa Europe Limited share to Visa Incorporated in 2016, payment of which was deferred for three years from the date of the sale. At 31 December 2017, the fair value of the above shares, classified in "Available-for-sale financial assets", was €41 million. The increase in value (€9 million) has been recognised in profit or loss in the item, "Profit/(Losses) on financial assets and liabilities measured at fair value through profit or loss".

Financial assets measured at fair value through other comprehensive income amount to €32,040 million and include Italian government securities. The change compared with 2017 (€39,140 million) primarily reflects: (i) the impact of first-time adoption of IFRS 9 and the reallocation of securities based on the identified business models, which, at 1 January 2018, resulted in a balance of €34,832 million (down €4,308 million); (ii) fair value losses at 31 December 2018 of €1,562 million; (iii) the overall negative impact of movements in securities during the year as a result of purchases, sales and repayments.

Financial assets measured at amortised cost amount to €33,743 million (€22,014 million at 31 December 2017) and relate to investments in securities issued by the Italian government and those guaranteed by the Italian government, totalling €22,872 million (€12,912 million at 31 December 2017) and sundry receivables of €10,871 million (€9,102 million at 31 December 2017).

With regard to financial assets represented by investments in Italian government securities and securities guaranteed by the Italian government, the increase primarily reflects: (i) the impact of the above first-time adoption of IFRS 9 and the reallocation of securities based on the identified business models, which, at 1 January 2018, resulted in a balance of €19,094 million (up €6,182 million); (ii) and the overall positive impact of movements in securities during the year as a result of purchases, sales and repayments.

With regard to financial assets represented by sundry receivables, these primarily include: (i) amounts deposited with the MEF, totalling €7,233 million (€6,390 million at 31 December 2017); (ii) guarantee deposits of €1,652 million (€1,179 million at 31 December 2017); (iii) receivables relating to the balance of amounts resulting from the processing of payments to and from third parties via Poste Italiane, totalling €843 million (€732 million at 31 December 2017); (iv) trade receivables of €875 million (€774 million at 31 December 2017); (v) repurchase agreements of €251 million (not present at 31 December 2017).

Hedging derivatives amount to €368 million, down from €395 million at 31 December 2017.

Other assets of €2,445 million (€2,063 million at 31 December 2017) essentially relate to tax assets following the payment of tax withholdings and items in progress that will be settled after the end of the reporting period.

The principal liabilities are represented by financial liabilities measured at amortised cost, hedging derivatives, tax liabilities, other liabilities and provisions.

Financial liabilities measured at amortised cost total €64,203 million (€59,636 million at 31 December 2017) and include: (i) amounts due to customers, totalling €58,218 million (€53,686 million at 31 December 2017), primarily regarding current account deposits and other forms of deposit, repurchase agreements and advances from the MEF to meet cash requirements; (ii) amounts due to banks, totalling €5,985 million (€5,949 million at 31 December 2017) relating to current account deposits and repurchase agreements. The increase in this item is primarily linked to repurchase agreements and to the positive movement in current account deposits and other forms of deposit (money orders and cheques).

Hedging derivatives are up from €1,637 million at 31 December 2017 to €1,829 million (an increase of 11.7%).

Other liabilities amount to €2,692 million (€2,335 million at 31 December 2017) and primarily include tax liabilities in the form of tax withholdings, items in progress that will be settled after the end of the reporting period and amounts payable to other Poste Italiane functions for services provided to BancoPosta regulated by specific operating guidelines.

The provisions for employee termination benefits (*TFR*) amount to €3 million at 31 December 2018, compared with €17 million at the end of 2017 (down €14 million). The movement reflects the reorganisation that took place in 2018 and the centralisation of certain operations within Poste Italiane, as described earlier in this document.

Provisions for risks and charges, amounting to €511 million at 31 December 2018, compared with €543 million at 31 December 2017 (a reduction of €32 million), include provisions made in relation to disputes and charges relating to personnel, customers and third parties in general, and various liabilities deriving from obligations assumed. The movement in this item reflects a combination of new provisions, uses and other movements during the year, as described in specific sections of the notes to the financial statements.

BancoPosta RFC's equity at 31 December 2018 amounts to €2,879 million (€2,759 million at 31 December 2017) and includes: (i) the BancoPosta RFC reserve, totalling €1,210 million, including €1,000 million relating to BancoPosta RFC's initial reserve and the €210 million capital injection on 27 September 2018, following the shareholder resolution of 29 May 2018; (ii) retained earnings of €1,057 million; (iii) valuation reserves of €15 million (primarily reflecting the value of the fair value reserve); (iv) net profit for 2018, amounting to €597 million.

BancoPosta RFC's internal control and risk management system

Internal control system

The system of internal controls consists of a body of rules, procedures and organisational structures, which aim to prevent or limit the consequences of unexpected events, enable the achievement of strategic and operating objectives and compliance with the relevant laws and regulations, and ensure the fairness and transparency of internal and external reporting.

Under the guiding principles adopted at Group level, one of the most important aspects of the system is the control environment in which employees carry out their activities and exercise their responsibilities. This environment is based on integrity and other ethical values, the organisational structure, the allocation and exercise of authorities and responsibilities, the separation of duties, staff management and incentive policies, staff expertise and, more in general, the corporate culture. BancoPosta's control environment is evidenced by:

- the Group Code of Ethics;
- implementation of the Organisational Model required by Legislative Decree 231/2001 and the related corporate procedures;
- the system for delegating powers to function heads in accordance with their responsibilities;
- the organisational structure of BancoPosta, as reflected in organisational charts, service orders, organisational notices and procedures determining the roles and responsibilities of the various functions;
- the "General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane and/or third parties", governing the process of outsourcing BancoPosta RFC's operations to Poste Italiane functions in terms of decision-making processes, the minimum content of operating guidelines, levels of services, information flows and control procedures, and the process of outsourcing BancoPosta functions to third parties, identifying the related operational phases and the roles and responsibilities of the various bodies and functions involved in the process;
- the Guidelines in the Internal Control and Risk Management System (also "SCIGR"), describing the roles and duties of BancoPosta RFC's control functions, and the procedures for coordinating and ensuring the exchange of information between these functions and Poste Italiane's control functions and the flow of information to corporate bodies.

In terms of BancoPosta RFC's organisational structure, the existing organisational model envisages autonomous and independent control functions in compliance with the Bank of Italy's supervisory requirements: Risk Management, Compliance, Anti-Money Laundering and Internal Auditing.

The risk assessment techniques, methods, controls and periodic audit findings are shared amongst the above control functions to promote synergies and take advantage of the specific expertise available.

In compliance with the regulatory requirements contained in the Bank of Italy's Supervisory Standards and the CONSOB regulation governing the controls to which BancoPosta is subject, in early 2019 BancoPosta's Internal Auditing function prepared its Annual Report for 2018, the purpose of which is to provide information to the various corporate bodies on the completeness, adequacy, functionality and reliability of the overall system of controls, with specific regard to processes, procedures, information systems and mechanisms applied in the oversight of BancoPosta's activities. The Report was prepared on the basis of the findings of the audit activities carried out by the function and set out in the Audit Plan for 2018. The report contains information on the outcomes of the audit of the services contracted out by BancoPosta to Poste Italiane functions under operating guidelines and the activities outsourced to providers external to the Company.

The Annual Report, presented to the Board of Statutory Auditors and the Board of Directors, was subsequently submitted to the Bank of Italy. The specific section regarding investment services was, on the other hand, submitted to the CONSOB.

The audits were in part performed with reference to the findings of Poste Italiane's Internal Auditing function, which is responsible, in accordance with the specific operating guidelines for the IT audit and the audit of the local units and distribution channels within Poste Italiane's network, which are responsible for BancoPosta's processes and products.

Internal Auditing has also drawn up the Annual (2019) and Multi-year (2019-2021) Audit Plan, based on a risk assessment process designed to ensure adequate coverage of BancoPosta's Business Process Model, including risks, changing aspects of the business, regulatory issues and BancoPosta RFC's organisational structures. This Plan has been presented to the Board of Statutory Auditors and submitted for the attention of the Board of Directors.

Risk management system

BancoPosta RFC has an independent Risk Management unit, responsible for ensuring, in collaboration with the Group Risk Management function, an integrated, retrospective and prospective view of the risk environment and of BancoPosta RFC's capital and organisational adequacy. Among other things, the function provides a detailed evaluation of the risk profile of the financial products sold to customers and provides the operational and business functions involved in product development and placement with advice and support. It is also responsible for periodic reporting.

During 2018, the Risk Appetite Framework was revised. The annual report for 2017 and the programme of activities for 2018 were submitted to the Board of Statutory Auditors, the Audit, Risk and Sustainability Committee and the Board of Directors, as were the ICAAP (Internal Capital Adequacy Assessment Process) report and the Public Risk Report for 2017. These bodies also received quarterly reports on the performance of the effective risk profile versus the determined risk appetite. The principal types of risk to which BancoPosta RFC is exposed in the course of its ordinary activities are described below:

- market risk (including banking book rate risk);
- credit risk (including counterparty risk);
- liquidity risk;
- operational risk.

In terms of the evolution of significant risks, the first five months of 2018 witnessed a slight decline in the yields on Italian government securities, resulting in an increase in fair value gains. From the end of May, the trend went into reverse and the yields on 10-year Treasury Notes (BTPs) began to rise. This was reflected in unrealised gains, which returned to lower levels, below those seen at the beginning of 2018. The spread between BTPs and German Bunds ended the year higher than at the end of 2017 (around 250 basis points) and, compared with unrealised gains of €1,615 million in 2017, unrealised losses amount to €1,687 million in 2018.

In terms of Bancoposta's capital structure, following the positive performance of postal current account deposits, in 2018, the process of monitoring the risk profile indicated that, from March, there had been a decline in the leverage ratio to below the threshold set in the Risk Appetite Framework (RAF). The contribution of fresh capital of €210 million by Poste Italiane on 27 September 2018, in execution of the Board of Directors resolution of 25 January 2018 and the shareholder resolution of 29 May 2019, helped to rebalance the leverage ratio, which at 31 December 2018 stands at 3.2% (3% being the minimum level required by the regulations). The CET 1 ratio for 2018 is 18%, compared with 17% in 2017, confirming the strength of the entity's balance sheet, which was further boosted by the above contribution of fresh capital.

As in the previous year, in 2018, in terms of economic value, BancoPosta RFC was exposed to falling rates. The entity of the exposure, measured using an internal model, remained below 10% of supervisory capital, thus well within the risk appetite framework for the year.

In terms of operational risk, with regard to real estate funds sold in the period between 2002 and 2005, which have given rise to a number of complaints and disputes, Poste Italiane continues to closely monitor market developments and the related initiatives put in place in order to protect its customers, in order to assess any impact on provisions for risks and charges in the financial statements.

Details of the various areas of risk and the methods used for their measurement and prevention are provided in other sections of the Annual Report for the year ended 31 December 2018.

BancoPosta RFC events after 31 December 2018

Following the receipt of clearance from the Bank of Italy on 18 December 2018, the outsourcing of BancoPosta's financial management service to BancoPosta Fondi SGR, a Poste Italiane Group company, was effective from 1 January 2019. BancoPosta Fondi SGR is a specialist, regulated intermediary, with specific expertise in asset management and set up to act as a competence centre for the management of financial investments. Financial management, which under Bank of Italy regulations is defined as an "Important Operational Function", was previously carried out, under internal operating guidelines, by a function within Poste Italiane. At the same time, again from 1 January 2019, BancoPosta Fondi SGR outsourced its Internal Audit and Risk Management to BancoPosta, designed to achieve an overall strengthening of the controls conducted by the audit departments involved.

Other events after the end of the reporting period are described in other sections of the Annual Report for 2018 and there are no further material events occurring after 31 December 2018 to report.

Outlook for BancoPosta RFC

In 2019, BancoPosta RFC will continue to implement the strategic objectives in Poste Italiane's Deliver 2022 Plan, in line with its continued commitment to leveraging its customer base, distribution network and brand.

Postal Savings will continue to be governed by the three-year agreement entered into with Cassa depositi e prestiti in December 2017, effective from 2018.

In addition, expansion of the range of financial products will continue with the aim of better responding to the different needs of customers.

Finally, the strategy of actively managing the securities portfolio will aim to stabilise the overall return.

Other information

Related party transactions

Information on transactions between BancoPosta and its related parties is provided in Poste Italiane Financial Statements for the year ended 31 December 2018 (BancoPosta RFC's Separate Report, Part H of the notes).

Separate financial statements

Poste Italiane SpA's financial statements include separate BancoPosta financial statements in compliance with art. 2, paragraph 17-*undecies* of Law 10 converting Legislative Decree 225 of 29 December 2010, requiring separate disclosure of BancoPosta's ring-fenced assets and liabilities.

Intersegment transactions

Intersegment transactions between BancoPosta and Poste Italiane functions outside the ring-fence are set out in Poste Italiane Financial Statements for the year ended 31 December 2018 (BancoPosta RFC's Separate Report, Part A of the notes).

Objectives, management methods and key performances achieved in the pillars of the Group's ESG Strategic Plan

Poste Italiane intends to promote complete and effective disclosure of its ESG performances, which are strongly linked to the ESG Strategic Plan. The ESG Group Strategy is based on six key pillars relating to the 20 material topics.

STRATEGIC PILLAR



INTEGRITY AND TRANSPARENCY



PEOPLE DEVELOPMENT



SUPPORTING LOCAL COMMUNITIES AND THE COUNTRY AS A WHOLE



CUSTOMER EXPERIENCE














DECARBONISATION OF REAL ESTATE FACILITIES AND LOGISTICS

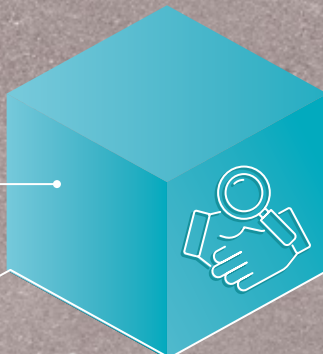


SUSTAINABLE FINANCE

The following tables show the targets set by the company and the SDGs impacted, while the icons in each paragraph heading indicate the types of capital described.

SDG	RELEVANT TOPIC
	Integrity and transparency
	Legality and incorporation of ESG criteria within procurement processes
  	Staff training and development
	Staff welfare and wellbeing
	Relations with social partners
	Occupational health and safety
	Protection of human rights
	Equal career development opportunities
  	Support for the socio-economic development of local communities
	Dialogue and transparency in relations with the authorities
	Financial inclusion
	Quality and customer experience
	Innovation and digitisation of products, services and processes
	IT security and business continuity
 	Environmental impacts of logistics
	Environmental impacts of real estate facilities
	Integration of ESG factors into investment policies
	Integration of ESG factors into insurance policies

INTEGRITY AND TRANSPARENCY



Open and
transparent
contracts

First company
in the **financial**
and communications
sectors to obtain the
anti-corruption
certification

Best performance for
brand image and
reputation







**Integrated Group
Procurement
Model**

Highest legality
rating score

**WE HAVE A RESPONSIBILITY TO ENSURE CORRECT AND TRANSPARENT
CONDUCT IN DEALINGS WITH OUR STAKEHOLDERS.**



Integrity and transparency

MAIN TYPES OF CAPITAL	OBJECTIVES	TARGETS	OUTCOMES
 Human	Certify the main Group companies in accordance with ISO 37001 standard	100% of significant Group companies certified to ISO 37001 by 2022	
 Intellectual	Increase staff training on the Group's ethical principles (including respect for human rights)	100% of Group employees involved by 2022	
 Physical-structural	Verify ESG aspects in the supplier qualification process	100% of suppliers belonging to significant product categories qualified according to ESG criteria by 2022	
	Carry out sustainability audits (ESGs) along the supply chain	100% of the Group's qualified suppliers subject to sustainability audits by 2022	

Working with transparency and integrity



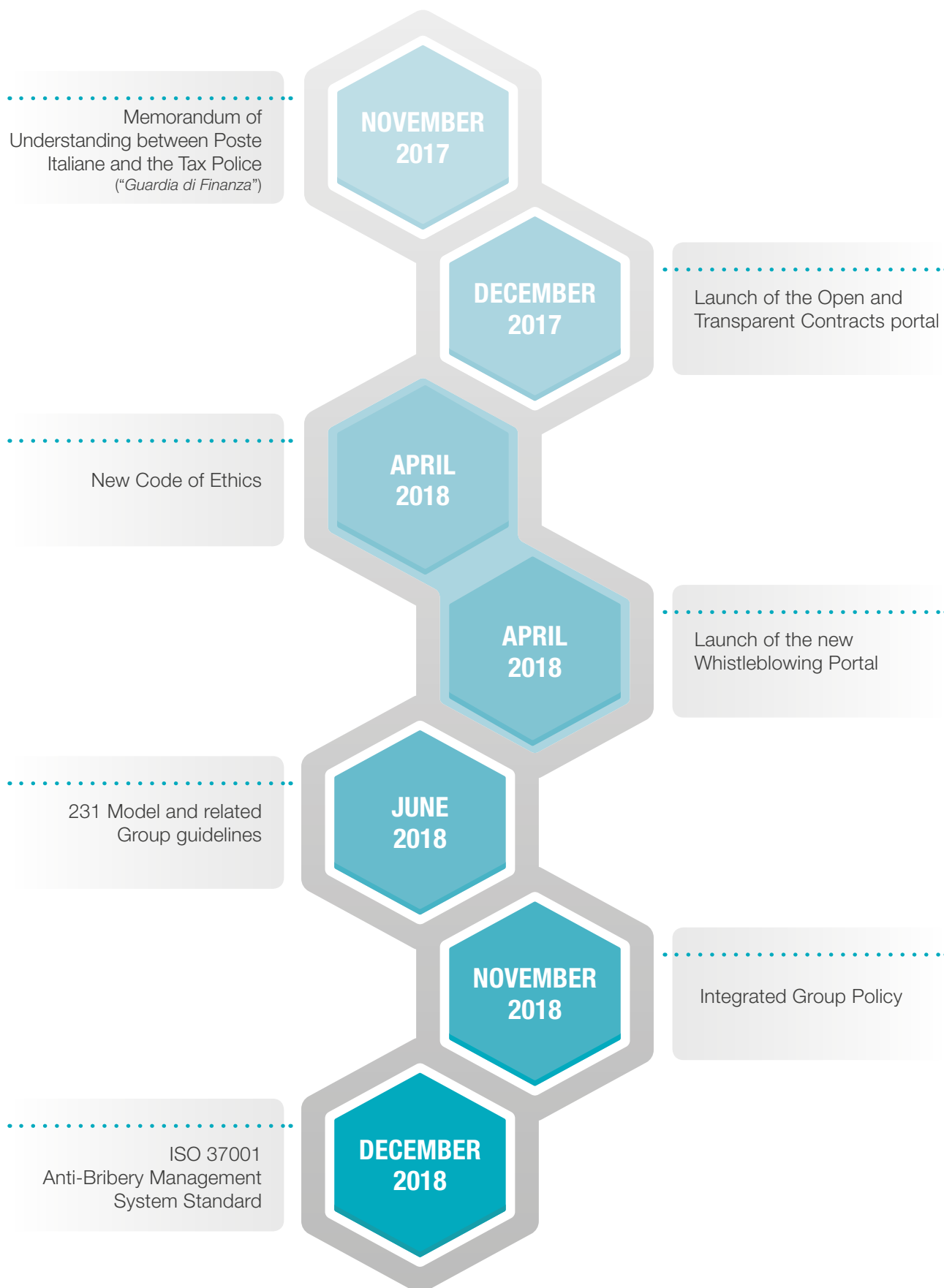
MAIN RELATED TYPES OF CAPITAL



Ethics and transparency constitute the highest values of Poste Italiane's corporate identity. These fundamental principles guide the way in which the Company implements its business activities, which is, by its nature, is based on trust, as well as the management of relations with all its stakeholders.

Therefore, the Company recognises the strategic importance of compliance with internal and external regulations and codes of conduct, as well as respect for rules and absolute fairness, without any conflict between corporate and personal interests.

STAGES IN THE INTEGRITY AND TRANSPARENCY PROCESS



In continuation of the initiatives already undertaken in 2017, such as the signing of the Memorandum of Understanding between Poste Italiane and the Tax Police (Guardia di Finanza), aimed at combating business and financial crime, and the launch of the Open and Transparent Contracts portal, regarding the prevention of criminal infiltration of contracts and the fight against undeclared employment. Several initiatives were implemented in 2018 to promote transparency in all areas and towards all stakeholder categories. In particular, the Board of Directors of Poste Italiane SpA approved the new Code of Ethics, which is applicable to the entire Group and aimed at directors and employees, as well as at all stakeholder categories. The new Code of Ethics has been revised in order to update and expand the fundamental principles that inspire the culture and conduct of directors, supervisory bodies, management, employees and everyone who works - on a permanent or temporary basis - to pursue the Poste Italiane Group's objectives. Moreover, the general criteria of conduct the Company recognises and adopts in carrying out its activities and in its engagement with stakeholders have been affirmed, with a focus on specific provisions relating to conflict of interest, anti-corruption, anti-money laundering and anti-terrorism, as well as safeguarding health, safety, the environment and privacy.

The Code of Ethics establishes principles and rules of conduct such as legality, impartiality and fairness, respect for and enhancement of people, transparency, thoroughness and confidentiality, as well as quality, diligence and professionalism. The Code also requires the parties concerned to refrain from activities - even on an occasional basis - that may generate a conflict with the Group's interests or may interfere with the ability to make decisions consistent with the Company's objectives. To this end, Poste Italiane has set up a system for reporting and managing conflicts of interest. The Company also intends to promote the dissemination of ethical principles and social responsibility among parties located within the Group's value chain.

Moreover, the Company disseminates its Code of Ethics at all levels within the organisation, so that the parties concerned may comply with its content, and every possible tool to promote its full application may be prepared.

In addition to the general principles of conduct, the guidelines set out in Poste Italiane's Code of Ethics particularly refer to the protection of:

- workers' rights and dignity;
- corporate assets and data processing;
- workplaces.

The Ethics Committee, whose functions are carried out by the Whistleblowing Committee, is responsible for receiving and managing reports that are handled via the new Whistleblowing Portal, as well as for providing support to the functions and corporate bodies responsible for investigating alleged violations of the Code of Ethics.

In November 2018, in order to make its commitment to legality and transparency effective, Poste Italiane adopted an Integrated Management System with the primary aim of ensuring uniform governance of the systems implemented at Company level, whilst guaranteeing quality, occupational health and safety, data security, and prevention of corruption across all corporate processes and activities.

In April 2018, as part of its internal audit and risk management system, in line with existing national and international best practices and the reference regulatory framework, Poste Italiane revised the "Internal System for Reporting Violations" (whistleblowing) guidelines, which are aimed at regulating the internal system for reporting - including anonymously - actions or events relating to violations of the internal and/or external rules governing Poste Italiane's activities (including the Code of Ethics), as well as the reporting of unlawful or fraudulent conduct that may directly or indirectly cause economic and financial harm, or damage to the Company's image.

In June 2018, Poste Italiane revised its 231 Model in order to add content following legislative initiatives that introduced new categories of alleged offences, including regulatory amendments regarding the criminal liability of entities, and incorporating changes in best practices and the reference guidelines.

In November 2018, the Board of Directors of Poste Italiane approved the Integrated Management Policy that reflects and documents the commitment made to all Company's stakeholders, to improve its performance and, at the same time, build and develop trusting relationships with them, as part of a process of generating and sharing value for the Company as well as for the communities in which it operates, with a view to achieving continuity and reconciliation of the related interests.

Poste Italiane the first company in the financial and communications sector to obtain anti-corruption certification

The 2018 integrity and transparency process was marked by a significant commitment to strengthening the Anti-Bribery Management System, adopted on a voluntary basis in accordance with ISO 37001:2016 Anti-Bribery Management System standard. The actions undertaken include attribution to the Group Risk Management Function within Corporate Affairs of the “Corruption Prevention Compliance Function”, which has the appropriate competence, status, authority and independence to exercise its role of supervising the planning and implementation of the Anti-Bribery Management System. The process concluded positively with Poste Italiane SpA's achievement of Anti-Bribery Certification, via concrete implementation of the integrity and transparency principles that will enable the Company to specifically respond to the challenges of the Deliver 2022 Plan and the expectations of stakeholders, whilst taking advantage of the opportunities arising from the innovations and transformation process underway. Concrete implementation of these principles in all business contexts gives the Company leadership in the national arena and is a model for inspiring contributions to Italy's development and wellbeing.

Poste Italiane was the first Italian company in the financial and communications sector to obtain the Anti-Bribery Certification, which concerns the planning, guidance, supervision and coordination of postal and financial services. In committing itself to obtaining a voluntary certification to reduce these risks, the Company has shown a high degree of responsibility towards the market and all stakeholders in general.

In 2018, Poste Italiane's commitment to integrity, the prevention of corruption and compliance with legislation was rewarded by the absence during the year of proceedings relating to established corruption cases and sanctions regarding anti-trust/anti-competitive practices.

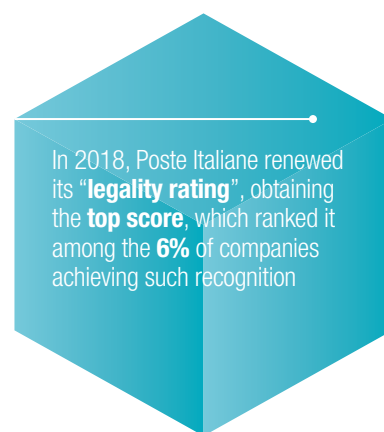
In order to prevent and suppress fraud and any other business or financial offence and to ensure the authenticity of people's physical and digital identities, internet access is provided to the “Identity Check”, an initiative that enables reporting of relevant information. Thanks to the agreement with the Tax Police (Guardia di Finanza), Poste Italiane will also make its computer assets available to verify and protect citizens' digital identities by setting up a task force to study new criminal scenarios.

As evidence of the degree of attention Poste Italiane pays to the correct management of its businesses, the Company has applied for and obtained renewal of its legality rating for a two-year period. It was awarded the top score, which has only been given to 6% of the applicant companies. The legality rating tool, which applies to Italian companies, was introduced in 2012 to promote and introduce the principles of ethical conduct into the business environment by granting an “award”, which indicates the legality compliance level of the companies that have applied for it. On attribution of the rating, advantages in the granting

of public funding are linked to facilitation of access to bank lending.

The Group invests in training and information activities for its staff to guarantee dissemination of a culture of integrity and transparency throughout the value chain. In order to ensure that its

employees are aware of anti-corruption issues, Poste Italiane implements a compulsory e-learning and classroom training programme for all staff on anti-corruption principles and, in particular, on reporting mechanisms and any significant changes to anti-corruption legislation and/or the adopted regulatory system. In addition, the Group's general and specific anti-corruption principles are also communicated to its stakeholders through the Code of Ethics. In line with its human rights policy, Poste Italiane's objective is to increase its integrity training offering by providing in-house workshops to the entire workforce on specific issues, such as human rights.



Poste Italiane, highest performing brand in terms of image and reputation

In 2018, Poste Italiane entered the Brand Finance Global 500 2019 international ranking, with the best performance in terms of image and reputation among Italian companies, ranking among the small number of brands that boast a triple A rating (“extremely strong”).

Of the nine Italian brands that entered the Global 500 2019, Poste Italiane was the best-performing company (up 47%), due in particular to the improved appraisal of the insurance sector, the innovation and dynamism of new payment solutions such as PostePay, and the consequent good growth prospects. The Group soared 88 positions, rising from 370th in the previous edition to its current 282nd place.

The brand strength index of Brand Finance, a world leader in brand valuation and strategic consulting, measures image and reputation effectiveness as compared with competitors and analyses the management and direct and indirect investment that affect a brand, the return on image and the financial return with respect to turnover.

Legality and incorporation of ESG criteria within the procurement process

NFS

MAIN RELATED TYPES
OF CAPITAL



For the Poste Italiane Group, promoting responsible supply chain management is primarily synonymous with the sustainability, functionality and traceability of procurement. The Company bases its procurement processes on pre-contractual and contractual relations geared towards full compliance with legality and transparency, by monitoring compliance with current regulations and corporate directives regarding aspects such as quality, worker protection and environmental standards, starting from supplier qualification procedures.

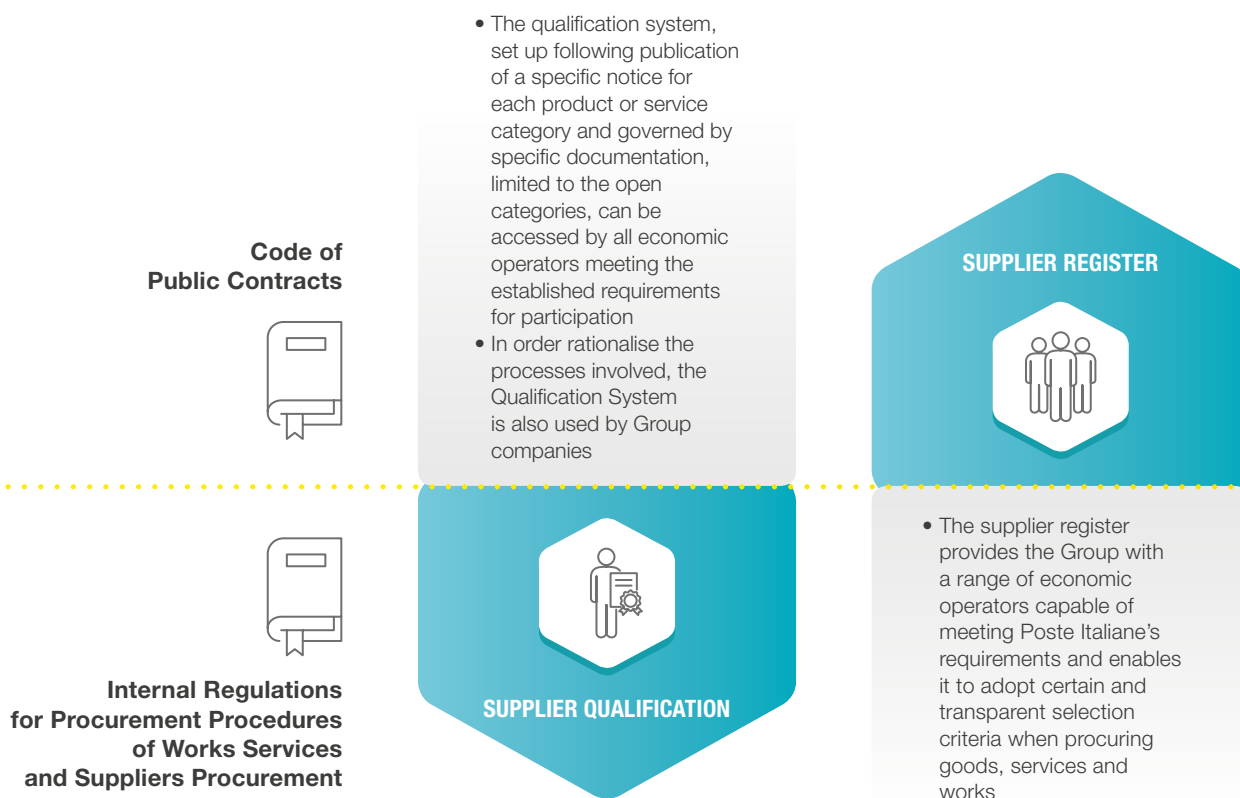
The path mapped out in the procurement process also includes ESG issues, involving investigation of suppliers' possession of specific requirements via sustainability audits (e.g. respect for their employees' working conditions, etc.).

Poste Italiane guarantees equal opportunities to all suppliers, and the opportunity to compete in contract awarding procedures. Suppliers involved in contract awarding procedures are required to comply with the EU and Italian legislation on competition, refraining from anti-competitive or unethical conduct that is contrary to the rules that safeguard

competition. The Poste Italiane Group requires its suppliers - including any subcontractors, and their partners - to formally accept the guiding ethical and social principles and obligations regarding conduct set out in the Code of Ethics, the Poste Italiane Group's Integrated Policy and the Human Rights Protection Policy, which, as of January 2019, became an integral part of the contractual relationship.

In this context, the Group intends to strengthen governance and oversight of procurement processes, and continue the development of the project relating to the digitisation of internal processes in order to simplify and speed them up and reap environmental benefits, as well as strengthening the principles of transparency and impartiality in the processes of awarding works, service and supply contracts. With a view to making business processes and competitiveness more effective, Poste Italiane is committed to promoting the adoption of selection, assessment and monitoring criteria for suppliers in order to measure their social and environmental performance and mitigate any ESG risks

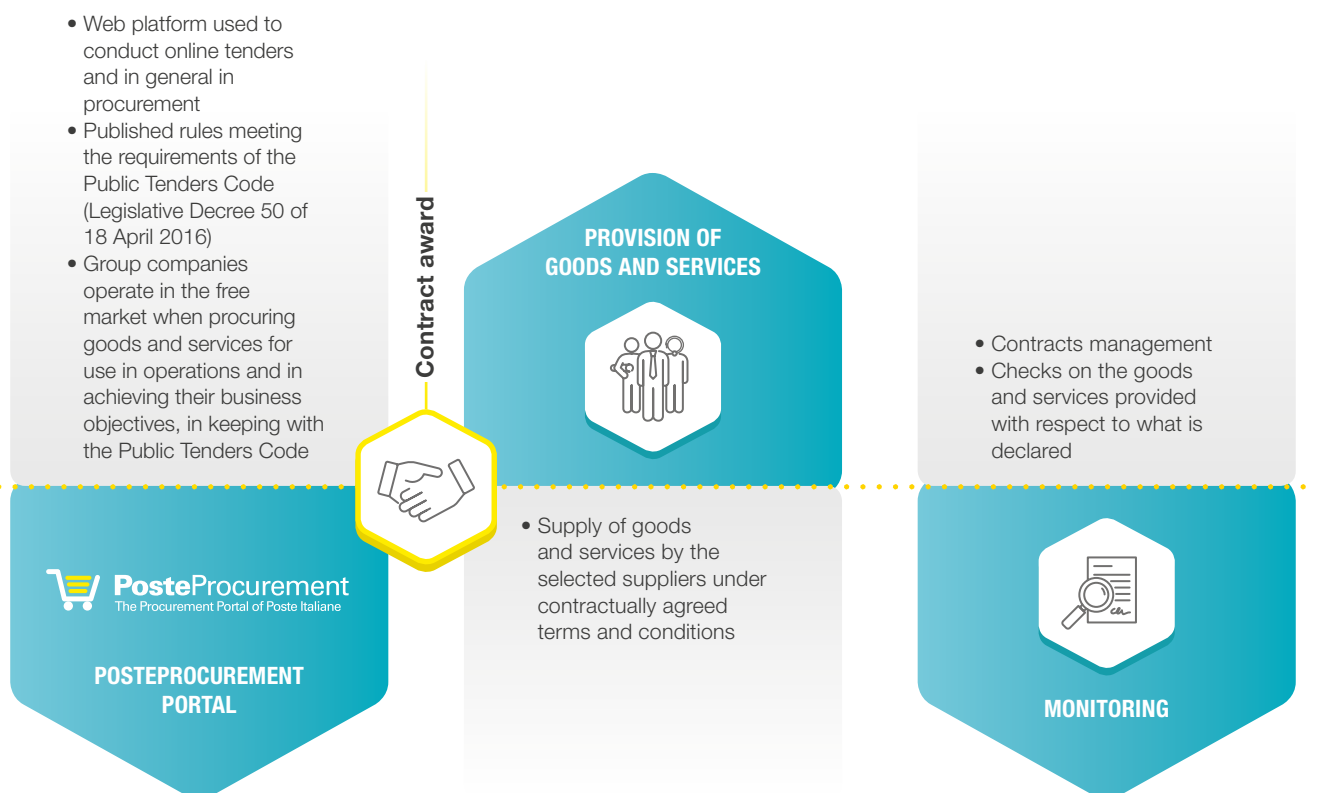
INTEGRATED GROUP PROCUREMENT MODEL



In 2018, Poste Italiane SpA revised and updated its internal procedures which govern the procurement process, regarding contracts that are subject to the Public Contracts Code as well as those excluded from its scope of application. These procedures, together with the Internal Regulations for the Award of Works, Service and Supply Contract Procedures and the Public Contracts Code, if applicable, constitute the main governance and regulatory oversight of the Parent Company's contract awards. Specific Procurement Regulations were subsequently approved by the respective Boards of Directors of the main Group companies, which implement the principles and content of the Corporate Regulations. In order to ensure objectivity and transparency in the procurement phase, the procedures regarding the composition and appointment of tendering committees and assessment teams have also been redefined, with particular reference to the introduction of drawing lots and rotation as a criterion for identifying a portion of their members, as set out in the operational directive "Composition and appointment of tendering committees and assessment teams".

In 2018, the process of centralising Group companies' procurement activities in the Corporate function continued. This led to centralisation of the procurement of PostePay and the PosteVita Group, with the aim of implementing an integrated Group procurement model and strengthening procurement risk oversight.

In recent years, the Parent Company's procurement has been marked by constant, large-scale use of competitive procedures that guarantee competitive advantages for the Company and ensure impartiality, transparency and equal collaboration opportunities for suppliers. Contract awarding procedures are also managed via the Procurement Portal ("Poste-procurement"), the internet platform used for all procurement activities as well as for management of the Supplier Register. This IT system was set up to ensure efficient and integrated management of the entire procurement process, as well as to encourage and improve collaboration with suppliers, whilst meeting the requirements of confidentiality, authenticity, competitiveness, integrity and data sharing availability.



Centralisation of Group companies' procurement activities within a corporate function

Supplier qualification procedures

In line with current legislation (art. 134 of the current Public Contracts Code), and in order to provide the Group with a pool of business operators who meet Poste Italiane requirements, as well as to adopt clear and transparent selection criteria in the procedures regarding the procurement of goods, services and works, the Company established its own Supplier Register in 2006. The aim is to simplify contract awarding procedures, while at the same time ensuring uniform standards among the selected suppliers in each product area, and transparency towards the market.

Training and management regarding the Register is governed by the Supplier Register Regulations which regulate the Supplier Register Qualification System, as well as by the Qualification System Regulations which regulate the system and the qualification procedure for each specific product category. For each product category, the Supplier Register may be accessed at any time by submitting a request accompanied by the necessary documentation.

All suppliers seeking qualification for the Supplier Register are required to meet general requirements (moral and professional suitability), as well as specific business, financial, technical and organisational requirements. In addition, in its relations with suppliers of works, services and supplies, Poste Italiane operates on the basis of standard contractual clauses that may be revised in accordance with any new regulatory provisions and any special needs expressed by an internal customer. The adoption of uniform contractual standards thereby provides a timely means of speeding up the process, keeping contracting timeframes to a minimum and, above all,

improving the oversight of data on the various matters involved.

In 2018, the Company Qualification Committee was set up to share information and assign responsibilities in accordance with Poste Italiane's general regulatory framework and its ethical, sustainability and innovation values. This Committee oversees the entire process of qualification, updating and monitoring of qualified business operators.

During the year, planning and implementation activities were carried out regarding the product segments (new and expiring) in accordance with the precepts of the New Supplier Register Regulations. Moreover, management of the new qualification process and the transition process was started in order to ensure the coexistence of the old qualification system until the new segments have been populated in accordance with the provisions of the Supplier Qualification Guidelines.

Finally, among the policies described in the Internal Regulations for the Award of Works, Service and Supply Contract Procedures, pursuant to Law no. 190/2012 as amended and supplemented entitled "Provisions regarding the prevention and repression of corruption and illegality in the Public Administration", Poste Italiane periodically publishes on its website, in a section freely available to all citizens, information regarding the contract awarding procedures identified by the relevant legislation, in accordance with the procedures established therein.

The "Open and Transparent Contracts" portal is another key element of this approach.

The Vendor Rating system

With regard to the IT Services product category, the Company set up a Vendor Rating (VR) system to monitor the behaviour of business operators in the tender procedure participation phases, and in the subsequent execution and management phases of the contracts awarded. This system will be extended to all qualifying segments in 2019.

The Vendor Rating Index (VRI) is a tool Poste Italiane has adopted for overall assessment of suppliers with regard to aspects relating to the levels of quality provided by the Company in the supply of goods and/or services. The VRI assessment is carried out at six-month intervals, with the overall results expressed on a scale from 0 to 100, and corresponding qualitative assessment brackets suppliers. The VR system is based on a structured methodology with three areas of interest: administrative, commercial and technical, for each of which the corresponding quality is assessed. The evaluation is carried out by individual supply and by supplier.

Selection of suppliers

On the basis of the procurement requests prepared by the requesting departments, Poste Italiane then proceeds to the selection of suppliers (which in the case of procedures arising from the Supplier Register, takes place among qualified operators), and, subsequently, to the signing of the contract with the identified supplier.

For some time now, the Group has paid special attention to the social and environmental aspects of its supply chain management, in the belief that the development of transparent and long-lasting relationships with suppliers, and paying utmost attention to quality, safety and respect for the environment in the procurement process, are useful principles for constantly improving the service offered to its customers, as well as for pursuing a public interest objective for Italy's entire economic system.

In its relations with suppliers of works, services and supplies, Poste Italiane operates on the basis of standard contractual clauses which may be revised in the light of regulatory provisions or adapted to meet specific internal requirements. In particular, the main clauses cover the following: the regularity of supplier's social security contributions and remuneration; compliance with labour regulations (Legislative Decree 276/03 as amended and supplemented, Public Contracts Code); the applicability of Collective Labour Agreements; absence of breaches of occupational safety regulations (Legislative Decree 81/2008 as amended and supplemented); absence of environmental offences (Legislative Decree no. 152 of 3 April 2006, as amended and supplemented).

Additional specific health and safety measures have been introduced into works contracts, whose assessments and measurements are contained in the Safety and Coordination Plans (SCP) and the specific Operational Safety Plans (OSP). As evidence of Poste Italiane's commitment to occupational health and safety, the Group has established and provided for possible termination of supply contracts in the event of a breach of one or more aspects of the relevant safety documentation.

The Group intends to promote the adoption of ethical standards of conduct by its suppliers, also by encouraging the attainment of certifications, such as quality (ISO 9001), environmental (ISO 14001), social (SA 8000) and occupational health and safety certifications (OHSAS 18001).

In continuity with previous years, Poste Italiane has implemented the criteria set out in Green Public Procurement (GPP) in order to combine sustainability in terms of reducing environmental impacts and cost rationalisation. In this regard, the Company has incorporated into its contracts, via special provisions within the specifications and/or with specific tendering methods, the ministerial guidelines that establish the minimum criteria for a contract to be considered "green", in application of the provisions of art. 34 of the Public Contracts Code ("Energy and environmental sustainability criteria").

In confirmation of the importance Poste Italiane attributes to the social and environmental aspects of its supply chain, some concrete examples of strengthening aspects relating to sustainability may be highlighted.

Cleaning and sanitation

For this product category, assignments are carried out in accordance with Green Public Procurement, which requires the adoption of the "Minimum Environmental Criteria" or "MEC" contained in Ministerial Decree 24/05/2012, and respecting the figure of 15% provided by the Ministerial Decree relating to the awarding of specific scores for beneficial "green procurement" techniques (e.g. dosing systems and cleaning techniques; electrical equipment and machin-

ery bearing information about the brand, model and power capacity, and specification of the energy consumption and noise level for each device; a separate waste collection plan; vehicles used for low environmental impact transport; and Ecolabel products and consumables).

In 2018, all 10 cleaning and sanitation service contracts were awarded in compliance with the MEC.

Catering

In order to guarantee the provision of a Company catering service with a "reduced environmental impact", which in terms of processes and content is characterised by respect for all aspects of environmental, economic and social sustainability, Poste Italiane has granted a concession for catering services operating within its real estate facilities in compliance with Green Public Procurement principles.

In implementation of the "Minimum Environmental Criteria" set out in the Decrees of the Ministry of the Environment,

Poste Italiane rewards the supply of foodstuffs in excess of the minimum quantities prescribed by the MEC, by purchasing sustainable products (BIO, PGI, PDO, sustainable fishing, etc.) for meals provided in company canteens at some local sites. In this context, local suppliers who guarantee certified products are potentially involved in the supply chain of food products for canteens and bars.

Currently, all 12 contracts active nationwide are "green".

Logistics

Regarding procurement for the main services (full rent fleet, transport services, etc.), an environmental-sustainability score is awarded during tendering procedures based on

the emission category of vehicles used for services, with a high score given to bids that provide for categories with lower CO₂ emissions.

Works

The Supplier Register for Works categories - as well as being organised into product categories that are specific to the type of work (civil and industrial buildings, water and heating plants, plants, etc.) - provides for a qualification system for business operators according to the type of contract, for regional areas, or for Area Offices (corresponding to regions or groups of regions), which have primary or secondary headquarters in the area of registration, or which have carried out major contracts in the relevant local area.

In the context of works contracts, specifically those relating to construction and plant works characterised by moderately priced services to be implemented in buildings or on sites located nationwide, this system encourages the presence of local labour, as well as the supply of

preferably locally-sourced materials, with a view to reducing procurement costs by optimising the environmentally-sustainable aspects of the system (reduction of travelling times and distances, and the resulting CO₂ emissions).

For the same purpose, Poste Italiane subdivides works into lots by geographical area limited to large metropolitan areas (e.g. Rome, Catania, Palermo and Naples) and/or two or more provinces.

Another example of a localised supply chain is the one used for works contracts to be implemented in the two main islands, Sardinia and Sicily, where requests arising from the Register are preferably addressed only to regional suppliers.

Clothing

With regard to the supply of clothing and footwear, in drawing up the award procedures, utmost attention is paid to the "green" requirements of the outfits to be provided to delivery staff.

With reference to footwear, "recyclability of the outer packaging" is a requirement for the product offered, while with regard to postmen and women's uniforms, the focus is on ensuring the fabric used for packaging has Oeko-Tex or Ecolabel certification. This certification guarantees that the fabric's packaging process does not contain or give off substances that are harmful to human health, and certifies products with a reduced environmental impact.

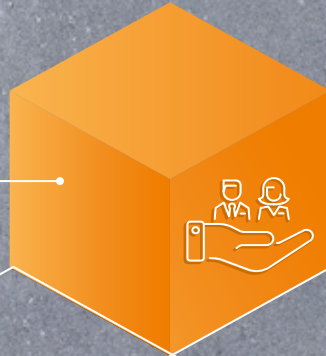
With regard to organisational controls in terms of checking, assessing and monitoring parties and counterparties, the Group Risk Management function in the Corporate Affairs function carries out activities to identify all the operational and reputational details needed to verify the relative reliability and integrity of corporate, financial and asset analyses of companies and representatives, and analysis of existing relations with Poste Italiane.

The purpose of this analysis of parties and counterparties is to limit the risks deriving from transactions with third parties; to guarantee adequate rotation of suppliers; and to minimise losses deriving from non-payment of receivables.

Boosting prevention of illegal activities, via integrated analysis of information within and beyond Poste Italiane, enables detection of direct and indirect relations that highlight possible critical issues. Therefore, combating fraudulent activities is implemented via a process of continuous monitoring of the degree of exposure to fraud risk and risk factors, through gathering and analysis of reports and signs of potential offences, examination of processes, and adoption of adequate and increasingly rigorous governance and supervisory measures for fraud prevention.

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PEOPLE DEVELOPMENT



Supporting active
parenting

Inclusive corporate
culture

Care for **people
development** and
training

Promoting **people's
well-being**



Safeguarding the
health and **safety** of
employees

WE HAVE A RESPONSIBILITY TO PROVIDE OUR PEOPLE WITH THE
BEST POSSIBLE DEVELOPMENT OPPORTUNITIES.



People development

MAIN TYPES OF CAPITAL	OBJECTIVES	TARGETS	OUTCOMES
 Social-relational	Provide continuous training to all Group employees	20 million training hours provided by 2022	 3 4 10
	Expand the scope of the workforce involved in the performance appraisal system	90% of employees participating in the performance appraisal system by 2022	
 Human	Increase the quota of middle managers and white-collar staff involved in the MLAB development plans (Managerial LAB for the enhancement of middle managers who have further growth potential) and POP (Professional Guidance Programme which identifies and develops talented young people)	20% of middle managers and 25% of white-collar staff with respect to the total number of middle managers and white-collar staff meeting the access criteria for these programmes by 2022	
	Increase employee satisfaction	50% Poste Italiane Group employees claiming to be "satisfied" during "employee engagement" surveys by 2022	
	Reduce the rate of absenteeism due to sickness	Rate of absenteeism due to sickness of 3.49 by 2020	
	Promote membership of the Welfare platform	15% conversion rate of Group employees' performance-related bonuses by 2022	
	Reduce the number of Group employees' occupational injuries	790 fewer events in the Mail, Communication and Logistics segment compared with the 2017 figure by 2021	
	Reduce the occupational injury frequency rate for Group employees	down 8% compared with the 2017 seriousness rate by 2021	
	Reduce the occupational injury seriousness rate for Group employees	down 8% compared with the 2017 seriousness rate by 2021	
	Reduce Poste Italiane SpA's work-related stress levels	Reduction of the risk of 40 homogeneous groups from "medium-high" to "not relevant" by 2020	
	Certify the main Group companies in accordance with the BS OHSAS 18001 standard	100% of Group production units certified to BS OHSAS 18001 by 2021	
	Increase women's involvement in staff development plans	4% more women compared with the average of the two-year period 2016-2018 by 2022	

Protection of human rights

A company like Poste Italiane, which plays a key role in Italy, operates across a value chain that involves a significant number of actors, which includes individuals, organisations, authorities and businesses. Consequently, in addition to complying with the regulations it is subject to, Poste Italiane is committed to taking on ever greater responsibility in safeguarding the wellbeing of the people who work in and for the Company, and those who collaborate with it or merely live in the communities where it operates, in order to foster the development of a "corporate culture" and a response to new challenges and market opportunities.

NFS

Therefore, respect for human rights - as an essential prerequisite for building societies founded on the principles of equality, solidarity and the protection of civil, political, social, economic and cultural rights and the so-called third-generation rights (right to self-determination, peace, development and environmental protection) - is an essential priority for Poste Italiane in conducting its business and a fundamental requirement for the development of a working environment based on loyalty and fairness.

MAIN RELATED TYPES OF CAPITAL



Indeed, in its Code of Ethics the Group highlights its responsibility to protect workers by combating any form of discrimination or harassment, and promotes the inclusion and protection of diversity among its employees, in the belief that cooperation between people with different cultures, perspectives and experiences is a vital element in the acquisition and sharing of new skills, and for the gratification of individuals as contributors to the entire corporate system. This approach also includes Poste Italiane Group's Declaration, drawn up in accordance with the "Framework Agreement on Harassment and Violence in the Workplace" in November 2018, in which the Company establishes its duty to cooperate in maintaining a working

environment where everyone's dignity is respected and interpersonal relations are encouraged, based on the principles of equality and mutual fairness, and all forms of harassment or violence in the workplace are condemned.



93% of employees are on permanent contracts

Poste Italiane's commitment to supporting equal opportunities and victims of gender-based violence

Aware of the key role women play within and outside the Company, Poste Italiane has been at the forefront of women's efforts to ensure equal opportunities and combat gender-based violence for years. Taking advantage of its nationwide presence, the Company is a key interlocutor for the main organisations and authorities engaged in supporting the many victims of violence through the implementation of dedicated initiatives aimed at reintegrating victims leaving anti-violence centres within the labour market and the community.

Contributing to the implementation of these initiatives provides Poste Italiane with a strategic opportunity to promote a corporate culture that is increasingly focused on valuing the presence of women, which in turn helps to consolidate a collective culture in local communities that are increasingly aware of this issue.

Regarding the initiatives Poste Italiane is involved in, for several years the Company has been working with the Equal Opportunities Department of the Cabinet Office on the active promotion of the 1522 anti-violence and stalking telephone number across its network of post offices. The 24/7 toll-free number, managed by Telefono Rosa's Helpline, offers support to victims of violence and stalking through specialised operators who, in addition to providing useful information, direct victims to the main public and private social and health services in their local areas.

In addition to implementing compensatory leave for victims of gender-based violence - a protection measure established by art. 24 of Legislative Decree no. 80 of 15 June 2015 - which is provided for in the collective labour agreement, Poste Italiane has carried out specific activities aimed at increasing and disseminating knowledge on the matter among its employees. Specifically, the Company has actively carried out dissemination initiatives, informing and raising awareness of local entities regarding the relevant legislative provisions on gender-based violence.

With a view to sharing and discussing the issue with the main national and local authorities and associations involved in projects relating to the reintegration of women victims of violence within the labour market, on 23 November 2018, Poste Italiane, in collaboration with the Equal Opportunities Department of the Cabinet Office, wished to dedicate the Eighth Confindustria Corporate Culture Week event to the theme of combating gender-based violence. The meeting enabled presentation of the main support tools and methods provided for by the activation of projects aimed at creating financial independence pathways, a key element in supporting the reintegration of victims of violence within the social fabric.

With the aim of defining, structuring and developing a clear approach to the issue, in December 2018 Poste Italiane adopted the "Poste Italiane Group Policy on the Protection of Human Rights". This reinforces what is already set out in the Code of Ethics and substantiates the commitment based on international standards, principles, guidelines and recommendations, including the Universal Declaration of Human Rights and subsequent international conventions on civil and political rights; the economic, social and cultural rights of the International Labour Organization; the UN Guiding Principles for Business and Human Rights of 2011; and the United Nations 2030 Agenda along with the 17 Sustainable Development Goals.

The Group-wide human rights policy is intended to be a manifesto of the Company's commitment to further align its business processes to the main international standards and best practices on human rights, actively disseminate the principles enshrined in it, and periodically report on the human rights protection performance achieved in terms of management and monitoring methods, identified risks, and management and mitigation actions

The document describes the attention the Group pays to human rights, focusing on certain stakeholder categories such as its own workers, suppliers and business partners, local communities, customers, migrants, children, disabled people, and victims of discrimination and any form of violence.

The Policy sets out the commitment to prevent and reject all kinds of discrimination and violence and forced or child labour, and also reaffirms the Company's interest in promoting personal wellbeing on the basis of the following principles and management guidelines:

- respect for the rights of Group employees, suppliers and business partners; safeguarding the dignity, freedom and equality of human beings; protection of labour, working conditions and labour union freedoms; protection of health and safety and guaranteed professional and cultural development through the implementation of specific training initiatives;
- support for the rights of local communities; provision of own products and services to different groups of people, including those group categories that may not have direct access to them; support for initiatives and projects aimed at spreading cultural values and collaboration with central and local government authorities, the third sector and local communities in order to address and satisfy social needs arising from disadvantaged and vulnerable situations;
- respect for customers' rights: confidentiality of personal data and information.

In order to identify, prevent and mitigate the risks of human rights violations, Poste Italiane verifies the effectiveness of the approach adopted with dedicated tools. In line with this approach, Poste Italiane subscribes to the "Equal Opportunities and Equality at Work Charter", a declaration of intent voluntarily signed by companies of all sizes regarding the dissemination of a corporate culture and the adoption of inclusive human resources policies, free from discrimination and prejudice and designed to enhance talent in all its diversity. The Charter provides a framework of reference values for the implementation of commitments aimed at creating a work environment characterised by pluralism and inclusion, which ensures equal opportunities for everyone and recognition of each one's potential and skills, thereby helping to promote equity and social cohesion and at the same time the Company's competitive growth and success.

As evidence of the Group's ongoing commitment on the protection of human rights and the enhancement of diversity, in 2018 Poste Italiane signed a Memorandum of Understanding with the Ministry of Equal Opportunities, aimed at promoting the cooperation between the two parties to carry out more effective and common communication, awareness and dissemination actions in order to:

- promote initiatives aimed at the protection and full affirmation of human rights, as well as preventing and combating all forms of exploitation of human beings and people trafficking;
- promote full implementation of policies regarding equal opportunities between men and women, with particular reference to work-life-balance and career issues;
- prevent and combat sexual and gender-based violence, stalking and any other form of violence against and abuse of women and children;

- prevent and eliminate all forms of discrimination directly or indirectly based on gender, racial or ethnic origin, religion or beliefs, age, sexual orientation and gender identity.

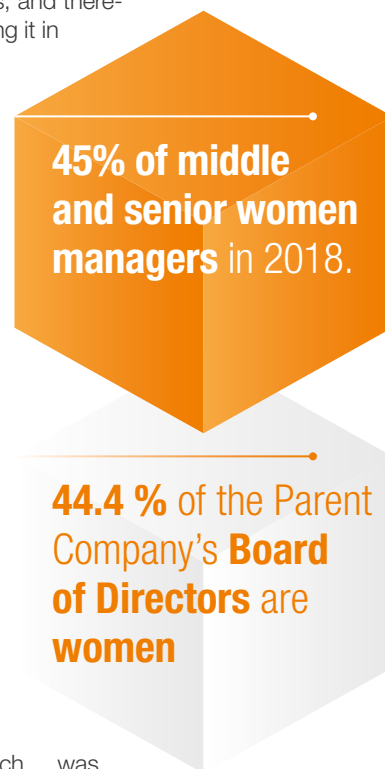
In affirming and respecting the rights of people associated with the so-called "social" dimension of corporate sustainability, in addition to promoting the protection of human rights, the Company acknowledges diversity as one of its greatest assets, and therefore commits to promoting it in all its forms and expressions across all levels of the organisation.

Indeed, nowadays it is essential for Poste Italiane to affirm and respect this value in order to ensure the fair and responsible management of its activities. As evidence of the primary importance the Group attributes to this issue, the Diversity Policy of Poste Italiane SpA's administrative and supervisory bodies is the document in which the Parent Company states its commitment to adopt such approach.

The document, which was approved by the Board of Directors in 2018, identifies qualitative and quantitative composition criteria, aimed at effectively fulfilling the duties and responsibilities entrusted to management, partly through the presence of people who ensure sufficient diversity in terms of perspectives and skills, which are necessary to have a good grasp of current business, risks and long-term opportunities relating to the Company's activities. In defining its diversity criteria, the Board of Directors has taken into account the nature and complexity of the Company's business, the social and environmental context in which it operates, the experience the Board has gained with regard to its own activities and operating methods and those of its internal committees, as well as the findings of the self-assessment processes conducted in recent years.

In addition to the requirements of professionalism, honourableness and independence and the incompatibility and/or forfeiture criteria provided for by law, regulatory provisions and the Company's By-laws, the Policy addresses issues relating to age and seniority, gender, geographical origin and international experience (for further details see the "Report on Corporate Governance and the Ownership Structure").

Every year, with the support of a specialised firm, the Board of Directors carries out a Board Review, which consists in a self-assessment procedure that involves conducting interviews - including through the use of specific questionnaires -



with individual directors, as well as with the statutory auditors and the secretary of the Board of Directors. The appointed firm issues a final report, to be examined and shared with the Board of Directors in its entirety. In this regard, the Board Review findings for 2018 relating to composition showed that gender diversity is adequately enhanced, and is in line with the relevant legal provisions and recent practical developments. The same assessment also showed that the over-

all mix of Directors' profiles, skills and experience is suitable, and that the skills present are balanced to ensure effective performance of the role on the Board and on Committees.

Diversity issues in the composition of the Board of Directors, specifically in terms of gender quotas and diversity policies, was also analysed as part of the induction given to Poste Italiane's governing and supervisory bodies in October 2018.

Equal career development opportunities

Poste Italiane is constantly engaged in the creation of a collaborative and trusting working environment, within which people are one of the greatest resources adding value to the corporate system.

In its Code of Ethics, the Group pays great attention to the fair management and growth of the intellectual potential of its human resources, in line with the criteria of merit and performance achieved, ensuring equal treatment and condemning any form of discrimination. In this regard, people are selected on the basis of their professionalism and skills with respect to the Company's needs, regardless of their personal characteristics - age, gender, sexual orientation, disability, ethnic origin, nationality, political opinions and religious beliefs - in accordance with the principle of impartiality.

The development and enhancement of people's distinctive skills, in all their forms and expressions and at different levels across the organisation account for the key strategic engine supporting the growth of the Group's business.

NFS

MAIN RELATED TYPES
OF CAPITAL



In the Payments, Mobile and Digital segment, **27% of employees are under 30**

The enhancement of diversity is an enabling factor for the involvement and engagement of people to achieve corporate objectives. In addition, increasing awareness in the management of diversity creates a competitive advantage for the Company and shared social value.

Therefore, the Group's objective is to promote the spread of an inclusive corporate culture with a view to reducing situations of personal vulnerability, and supporting balanced organisational models that promote dialogue, and the emergence and enhancement of diversity

Supporting maternity and paternity

The "Maam" initiative launched by Poste Italiane in 2015 consists of a digital programme aimed at strengthening the skills relating to the procreative experience of motherhood, which may also be useful at the time of returning to work. From 2018, the programme was also extended to fathers.

The initiative is part of a broader framework of cultural awareness actions regarding the importance of the presence of women in the workforce and support for active parenting, accompanied by the dissemination and communication of good business practices aimed at supporting women's leadership. Registration to MAAM is aimed at both women who take maternity leave and newly parents (mothers and fathers) of children aged from 0 to 3 years, as well as managers whose staff members are involved in the initiative.

Voluntary registration is envisaged for the MAAM digital programme and the MAAM manager platform, which provides for direct communication between managers and staff on mater-

nity leave, in order to facilitate an effective return to work.

The programme is also supported by a community of participants who share experiences, emotions and reflections on the process of returning to work and motherhood.

MAAM is designed to help share a cultural model at all levels which is geared towards the inclusion of women in the workplace, and encouraging active parenting for both parents.

In 2018, the Company extended the "**Maam Project**" to **fathers and new parents** of children from 0-3 years of age

Developing women's leadership

In collaboration with the Association *Valore D*³⁰, Poste Italiane has participated in managerial training, skill building and role modelling in support of issues relating to gender balance and inter-company mentorship projects, in order to promote the professional development of women towards managerial roles.

In 2018, the Group also signed the "Manifesto for women's employment" promoted by *Valore D*. The Manifesto, signed by more than 120 companies at national level, highlights existing good practices within organisations and enables commitment to developing women's talents via clear and measurable objectives, performance indicators and periodic monitoring.

There are nine concrete commitments and positive actions to promote women's talents and leadership, including increasing women's presence in the Company, career pathways, and parenting support policies relating to leave and flexible working methods to facilitate work-life balance.

Therefore, the Manifesto provides a concrete tool for valuing "diversity" - as a key resource for growth, productivity and innovation at all levels - which sets out concrete measures to enhance key aspects of the female workforce within the Company.

The attention posed to age management

Poste Italiane took part in "*Talenti Senza Età*" (Talent has no age limit) listening initiative, a survey conducted by *Valore D* in collaboration with the Catholic University of Milan, designed to investigate on the working conditions of women and men over 50 and to promote coherent development, management and learning policies.

Furthermore, the Company continued the Participation in the European project "Innov'age in the Postal Sector", aimed at raising awareness of the age management in the postal sector.

Enhancement of disabled staff

The Company continued the implementation of *Nave Scuola* (The School Ship), the training project aimed at improving the professional inclusion of staff with hearing

difficulties through the delivery of computer literacy and behavioural courses, with a view to facilitating communication between colleagues.

Supporting vulnerability

The "PosteHelp" project is aimed at offering a network of services and support initiatives to colleagues suffering from serious diseases. The project breaks down into: corporate volunteering to support basic needs, coaching sessions by

in-house professionals, and guidance and support activities to identify more accredited treatment centres for specific diseases nationwide. The project was launched in the pilot regions of Lombardy, Lazio, Campania and Sicily.

30. Valore D is the first association of companies that promotes gender balance and an inclusive culture for the growth of businesses and the nation. Founded in 2009 through the joint efforts of 12 virtuous companies: AstraZeneca, Enel, GE Oil&Gas, Johnson&Johnson, Ikea, Intesa Sanpaolo, Luxottica, McKinsey & Company, Microsoft, Standard&Poor's, UniCredit and Vodafone.

Staff training and development


 MAIN RELATED TYPES
 OF CAPITAL


In the light of increasing innovation, continuous technological and regulatory developments and business needs, Poste Italiane attributes a key role to the ongoing development of knowledge and skills as part of the process of enhancing and enabling people's growth. The Group's focus on promoting full potential is underpinned by the principle of excellence based on recognition of merit, respect for corporate values and application of the leadership model at all organisational levels. Therefore, the Company offers fair and transparent tools and methodologies that in their application take account of the diverse nature of the various business areas and functions.

As mentioned in the Code of Ethics, the Group protects, acknowledges and rewards each person's contribution, and is committed to offering equal employment and career advancement opportunities to all employees, which are key elements in maintaining staff satisfaction.

The Group's objective is to create a virtuous company in which everyone may access a path of professional enrichment, competence and experience

In this regard, the Company is committed on a daily basis to ensuring constant adaptation, consolidation and development of professional and managerial skills, and to drawing up succession plans to cover "critical" positions, in order to incentivise operational excellence and achieve the objectives set out in the "Deliver 2022" Strategic Plan. The Strategic Plan envisages around 20 million training hours by 2022, of which around 6.5 million dedicated to staff working in the financial sector, in order to ensure development of skills in line with market trends, customer needs and regulations.

Therefore, training and development play an enabling role in promoting the growth of staff know-how, developing talent that gives the entire Group a real competitive edge, and supporting a culture of change.

Regarding the training activities carried out to consolidate and transfer skills among employees, Poste Italiane SpA has adopted a specific staff training procedure ("Training Procedure and Operational Training"). The procedure defines the operating mechanisms and organisational ownership regarding training and operational training activities, based on specific criteria designed to guarantee the effectiveness, efficiency and compliance of the expected outcomes, also introducing significant organisational and control measures. On the basis of the guidelines drawn up by the Parent Company, the subsidiaries implement the procedure, adapting it to their size and their organisational and operational context, in order to develop and extend the organisation's knowledge and capitalise on the Company's experience.

In accordance with the new businesses and changes in the corporate context - together with the business lines - the Corporate University defines a specific managerial structure focused on the training needs of staff operating in the various functions, also relying on the training focal points of the business functions operating nationwide.

Specifically, through an annual online survey which involves all corporate functions the Company identifies the training needs that make up the annual Training Plan, which breaks down into three areas: managerial training; specialised technical training; compulsory and compliance training. Starting from an analysis of the above-mentioned regulatory requirements, the Corporate University identifies the appropriate methods to implement training activities, which may be in-class (in-house or external teaching) or through e-learning.

Training initiatives are differentiated on the basis of specific roles and training and educational needs.

Average of **19%** more training provided to middle managers in the **two-year period 2017-2018**

Diversified skills development within the Poste Italiane Group

Mail, Parcels and Distribution

In the logistics sector, training activities dedicated to postmen continued and new ones were launched to support the radical transformation of logistics processes. Such transformative process is strongly linked to the implementation and dissemination of lean production methods and tools, and aims at supporting the development of a service culture based on continuous improvement.

In addition, with a view to transforming the sales network in terms of customer relationship management, various training plans were implemented, with a special focus on the regulatory compliance requirements of the financial and insurance world, via the certification of Poste Italiane's training system to meet MiFID II-ESMA requirements, with the aim of monitoring and developing skills and continuously assessing the related development needs.

Financial Services

With regard to specialised technical and managerial training, several courses were planned, including the course "Business Continuity Management" and the project "*Ascoltiamoci*" (Let's Listen), consisting in a structured dialogue between the Company functions BancoPosta and Private Customers.

Insurance Services

PosteVita focuses on the continuous evolution of the product offer and on the implementation of new distribution practices to offer greater guarantees to customers. In this context, training plays a crucial role in keeping in line with regulatory and socio-economic developments. No longer limited to technical and regulatory content, training is designed to integrate all new products and services, as well as an equal number of relational skills and abilities to take customers' needs into account. Interactive workshops and specific case studies are envisaged, in order to place maximum emphasis on interaction and dialogue with customers.

In addition, Poste Vita has planned two projects for the development and enhancement of human capital: "Executive Master in Insurance & Finance EMIF", a top-level, specialised two-year master's programme aimed at talented young people in core areas of the Company; and "Key Competence", aimed at mapping the specialised technical skills of professionals involved in the definition and management of insurance products, and also to fill training gaps.

Payments, Mobile and Digital

With particular reference to PostePay, specialised technical training courses were provided on issues relating to cyber security, innovation in technological infrastructure and telecommunications, acquisition of certifications in the Service Management area, development of big data management and processing skills, and new Management Control applications.

In October 2018, the Company implemented a Change Management plan. The first phase of the Plan involved setting up training classrooms, with the aim of facilitating mutual knowledge among people from the Payments, Mobile and Digital segment, laying the foundations for sharing of mutual professional experiences and fostering engagement and team spirit. The formats used involved two types of workshop - video-making and storytelling - with the aim of improving interpersonal communication and relational skills, key elements of the integration process.

Continuous performance improvement

Training has a significant impact on the level of individuals' knowledge and skills to support the development of operational performance, professional development, and compliance or alignment of behaviour with corporate values. In order to assess the quality of training, participants are asked to fill in satisfaction questionnaires, which are structured to measure staff satisfaction levels regarding the organisation, teaching, logistics, etc.. Periodic surveys are also envisaged regarding the state of progress of the training plan in terms of hours, participation, topics, trends and information flows shared with reference corporate and control functions. The effectiveness and efficiency of training initiatives are monitored by means of specific indicators (e.g. course pass rate, absence rate).

To support human resource development policies, Poste Italiane uses the Development System as a basic architecture to manage roles, skills and development paths with-

in the organisation, which is divided into three main macro-processes that pursue specific goals:

- **Scouting:** aimed at identifying individual potential and the most qualified staff. The characteristics and criteria for accessing the scouting processes envisaged by Poste Italiane are specific and differentiated according to the target population, and the level of professional maturity revealed by the participants.

90% of staff receive assessments on the outcomes and development of their careers

■ **Management planning:** aimed at identifying development priorities with a view to succession and the reduction of “managerial risk”. Poste Italiane periodically reviews the managerial development planning process through review meetings between the Human Resources and Organisation Function and the department heads.

■ **Development:** aimed at supporting the individual growth of staff members and accelerating their professional development. The development actions comprise a set of structured and coordinated interventions designed to support people on their growth path in terms of corporate needs, based on the findings of scouting and planning processes.

The various types of assessment of potential continued, with regard to:

- Knowledge, evaluation process and mapping of competences and skills aimed at strengthening those resulting to be weaker from the assessment outcomes;
- Professional Guidance (POP), dedicated to young members of staff and aimed at identifying the best performers in whom to invest development, by recognising so-called young talent;
- Managerial Potential (MLAB), dedicated to the more mature workforce, aimed at identifying key people to perform middle management roles. Participants in the programme are periodically involved in surveys that monitor the degree of satisfaction and perceived usefulness of the development initiative, and gather feedback and suggestions to improve the proposed activities.

The Management Review and Succession Planning processes, activated respectively to map the managerial population and identify possible successors, supported the definition of succession plans for first and second level organisational positions.

Performance Management was conducted to ensure that people's performance was geared towards the Company's objectives, including for 2018. An “extended appraisal” (so-called 180°) was activated for the Group's entire managerial workforce which, with respect to the managerial behaviour manifested by the appraisee, enabled gathering of different points of view (boss, colleagues, appraisee). Among other things, the Performance Management system enables gathering of opinions, degree of satisfaction, appreciation and level of sharing of the appraisal received by the workforce involved. In addition, to support people on their growth path in terms of corporate needs, a Mentoring programme was activated, which involved internal staff in the roles of both mentor and mentee. The programme's degree of efficiency and satisfaction was assessed via a web community dedicated to participants and an ad hoc survey.

For 2018-2019, the Key Professional programme was launched for a number of corporate functions and was aimed at enhancing the distinctive skills of professionals through a dedicated development path.

Staff welfare and wellbeing

As well as leading to better working and living conditions, increasing people's wellbeing is a prerequisite for greater loyalty, which translates into increased productive value and self-efficacy at both individual and collective levels. The principles underlying the Company's welfare policies are outlined below:

Within the Poste Italiane Group people have always been a vital resource, comprising the key element that enshrines our real competitive advantage. Consequently, the wellbeing of workers is one of the key ethical principles of the Group, which strives daily to promote a healthy, beneficial working environment free of prejudice, whilst respecting the personality and dignity of each person.

The central importance of our people has led the Company to pay increasing attention to aspects relating to motivation, organisational wellbeing and the creation of a collaborative and participatory environment. In this context, corporate welfare plans have been developed, with the aim of increasing worker satisfaction and strengthening the social security system, via a variety of services provided by the Company.

In the planning and development phase of the welfare plan, Poste Italiane promotes an increasingly intergenerational approach, associated, where possible, with analyses relating to gender, age, professional characteristics and the family status of the people involved in the initiatives. The “age pyramid” is particularly important, as people's age group affects their actual needs and consequently the types of services the Company shall provide.

Through an intergenerational vision, the Group's welfare strategy aims to guarantee the central importance of people and their needs, engagement with local communities and social organisations, paying attention to families and social inclusion

Commitment to achieving these objectives is the outcome of the many modern and flexible tools and working models designed to respond to specific personal needs and to ensure the work-life balance that the Poste Italiane Group has created for its employees.



MAIN RELATED TYPES
OF CAPITAL



Work-life balance

With a view to achieving work-life balance, the Group provides many initiatives for its employees and their families.

The Company's crèche service is available at the Rome and Bologna offices, and, via a reciprocal agreement, in Milan. Poste Italiane has provided for a contribution based on the type of working hours chosen and/or families' income status, amounting on average to 50% of the monthly fee, thereby guaranteeing reduced rates to access the service.

In addition to offering financial benefits, the Company crèche provides employees with a flexible and distinctive educational service.

Employees' children who are disabled also benefit from 15-day residential holidays, with a dedicated assistant provided for each child. The cost is fully borne by the Company, and families accompanying children are offered packages at reduced rates.

In response to the growing demand from employees for flexibility and work-life balance, a teleworking service is

available. This is aimed at people with objective care needs for themselves or their families (e.g. pre- and post-natal periods; resumption of service after a long illness, injury or leave; disabled people; employees who need to care for elderly parents or children). Employees taking advantage of teleworking may choose to work from home, whilst guaranteeing their presence at the Company one or more times per week.

In addition, employees and their families have access to special agreements and conditions regarding products and services. Welfare payments are also provided to support employees with special needs, arising from serious personal and/or family situations or from serious natural disasters.

In line with the Company's objective of ensuring work-life balance and promoting the social values of aggregation and inclusion, Poste Italiane is committed to creating opportunities for practising sport, as a key tool for strengthening relationships. With this in mind, the Company has decided to set up its own national football team, as a starting point for promoting sports values among its employees.

Health and prevention

Since 2018, Poste Italiane Group employees have been able to benefit from supplementary healthcare. In the "Basic" version, the cost is entirely borne by the Company, while the "Plus" version requires employees to bear additional costs. In both versions, by paying an extra contribution, employees may have the assistance extended to cover their families. Health services may be provided either by employees' own physicians/healthcare facilities, or by a network of affiliated healthcare facilities. Regarding healthcare, the Company contributes to the financing of the Supplementary Healthcare Fund and other supplementary funds, so that services supplementary to the National Health Service may be recognised.

Regarding supplementary pension contributions, the Company contributes to the financing of Fondoposte for non-managerial staff, and to the PREVINDAI Supplementary Pension Fund for managers, so that pension benefits supplementary to the Compulsory Pension may be recognised.

In addition, once again in 2018 the Group provided awareness-raising activities relating to prevention and appropriate lifestyle issues, combined with the provision of specialist services free of charge or at favourable rates at the Company's headquarters, all of which are part of the Health Plan project.

The Welfare Platform

In July 2018, Poste Italiane signed an agreement with the labour unions regarding the performance-related bonus, which, on a voluntary basis, allows employees to opt to transfer the entire amount of their bonus or a portion thereof to cover the cost of welfare goods and services with a social impact, in addition to those already provided for (supplementary pension). These may include, for example, education and training expenses, care expenses for the elderly and/or dependent family members, transport expenses, etc..

By virtue of the tax and social security benefits provided for by current legislation, transfer of such amounts will be tax-free for employees.

An IT platform will be used to implement the initiative, via which employees will be able to substitute their performance-related bonus with welfare goods and services. In line with the corporate strategies relating to paying increasing attention to motivation and organisational atmosphere aspects, the aim of the welfare project is to enhance personal and family wellbeing, enable staff to access a wide range of customisable services, and strengthen safeguards that supplement public welfare (e.g. welfare, healthcare, education, children's education, support for vulnerable people and assistance), and, in general, to enhance purchasing power thanks to the tax and social security opportunities provided for by law. The value of the Company welfare platform lies in being able to manage the various generational needs of the workforce in an integrated way, monitoring their level of satisfaction and recruitment, creating forms of continuous, multi-channel and user-friendly interaction, and having a personalised welfare "portfolio" in line with differing lifestyles.

The platform will be implemented by applying of all Poste Italiane Group's expertise and technological assets.

Culture and education

In order to involve the graduate and undergraduate children of employees, Poste Italiane provided various initiatives, including: Push to Open, a platform for interactively involving students in the choice of their educational/vocational path, with the active participation of parents; Talent Days, a meeting with young people regarding employment ; and annual and summer scholarships for trips abroad, reserved for deserving children of employees, and supported entirely by the Company.

As a natural partner of the Public Sector in the development of services for citizens, the Company also continues to participate in "Work experience champions", a Ministry of Education, Universities and Research project involving large Italian and multinational companies. The Company has signed a special protocol regarding this matter with the Ministry of Education, Universities and Research, identifying seven work experience paths, grouped into five areas (retail customers and large enterprises marketing, logistics and delivery, management functions, financial education, and customer experience), which enable secondary school students to learn about the postal world and the key business processes.

Relations with social partners

Promoting constant dialogue with workers' representatives is a priority for the Group, which is committed to ensuring the wellbeing of its workers and protection of their rights, both under normal operating conditions and in the event of significant organisational changes.

The quality of labour union relations enables fostering of a positive corporate atmosphere and finding appropriate solutions for issues that may have a significant impact on the organisation, on business and, in particular, on human capital, a fundamental asset for the Company.

Indeed, in its Code of Ethics the Group sets out the reference principles of fairness, impartiality and independence for the promotion of our relations with the labour unions.

Moreover, Poste Italiane guarantees and safeguards the right and freedom of association and collective bargaining, in accordance with current legislation, and adopts an open attitude towards labour unions' organisational activities.

In this regard, the Group envisages the sharing and signing of specific agreements with the labour unions, regarding matters expressly provided for in the National Collective Labour Agreement, as well as other matters relating to the achievement of objectives outlined in the Strategic Plan that have repercussions for staff in terms of legislation and/or organisational changes

Dialogue with the social partners is managed via periodic meetings with the labour unions.

In order to ensure compliance with the law, Poste Italiane stipulates agreements with labour unions in the interest of its employees, in accordance with the bargaining procedures set out in the National Collective Labour Agreement and the Consolidated Law on Representation.

NFS

 MAIN RELATED TYPES
OF CAPITAL


In the event of significant organisational changes (reorganisation and/or restructuring and/or corporate transformation processes) that have social consequences with repercussions on working conditions (e.g. collective redundancy schemes), the Group refers to national collective bargaining, which provides a specific procedure for dialogue between the Company and the national labour unions signing the National Collective Labour Contract.

During 2018, various opportunities for dialogue with the labour unions enabled the signing of several agreements, the most significant of which are described below.



Reorganisation of delivery activities

In line with sharing activities with the labour unions, on 8 February 2018 a draft agreement was signed regarding reorganisation of delivery activities. The new arrangements include:

- an alternate day delivery model for the areas covered by the existing regulatory framework (AGCom Resolution 395/15/CONS), where a basic service operating on alternate days will be in place. In the case of business opportunities linked to specific commercial agreements, such as the distribution of newspapers in certain areas, temporary business arrangements will be adopted;
- a Joint Delivery model for the remaining areas, in which mail delivery will be in the form of a basic service and a business service for the daily door-to-door delivery of products under Service Level Agreements.

This operational and organisational reorganisation, which began in 2018 and continued in 2019, is divided into four phases, the first of which began on 16 April 2018 and ended on 22 October 2018. At the end of this first implementation step, the Parties verified the actions carried out at both national and local level. Moreover, with the agreement of 8 February 2018, the Parties also defined procedures for managing surplus staff resulting from this reorganisation process, excluding recourse to collective redundancy procedures pursuant to Law 223/91.

Active labour policies

The Group's commitment to establishing relations aimed at ensuring its workers' wellbeing and protection of their rights has been expressed by signing four agreements regarding labour policies.

On 13 June 2018, the Parties reached an agreement which identified methods and criteria for managing workforce trends in the three-year period 2018-2020. In particular, during the period in question, hiring of 6,000 new staff was envisaged, compared with a number of voluntary redundancies regarding employees on permanent contracts amounting to at least 15,000 staff.

The managerial and organisational levers required to meet the Company's needs were identified in the following areas:

- hiring employees with fixed-term contracts on permanent contracts;
- recruitment from external markets, mainly through professional apprenticeship contracts;
- conversion from part-time to full-time contracts;
- job rotation.

On 19 June 2018, in line with previous agreements regarding this matter, two agreements were signed which provide for the strengthening of the contractual status of staff formerly employed on fixed-term contracts and temporary staff

subsequent to a favourable court decision - not yet final - regarding their re-employment/entry into service, who work for the Company and have not benefited from similar previous agreements; and the recruitment on fixed-term contracts of delivery agency staff who are unemployed or are the beneficiaries of income support as a result of the total or partial insourcing of Poste Italiane's delivery activities.

On 31 July 2018, an agreement was signed to award performance-related bonuses to employees of Poste Italiane SpA, PosteVita SpA, Poste Assicura SpA, EGI SpA and BancoPosta Fondi SGR. The agreement, which has a one year validity, allows to further emphasise the contribution made by staff towards the achievement of corporate objectives in 2018.

The agreement confirmed the option for employees to allocate all or part of their performance bonus to Fondo Poste or other supplementary pension funds.

The state of progress of the actions and objectives set out in the signed agreements is guaranteed by periodic audits, and also thanks to specific Monitoring Committees. Any reported incidents and emerging areas of conflict regarding anomalies noted by the labour unions at the local level are also assessed during these processes.

Participatory organizations with mixed composition (members from Poste Italiane and Trade Unions)

Together with the labour unions, Poste Italiane has set up joint bilateral bodies at national level regarding issues that are also relevant in terms of sustainability, including:

- **Comitato per l'Attuazione dei Principi di Parità di Trattamento e Uguaglianza di Opportunità (Committee for the Implementation of the Principles of Equal Treatment and Equal Opportunities)**, with the objective of "implementing and strengthening a culture that pays attention to diversity, including gender diversity, through positive actions aimed at creating examples of good practice within the Group and removing obstacles that actually prevent achievement of equal opportunities". In this context, the Committee will address issues relating to the integration and inclusion of disabled people, as well as those regarding other factors of discrimination.

- **Ente Bilaterale per la Formazione e Riqualificazione Professionale (Bilateral Agency for Staff Training and Retraining)**, through which the Parties jointly promote activities in the field of training and retraining, with regard to the provisions of the Consolidated Law on Occupational Health and Safety, and also with reference to any processes of reorganisation/restructuring/transformation of the Company, or the introduction of technological innovations. In 2018, in continuation of its

activities, the Body supported the development, presentation and activation of various projects through a technical investigation initiative, as well as the signing of agreements that have enabled the Company to access funding from Fondimpresa and the Fondo di Solidarietà (Solidarity Fund) for income support, employment and professional retraining regarding Poste Italiane Group staff. In accordance with the provisions of art. 5 of the current National Collective Labour Contract, the Body received updated information on the activities of the European Social Dialogue Committee for the Postal Sector.

- **Organismi Paritetici per la Salute e la Sicurezza sui Luoghi di Lavoro (Joint Bodies for Occupational Health and Safety)** also continued activities relating to the uniform and correct application of the guidelines regarding occupational health and safety, in particular concerning issues relating to the new work-related stress risk assessment criteria with the aim of "implementing measures to improve occupational health and safety". At the end of 2018, the Osservatorio Paritetico sulla Sanità Integrativa (**Joint Observatory on Supplementary Healthcare**) was set up, with the role of proposing and monitoring the services offered by the Supplementary Healthcare Fund.

Occupational health and safety

Protecting our employees' health and safety in the workplace is of utmost importance for Poste Italiane. Therefore, in its activities the Group respects the highest international standards and the specific rules and regulations regarding the postal sector, via an approach based on continuous improvement.

Indeed, staff wellbeing is not only a moral principle, but also the key to successful individual and corporate performance.

The Company deems the assessment and prevention occupational health and safety risks to be fundamental principles, which all employees should be inspired by in carrying out their daily activities.

From this perspective, safety is a culture that characterises the actions of the Company as a whole, with the aim of engaging all employees in the process of constant awareness and involvement in management processes.

This overall vision translates into a corporate strategy focused on pursuing the highest levels of protection and security for workers, through the planning and implementation of actions aimed at ensuring effective management of occupational health and safety in all stages of the value chain.

Therefore, in accordance with corporate values, the Group is committed to:

- consolidating a safety culture, by promoting awareness on the issue and encouraging the continuous involvement by everyone working within the Group, especially at local operating centres (Distribution Centres and post offices) and within the relative coordination departments;
- preserving people's physical and moral integrity, starting with the reduction of injuries, especially in the logistics and delivery segment;
- promoting continuous improvement of management systems through the planning and implementation of initiatives, in line with the principles set out in the Group's Policy, regarding the constant monitoring of performance and the periodic review of setting new objectives.

As regards health and safety, Poste Italiane aims to consolidate a safety culture in the Company, preserve the physical and moral integrity of its employees, and promote continuous improvement of the management systems adopted



MAIN RELATED TYPES
OF CAPITAL



The ongoing monitoring of injuries contributed, also in 2018, to the implementation of various initiatives on prevention and on occupational health and safety of the workforce and the workplace. In this regard, the prevention programmes and information and awareness campaigns, as well as the occupational safety management systems, which have for some time been adopted in line with current legislation, confirm the belief that an effective model enables systematic management of occupational health and safety.

Approximately 8,300 injuries in 2018, almost **400 less** than in 2016 (approximately 8,700)

The commitment to occupational health and safety in the logistics sector

Given the company's focus on health and safety issues, which are particularly sensitive for the logistics and delivery sector, specific activities have been planned to consolidate the wealth of knowledge and skills regarding the matter and to raise awareness of the role it plays, including:

- introduction of Lean Manufacturing principles in plants, a philosophy that aims to minimise waste until it is eliminated. This objective is achieved by introducing new automated load handling systems (AGV - automated guided vehicles), and restructuring of real estate in all the departments that comprise the logistics network, which are initiatives that enable a reduction in injuries and improvement in terms of occupational health and safety;
- constant risk assessment and updating of Risk Assessment Documents, following the reorganisation initiatives underway, primarily in the delivery sector;
- training on the use of vehicles provided to around 2,000 staff by the Traffic Police;
- introduction of around 300 new three-wheeled vehicles in the corporate fleet to replace motorcycles.

In 2018, with the aim of strengthening oversight of occupational health and safety, Poste Italiane SpA obtained certification of the Occupational Health and Safety Management System, in compliance with the BS OHSAS 18001 standard, adopted by the "Strutture central e le loro dipendenze territoriali" (Central facilities and their local branches) production units.

In this context, some Group companies have also adopted management systems that guarantee correct and uniform management of these issues, and have implemented an effective certified Occupational Health and Safety Management System, in compliance with the relevant international standard, involving central and local facilities and identifying roles and responsibilities in the implementation of requirements. In addition to ensuring timely compliance with any regulatory changes and updates and effective and transparent communication of any information that might be useful for prevention purposes, this management model guarantees alignment between innovations and changes in work processes in terms of occupational health and safety objectives.

With reference to future lines, the Group has set itself the objective of extending the process of certification by an external body to all the production units of the Parent Company and the remaining subsidiaries.

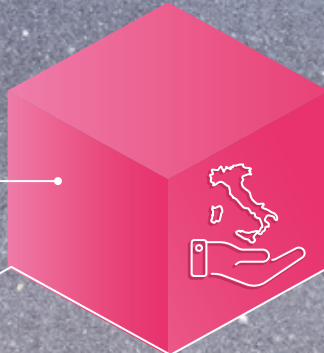
The Company policy regarding occupational health and safety comprises the following key principles and objectives:

- continuous assessment of risks and definition/update of related rules and procedures;
- ensuring that innovations and changes in work processes are always accompanied by occupational 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 top management to assess its correctness and effectiveness with a view to achieving constant improvement.

Starting with the Group's Integrated Policy and Health and Safety Policy, each employer has approved the policy for its production unit, making it available to all workers. All Group companies that have adopted management systems provide for periodic assessment and auditing, in order to ensure compliance with the requirements of the reference standards, and that they are correctly implemented and kept active. In addition to these systems for monitoring and reporting any anomalies, operational checks are

carried out at delivery centres and post offices, aimed at assessing overall status in terms of infrastructure safety, plant engineering and work processes, as well as raising awareness among staff working at sites; and control measures are in place aimed at analysing and assessing the occupational health and safety compliance status of the sites, with particular reference to aspects regarding plant and infrastructure.

SUPPORT FOR LOCAL COMMUNITIES AND THE COUNTRY AS A WHOLE



Valori Ritrovati

More **than**
1,000 employees
involved in corporate
volunteering
activities

Over **1,000 “mobile”**
consultants to provide
services **in remote**
areas



5 years of
“Il Risparmio che
fa Scuola”

Promoting the
socio-economic
inclusion of small
municipalities

WE HAVE A RESPONSIBILITY TO INVEST IN LOCAL COMMUNITIES
TO HELP DRIVE THE COUNTRY'S DEVELOPMENT.



Supporting local communities and the country as a whole

MAIN TYPES OF CAPITAL	OBJECTIVES	TARGETS	OUTCOMES
 Physical-structural	Increase the Group's support for socio-cultural initiatives that benefit the community	60% increase in investment in the community to promote socio-cultural initiatives by 2019	
	Provide basic services, including in small municipalities without a post office	Provide 254 small municipalities without a post office with ATMs and postal services via the network of tobacconists and home delivery by postmen and women by 2019	
 Social-relational	Increase the number of post offices in small municipalities with free Wi-Fi customers	5,007 more post offices equipped with free Wi-Fi by 2020	
	Allow Company-owned spaces in "disadvantaged" areas to be used for social activities	Use of 8 Company-owned buildings granted to communities by 2020	
	Eliminate architectural barriers in post offices	80% fewer architectural barriers by 2020	
	Certify the financial advisory service and the skills of people operating in accordance with the ISO 22222 standard	100% of finance consultants ISO 22222 certified by 2022	
	Continue financial education and inclusion projects	20 financial education events by 2022	

Supporting the socio-economic development of local communities



MAIN RELATED TYPES OF CAPITAL



Supporting the needs of the community is the foundation of the Group's values and corporate mission. The Company has always accompanied the local communities where it is present on a daily basis towards modernisation and digitisation processes, thereby promoting the wellbeing of citizens and socio-economic development.

Poste Italiane systematically promotes activity programmes nationwide relating to social inclusion issues that have a positive impact and bring benefits to the community through its extensive network of post offices and through the engagement of corporate volunteers and/or the financing of specific EU projects via donations and sponsorships. As part of its initiatives to support the community, the Company pays particular attention to the most vulnerable categories of people who experience hardship due to their physical, mental, family, economic, ethnic and social conditions.

The Company's inclusive approach is reflected in constant listening activities and dialogue with citizens, authorities and third sector associations, at local and national level, in a continuous process of reconciling relative and legitimate interests.

In line with the increasing integration of sustainability into the Company's businesses, Poste Italiane intends to strengthen its role in supporting the needs of local communities, through activities that can have a real social and economic impact on local areas, always based on the operating logic of assessing social needs.

The Group's objective is to play a key role in the development of Italy's economic system as a whole and to seek constant integration between the needs of the community and its business objectives, by identifying projects and initiatives that respond to shared interests and generate a concrete and measurable impact on the community

This approach, which is reflected in the creation of shared value for the Company and its stakeholders, represents an opportunity for Poste Italiane to combine competitiveness with the creation of long-term social value.

At the beginning of 2019, the Company adopted the Poste Italiane Group policy on community initiatives, which defines the Company strategy within the scope of its actions to support the socio-economic development of local areas, with specific reference to the United Nations Sustainable Development Goals. The Policy describes the main areas of intervention of its initiatives, including: facilitating access and inclusion for those categories more at risk of exclusion by offering dedicated products and services; promoting culture and education by implementing initiatives aimed at fostering cultural values and the right to education; and encouraging economic sustainability and social connection through collaboration with central and local authorities, the third sector and local communities in order to meet the needs of the most disadvantaged people.

In line with the Group's reference values, interventions on behalf of the community are carried out in accordance with transparent and accountable criteria, as well as formalised procedures aimed at avoiding any personal or corporate conflict of interest.

Poste Italiane has also adopted a specific procedure that governs corporate processes relating to sponsorship and donation initiatives. The procedure governs the corporate processes relating to the means of implementing sponsor-

ship activities and donations to partners, bodies, associations and local authorities operating in local areas. Such contributions, as also specified in the Integrated Policy of the Poste Italiane Group, may not be used to conceal acts of corruption. Indeed, before making contributions, the Company conducts a due diligence process based on the relevance of the initiatives, the reputation of the potential partner, their alignment with corporate objectives and their expected benefits. After making contributions, the Company constantly assesses the compliance of supported initiatives with contractual provisions and the due performance of activities, and also carries out specific checks on the proper fulfilment of contractual obligations. Sponsorship and donation requests are assessed by the Sponsorship and Donation Committee.

Moreover, with a view to monitoring the impacts of the initiatives implemented, with reference to the classification and measurement standard of the London Benchmarking Group (LBG) model, Poste Italiane identifies specific performance indicators to measure the benefits of initiatives for both business and the community.

During 2018, Poste Italiane developed and managed a series of initiatives aimed at promoting environmental sustainability, economic solidarity and social inclusion, the most significant of which are described below.

10 Impegni a favore delle Comunità nei Piccoli Comuni (10 Commitments to Support Communities In Small Municipalities)

In collaboration with the main local authorities and administrators, the Group has defined specific initiatives to benefit communities through the "10 Impegni a favore delle comunità nei Piccoli Comuni". From 2019, the initiative provides for implementation of a series of concrete commitments to support local municipalities with fewer than 5,000 inhabitants through dedicated investment, services and opportunities. Taking advantage of the increasing efficiency of the 12,824 post offices and the Company's digital spaces, which over 3 million people access every day, the initiative has the dual objective of finalising and improving the customer experience of services provided to citizens, and promoting specific initiatives to support local development, in order to have a positive impact on the social fabric, encourage economic and social growth in Italy and, at the same time, boost the Company's strategic presence in local areas. The planned commitments, as set out in the initiative manifesto, include:

- **Open post offices:** In line with the provisions of its Business Plan, Poste Italiane confirms its commitment to no longer close its post offices in municipalities with fewer than 5,000 inhabitants, thereby supporting the growth and development of local areas, in agreement with local authorities and public bodies.
- **Central office dedicated to the needs of the community:** Establishment of a central office at Poste Italiane's headquarters dedicated to supporting the specific needs of small municipalities via a toll-free number, which administrators may call to request information and promote initiatives.
- **New ATMs:** Installation of 254 ATMs in small municipalities without a post office in order to facilitate access to financial services in local areas, and the possibility for 3,542 small municipalities without ATMs but with a post office to request installation of an ATM.
- **Home deliveries by postmen and the agreement with tobacconists:** Provision of the main postal services through the network of tobacconists and home deliveries by postmen with no surcharges on post office rates, thanks to the agreement between Poste Italiane and the Italian Tobacconists Federation.
- **Free Wi-Fi at all Post Offices in small municipalities:** Extension of Wi-Fi to all small municipalities not covered by the service.
- **The "Treasury" service in collaboration with CDP:** Thanks to the partnership agreement signed between Cassa di Risparmio di Roma and Poste Italiane regarding provision of treasury services to small municipalities, the initiative provides for two main activities: management of "cash advances" by CDP in the event of temporary liquidity shortages, and management by Poste Italiane of all collection/payment activities and budget checks, through a team of qualified and dedicated staff; and the availability of a post office for activities requiring "physical presence" and access to the entire post office network for collection activities.
- **Increased security inside and outside post offices:** Expansion of video-surveillance services inside and outside post offices, in agreement with police forces, to strengthen the security of citizens in local areas.

- **Removal of architectural barriers in the Post Offices of more than 1,000 municipalities:** Demolition of 80% of architectural barriers in the 1,379 Post Offices of small municipalities by 2020.
- **Social solidarity real estate project:** Provision, free of charge, of Company-owned land and buildings in small municipalities for social and public interest purposes to benefit the community. The commitment also includes a plan to refurbish and decorate post offices by creating murals on their external walls, as well as renovation of mail boxes in the most disadvantaged areas of small municipalities.
- **Stepping up service in the post offices of tourist municipalities:** Expansion of post offices' coverage on the basis of registered tourist flows, by increasing their staff numbers in tourist centres.

“Valori Ritrovati” (Recovered Values): anonymous and abandoned parcels given to those most in need

On the occasion of the 33rd International Volunteer Day, on 5 December 2018 Poste Italiane presented the “Valori Ritrovati” initiative, at the Citadel of Charity of Rome’s diocesan Caritas. The aim of the initiative was to give the contents of parcels that had not been picked up or delivered - so-called “anonymous” or “abandoned” parcels - to the neediest families through the distribution channels of the “Solidarity Emporium”, the emporium chain that provides free basic necessities to needy families.

Taking advantage of the circular economy principle of re-using goods, “Valori Ritrovati” is an example of a concrete and effective solution that preserves value rather than destroying it. Moreover, the collaboration with one of the main local charities strengthens the Company’s presence as a promoter of local development via social inclusion and solidarity initiatives. In addition to the social value, the project has a strong inclusive footprint as it enables needy families to receive goods (for example, clothing, toys, small electrical household appliances, household utensils) that they would not normally have been able to buy.

In support of the initiative, the network of Poste Italiane volunteers participated in the implementation of distribution, storage and administrative activities relating to management of the parcels. In this regard, the first group of Poste Italiane volunteers was established at the Solidarity Emporium in Rome in November 2018, to whom a training session was dedicated in January 2019.

With the aim of generating a positive local impact and at the same time raise awareness on the issue of solidarity and reuse, during 2019 the Company plans to activate the initiative at the Solidarity Emporium in Perugia and Pescara, and to carry out the first “solidarity” auction. In particular, for goods classified as of high value and/or unsuitable or needed to support the beneficiaries of the Solidarity Emporium, the contents of the parcels will be sold at local markets, on dedicated online websites and at “solidarity” auctions. The use of alternative channels to the Solidarity Emporium is designed to top up the Solidarity Fund, which is aimed at funding the return to work of people who have lost their jobs.

II Volontariato d’Impresa (Corporate volunteering)

During 2018, as part of the “Volontariato d’Impresa” project, which includes more than 1,000 employees, Poste Italiane redefined its processes and development and management methods on the basis of three key aspects:

- the need to create a structured dialogue and interaction procedure with third sector entities that enables the planning and launch of new volunteering projects promoted and co-designed by Poste Italiane;
- boosting and developing the volunteering community, by strengthening identity, and planning and providing dedicated training activities;
- promoting local initiatives relating to the planning of shared social services (including in collaboration with associations and local authorities), with the participation of Poste Italiane volunteers and the support of the corporate functions involved.

To support the achievement of these criteria, Poste Italiane has designed a Company volunteering operating model (in terms of processes, criteria and support tools), regarding the accreditation phase for not-for-profit organisations, presentation and ratification of projects, recruitment and hiring of volunteers, and internal and external communication.

More than 1,000 employees participated in Corporate volunteering in 2018

The Cresco Awards: the partnership with Sodalitas to promote sustainable cities

On 24 October 2018, within the 35th Annual Assembly of ANCI (*Associazione Nazionale Comuni Italiani* - National Association of Italian Municipalities) at the Rimini Trade Fair, Poste Italiane participated in the award ceremony of the 2018 Cresco Awards. This event, which gives recognition to the initiatives of Italian municipalities that are most effective in supporting the sustainable development of local areas, is promoted by the Sodalitas Foundation in collaboration with ANCI. With the Cresco Award, Sodalitas aims to link up the companies and municipalities working on sustainability in local areas, taking the Sustainable Development Goals of the 2030 Agenda drawn up by the United Nations as a reference point.

Among the initiative's 15 partner companies, Poste Italiane received the "Digital development of small municipalities" award, as a result of its initiatives to support the munic-

ipalities of Canosa Sannita (province of Chieti), the municipality of Guardia Sanframondi (province of Benevento) and the municipality of Sovizzo (province of Vicenza).

Poste Italiane offers the winning municipalities its professional and planning experience, and activates consulting sessions to guide the pre-selected local authorities in implementing actions. To ensure the success of the project, the Company will use its own managers and corporate volunteers.

Poste Italiane receives award for its **initiatives to support the digital development of small towns** at the 2018 Cresco Awards

The P.A.I.N.T. project

Based on the fundamental values of proximity and the Company's social role, the P.A.I.N.T. project (*Poste e Artisti Insieme nel Territorio* – Poste Italiane and Artists Together in Local Communities), a local initiative regarding the refurbishment and decoration of post offices, was launched. In line with Poste Italiane's role and its proximity to local areas and citizens, through this project the Group aims to enhance its presence in Italy's social fabric, in order to make the Company's predilection for local communities and innovation more concrete and visible. The initiative envisages the creation of murals on the outside walls of post offices throughout Italy, thereby turning them into landmarks for neighbourhoods and citizens. Through online contests involving street artists from all over Italy, the Company identified the best sketches for 21 murals, which were painted by the end of 2018. The "*10 impegni a favore delle comunità nei Piccoli Comuni*" is the ref-

21 murales created in 2018 as part of the **P.A.I.N.T. project**

erence framework for the second phase of the project which, as part of the initiatives relating to the renovation of real estate, provides for identification of 20 post offices in small municipalities that will have murals painted on their walls by the end of 2019.

Social engagement

Poste Italiane is sensitive to social initiatives and the willingness of our employees to take an active part in social change. According to the principle of social engagement, the Company has joined the National Food Collection Day organised by the Banco Alimentare Onlus (not-for-profit

Food Bank), which enables people to donate part of their shopping expenditure to those in need. Poste Italiane has made 162 Company vehicles available for the transport of donated food items. Employees participated both as drivers and as volunteers at Emporium.

Transparent dialogue with Authorities



MAIN RELATED TYPES
OF CAPITAL



The role and nature of Poste Italiane's activities require constant dialogue with national and international institutions, as well as with the Regions and local authorities.

In accordance with the principles of fairness, professionalism, collaboration and transparency set out in the Code of Ethics, the Group actively cooperates with authorities (regulatory, supervisory and judicial) and public institutions in order to identify solutions to support the needs of the community, as well as promoting the development of local areas and at the same time the competitive growth of the Company.

Indeed, taking into account its mission, widespread presence and the context in which it operates, Poste Italiane has always fostered positive interaction with public decision-makers, by maintaining constant, structured relations with authorities and institutions through a systematic and transparent dialogue, and promoting effective and correct cooperation, in strict compliance with legal provisions and regulatory measures.

These dialogue initiatives are based on a quest for shared solutions that enable a response to the social needs of the community, having a positive impact on the social fabric in the areas where the Company operates and, at the same time, increasing competitiveness and promoting business continuity

This institutional dialogue takes place mainly through direct relations with the various institutional representatives, in order to promote knowledge of the Company's activities and to prevent application problems deriving from the choices made by public decision-makers, with a view to achieving positive collaboration.

Regarding relations connected with legislative issues, the relationship with public decision-makers is aimed at promoting knowledge of a wider range of assessment elements, which enable analysis of the impact and possible consequences of a given law, and optimum representation of proposals to change existing legislation.

The natural synergy between the Group's mission and the authorities makes it possible to establish strategic agreements and partnerships in the interests of the community, which allow for implementation of investment and initiatives typically aimed at identifying bids relating to innovative integrated services, promotion of the postal network's nationwide presence that facilitates prompt sharing of planning schemes, and preparation of local teams focused on specific issues³¹.

During 2018, the Company also carried out specific dialogue and collaboration initiatives with Regions and local authorities that led to the signing and implementation of specific agreements, including:

- the Agreement between Poste Italiane and the Autonomous Province of Trento regarding the determination and financing of a public service obligation in addition to the universal postal service in the Autonomous Province;
- implementation of the Memorandum of Understanding between Poste Italiane, the Piedmont Region and ANCI Piedmont, regarding the provision of innovative services to citizens in municipalities in Piedmont, with a special focus on small municipalities;
- implementation of the Agreement between Poste Italiane and the Autonomous Province of Bolzano, signed in 2017, to determine the operating costs of the delivery service within the provincial boundaries to be borne by the Autonomous Province, and to determine and finance public service obligations in addition to the universal postal service.

The Group also embarked upon specific dialogue initiatives prior to the signing - expected in 2019 - of the Memorandum of Understanding between Poste Italiane, the Lazio Region and ANCI Lazio, aimed at identifying forms of collaboration for offering services in addition to the universal postal service to municipalities in Lazio with fewer than 5,000 inhabitants.

Among the main local institutions and regulatory and supervisory bodies the Company with which the Company interacts are: the Communications Regulator (*Autorità per le Garanzie delle Comunicazioni* - AGCom), the Ministry of Economic Development (*Ministero per lo Sviluppo Economico* - MISE), the Ministry of Economy and Finance (*Ministero dell'Economica e delle Finanze* - MEF), the Ministry of Foreign Affairs and International Cooperation (*Ministero per gli Affari Esteri e della Cooperazione Internazionale* - MAE) and the European Policies Department of the Cabinet Office. At European and international level, the Group also maintains relations with the European Parliament, the European Commission, the Universal Postal Union (UPU), PostEurope, the European Centre of Employers and Enterprises providing Public services (CEEP), the International Post Corporation (IPC) and other institutions and associations in the sectors in which it operates.

31. In 2018, Poste Italiane's support for trade associations amounted to approximately €3.6 million.

To support the achievement of these objectives, the Group is engaged in activities relating to the coordination, representation and monitoring of the political agenda at European and international level within the main bodies mentioned above, and the release of information for regulatory purposes at national, European and international level, as well as the formulation of proposals for amendments and additions to the reference regulatory framework.

Within the international postal organisations, the Group is also actively involved in initiatives aimed at promoting sustainable development. In particular, the Group participates in the EMMS (Environmental Monitoring and Measurement System) programme promoted by the International Post Corporation, a cooperative association comprising 23 postal operators that handle approximately 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 currently has 20 participating operators (in addition to 17 of the 23 members of IPC, operators from Brazil and South Africa) who last year delivered 250 million items and managed a total area of approximately 51,640 km² of proprietary buildings, a fleet of 643 thousand vehicles and approximately 1,782,000 people.

In 2018, the group of participants reported a 29.7% decrease in CO₂ emissions produced compared to the 2008 reference figure, falling from 8,360 tonnes to 6,111 tonnes of CO₂, with overall savings of more than €1,7 million thanks to the reduction in fuel costs and energy consumption since the launch of the programme. 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. Participation in the OSCAR (Online Solution for Carbon Analysis and Reporting) project launched by the Universal Postal Union (UPU, a United Nations agency specialising in the postal sector) continued in 2018. This is a simplified procedure for reporting polluting emissions produced by the activities of operators in the 192 UPU member countries, which applies the principles established by the GreenHouse Gas Inventory Standard for the Postal Sector. The Poste Italiane Group contributes to this monitoring activity, reporting its emissions on an annual basis. In 2018 the Company confirmed its ranking in the medium-high range of performance in terms of environmental sustainability, contributing to the objective of reducing direct emissions by a further 2,000 tonnes of CO₂ compared with the previous year.

With specific reference to the Mail, Parcels and Distribution segment, the Group aims to:

- guarantee access to SGEIs - services of general economic interest (e.g. the universal postal service, publishing - access to information, various services for citizens), with the aim of ensuring end users' access to information.
- guarantee fulfilment of the legal/regulatory obligations imposed on the Company regarding the provision of universal and non-universal services (e.g. in terms of quality performance, obligations relating to provision of information to customers, definition of the *Contratto di Programma* (Service Agreement) between the Company and the State, organisation of post offices, verification of the cost of the universal service, regulation of alternate-day mail delivery, etc.).
- handle requests from AGCom (Communications Regulator) regarding the regulation and supervision of the postal sector (e.g. requests for information, sanctions proceedings, etc.) and AgID (Digital Italy Agency), in relation to the activities of the Payment, Mobile and Digital segment.

An additional monitoring tool used by the Company refers to the periodic listening activities with representatives of institutions and local authorities, whose requests are shared in terms of their impact on business decisions.

In addition to promoting relations with the above institutions, the Group pays particular attention to dialogue with consumer associations, both at national and local level. In this regard, Poste Italiane has signed a Framework Agreement with 20 associations, with the aim of constantly improving the quality of products and services and generating constructive and transparent dialogue between the parties. In order to facilitate achievement of the set objectives, the Company set up the "*Cantiere Consumatori*" (Construction site for consumers). With regard to corporate initiatives that have a significant impact on customers, this permanent working and advisory group - consisting of a spokesperson from each association and Poste Italiane representatives - identifies the best solutions to reconcile reciprocal needs.

As part of the activities of *Cantiere Consumatori* - where Poste Italiane's products and services are presented to the associations in advance to gather suggestions and comments - several meetings were held to present the new Joint Delivery model, the Sustainability Report, the update of the Public System for Digital Identity Management (SPID) service, the initiative to protect customers who had invested in real estate funds in previous years, the changes made to post offices in the summer period and changes to the Quality Charter.

Financial inclusion

By taking advantage of its proximity to local communities and the network's nationwide reach, the Company has always provided support to traditionally excluded sectors of the population who, due to specific personal or physical conditions, have no direct access to the basic products and services required for their economic livelihoods and social wellbeing.

With this in mind, as specified in the Company's policy regarding the protection of human rights, Poste Italiane undertakes to promote the right to access and inclusion by developing products and services that respond to social needs, including those of people living in internal and peripheral areas or deprived and disadvantaged areas, as well as the promotion and planning of financial education initiatives, especially regarding savings, investment, payments, social security and insurance.

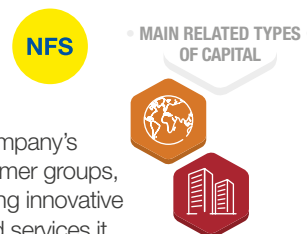
In this regard, the Group's objective is to influence the socio-economic support of communities and provide a more informed purchasing experience, while at the same time promoting the creation of economic value for the Company and the restoration of social value for local areas, in line with its corporate mission and Poste Italiane Group policy on community initiatives

Poste Italiane monitors its actions and its range of products and services through continuous and structured dialogue initiatives, such as the annual dialogue organised with key stakeholders in order to monitor the needs of communities and, in particular, of its beneficiaries and the relative level of satisfaction with the products and services offered.

Based on principles of professionalism, reliability, and ethics, Poste Italiane provides offerings dedicated to all the categories of customers it serves, in accordance with specific needs.

Socio-economic inclusion in small municipalities

Among the 10 commitments of the programme dedicated to the communities of small municipalities, by 2020 Poste Italiane plans to demolish over 80% of the architectural barriers in the 1,379 post offices located in small municipalities, as well as the installation of new ATMs to facilitate services in local areas through automatic withdrawals in the 254 small municipalities that do not have a post office. A few months after sharing the programme with the mayors of the municipalities affected by the initiative, the Company has activated all the necessary procedures, and the first installations of Postamat ATMs will take place in April 2019.



In order to strengthen the Company's proximity to the various customer groups, the Group is constantly seeking innovative solutions for the products and services it offers, partly thanks to its nationwide reach.

In this regard, in line with the evolution of the customer advisory service model, the Company intends to propose a new post office concept, for example, by assigning a consultant dedicated to a customer's specific financial needs, and providing tools to encourage dialogue with customers based on their priorities.

With particular reference to senior citizens, the Company is developing services and dedicated communication approaches in the new spaces inside post offices, such as the promotion of digital literacy through reception services and technological support, helping customers to deal with paperwork and fill in forms, and information initiatives using specific, legible procedures. Staff training for this purpose is very important, with particular attention paid to the sales network, in order to ensure constant updating of their knowledge and skills and best meet customers' needs.

In addition to supporting financial inclusion projects already launched during 2018, the Group has developed specific initiatives dedicated to traditionally excluded sectors of the population, aimed at promoting social inclusion and cultural integration.



200 more ATMs installed in small municipalities in order to promote financial inclusion

Social solidarity real estate projects

As part of its 10 commitments to communities in small municipalities, by of 2019 the Company has undertaken to make available land and buildings it owns in local areas with fewer than 5,000 inhabitants for social and public interest purposes to benefit the community. Specifically, 12 buildings were identified in small municipalities in the regions of Lombardy, Campania, Sicily, Friuli-Venezia Giulia, Emilia Romagna, Tuscany and Marche.

A part of the programme dedicated to small municipalities is the Treasury service offered by Poste Italiane in partnership with Cassa di Risparmio di Roma. In light of the new regulations introduced in 2017 regarding this matter, this service was created with the aim of providing small municipalities with a response to the phenomenon of “neglected tenders” arising from lower participation by the banking system in treasury calls for tender, especially those relating to small and/

or remote municipalities. Since the end of 2018, 19 municipalities have opted to use Poste Italiane’s Treasury service and the Company has received more than 60 requests for proposals. Moreover, Poste Italiane is in contact with more than 750 municipalities that have expressed an interest in the treasury service, and whose service is due to terminate in the near future.

Post offices with Italian Sign Language staff and ATMs for blind and visually impaired people

The focus on disabled people results in incorporation of their needs within the Company’s project activities, through which Poste Italiane provides specific tools, technologies and dedicated staff to help them with their financial inclusion.

With this in mind, in line with its diversity inclusion and enhancement policies, the Company has developed a trial initiative aimed at hiring deaf people who are fluent in sign language, to work at special counters for deaf customers in post offices in large cities. As well as offering real employment and the opportunity to develop professional skills, the project aims to provide deaf citizens with a local, accessible and personalised service based on their needs.

The Group has also planned a series of initiatives aimed at promoting the involvement of deaf colleagues and their participation in the life of the Company. Among these initiatives, with the “Progetto LIS – *Laboratori musicali inclusivi*” (Italian Sign Language Project - Inclusive Music Workshops), Poste Italiane has planned the launch of a music workshop aimed at facilitating the learning of sign language.

The project is divided into two distinct types of activity:

- activation of a multidisciplinary training course aimed at counter staff who wish to acquire basic skills to communicate with deaf customers, consisting of classroom sessions (30 hours) and a workshop;

- participation in a choir including voices and the *Mani Bianche* Association made up of employees of the Poste Italiane Group who wish to join and their families, as well as all deaf and hearing people, adolescents and adults, who are involved with the not-for-profit *Mani Bianche* Rome Association.



The Company also provides for the use of Italian Sign Language interpreters to translate the most relevant messages and news items on digital communication channels into sign language, and to support training activities or management interviews with deaf colleagues.

Finally, with a view to inclusion, all ATMs installed nationwide are equipped with keyboards for blind and visually impaired people. ATMs include a guidance system with a series of contrasting graphic maps that can be activated from the screen, and the use of complete voice guidance using headphones that can be inserted into a special jack.

Initiatives for foreign citizens

With a view to extending its range of services to foreign citizens and at the same time promoting the socio-economic inclusion of foreign communities in Italy, Poste Italiane has set up multi-ethnic post offices nationwide. Post offices dedicated to foreign citizens - multi-ethnic or mono-ethnic depending on local requirements - are located in areas with a high concentration of foreign citizens or in busy areas, such as near railway stations.

More than 3 million customers were served in the 27 multi-ethnic post offices that currently active during the year. In addition, in line with previous years, more than 5 million transactions were carried out in 2018. In line with the

numerous initiatives to support the inclusion of the most disadvantaged sectors of the population, the Company plans to set up additional multi-ethnic post offices.

In addition, in order to support “new Italians”, Poste Italiane offers a fund transfer service through the MoneyGram electronic system, which enables foreigners to send remittances to their countries of origin. Via MoneyGram, money can be sent and received worldwide, including over 200 countries and territories. The system provides for “real-time” money transmission, with the amount sent available within a few minutes of the transfer request.

Initiatives to support inclusion within Post Offices

In line with the Company's Code of Ethics and Principles of Good Conduct, all post office staff give priority at counters to customers with motor and visual disabilities, expectant mothers and parents with newborn infants. In order to support the application of this principle, courtesy notices are displayed in all post offices to encourage such behaviour.

The financial inclusion of senior citizens, young people and minors

“Mese dei Nonni” (Grandparents Month), a commercial initiative dedicated to the needs of customers over 65 (senior citizens) in its third edition since 2017, provides an integrated and diversified products and services offering, in accordance with the various Group businesses. The initiative, which is implemented through a single, dedicated communication plan for the entire Poste Italiane Group, provides for a selection of products and ad hoc services, some of which are special offers, including insurance (*Postaprotezione Infortuni Senior Più*, *Postafuturo Da Grande*, *Poste Amici a 4 Zampe*), mobile (*PosteMobile Casa*, *Piano Creami Extra*), financial (*Quinto BancoPosta Pensionati*, *PostePay Evolution*, special offers for Bancoposta products) and mail (offerings linked to postal savings and the over 70 payment slip).

During 2018, the setup phase of the “Silver Economy” Programme designed for senior citizens was also completed, with the aim of managing all the Group's actions dedicated to this important segment of the population in a single synergistic framework.

The long-term programme will be implemented from early 2019, entailing several courses of action:

- involvement of start-ups and industry observers to identify needs and bring senior citizens closer to new technologies by getting them to take part in the innovation process;
- home delivery/neighbourhood services through the network of postmen and post offices;
- financial and computer literacy events at post offices;
- development of new dedicated offerings;
- dedicated commercial initiatives (*Mese dei Nonni*).



Financial literacy

“Il Risparmio che fa scuola” (savings education project) is one of the most successful initiatives implemented by the Company in the field of financial education in recent years, which is part of the “National Strategy for Financial Education”.

Established in December 2014 by the first Memorandum of Understanding signed by Post Italiane, Cassa di Risparmio di Roma and the Ministry of Education, Universities and Research (MIUR), on the occasion of the 94th World Savings Day, the initiative was developed with the aim of spreading a savings culture in schools and educating young people to save. The project provides for the schools involved to implement specific project activities regarding financial education, independently and in collaboration with their local communities. Through dialogue sessions within dedicated workshops, multimedia courses, and games, etc., children are taught about the value of savings as a means for making progress and achieving wellbeing, and its usefulness as a tool for personal growth and also as a key element in building active and responsible citizenship, which is necessary for the development and social cohesion of local areas.

During the first phase of the project, which took place in the three-year period 2014-2017, over 4,000 children took part in the 18 days of training on financial education.

In December 2017, the partners renewed the agreement for five years and a new educational project was developed, for students and teachers at all levels, with a wider variety of activities and educational initiatives, aimed at involving 1 million students by the end of the fifth year.

The new edition of *“Il Risparmio che fa scuola”* promotes Economic Citizenship by focusing on the issue of multidimensional savings as a key value and tool to promote progress and support individual development and of the entire community as well.

The course is divided into three thematic modules:


- **Saving:** teaches how to manage financial, energy and natural resources etc. responsibly in order to generate economic and social progress;
- **Sharing:** stresses the importance of entrusting savings to financial institutions so that, when pooled and invested, they result in economic benefits for the community and become a means to promote the country's development;
- **Quality of life:** broadly encompasses savings goals, highlighting the fact that responsible behaviour is a priority for the entire planet and involves the global community.

Moreover, in order to guide the participating classes along the educational path, the project provides teachers with specific e-learning training tools regarding saving, including a free 25-hours training course about *“Il Risparmio Dinamico e Multidimensionale e la Cittadinanza Economica”* (Dynamic, multidimensional saving and Economic Citizenship), at the end of which a certificate is issued for the skills acquired. By 2022, more than 130 events are expected to have taken place, including workshop activities, interactive lessons and dialogue sessions regarding the subject. This renewal also provides for new forms of ad hoc involvement aimed at strengthening active learning, such as through the support of entertainers and games to encourage young people to learn.

In continuity with the initiatives promoted in recent years aimed at increasing people's knowledge and skills relating to financial, insurance and social security matters - an objective of significant social and institutional value as an enabling factor in making informed choices in a constantly changing economic context - the Company plans to launch the project *“Educazione Finanziaria”* (Financial Education) project, which, in collaboration with the competent functions, aims to draw up an action plan to support the growth of knowledge and customers and citizens' financial culture.





An aerial photograph of a green and yellow field. Three people are carrying large cardboard boxes. One person is in the top left, another in the top right, and a third in the middle left. A grid of white-outlined hexagons is overlaid on the image. Two of these hexagons contain text boxes. The background is a mix of green and yellow, suggesting a field or a large-scale outdoor setting.

Over **1,000 “mobile” consultants** to provide services in **remote areas**

Ensuring **protection** of **personal data**

WE HAVE THE RESPONSIBILITY TO PROVIDE AN INCREASINGLY EFFICIENT AND WIDESPREAD SERVICE.



Customer experience

MAIN TYPES OF CAPITAL	OBJECTIVES	TARGETS	OUTCOMES
 Physical-structural	Improve average complaint handling time	average of 15 days needed for handling complaints by 2020	 9 INNOVATION AND INFRASTRUCTURE
	Increase customer satisfaction	up 4% by 2022	
	Develop the service model by assigning a dedicated consultant to customers	13,000 dedicated consultants operating across the sales network by 2022	
 Intellectual	Promote knowledge and skills development within the sales network	6.5 million training hours provided to employees operating in the sales network by 2022	
	Reduce paper consumption due to the dematerialisation of sales operations	30 million less pages consumed by the end of 2019	
 Financial	Provide post offices with dematerialised operating procedures	100% of post offices provided with dematerialised operating procedures by the end of 2019	
	Engage Poste Italiane customers and employees via web platforms	30,000 customers and 6,000 employees involved in the web panel platform "Dillo a Poste Italiane" by the end of 2019	
 Social-relational	Certify privacy protection in the Group's areas of business	20% of the Group's business areas certified by 2022	
	Develop the digital services offered through the adoption of blockchain technology	Launch of 4 pilot projects based on blockchain technology by the end of 2019	

Quality and Customer Experience

A core element of the Group's strategy is a total commitment to constantly improving the quality of the products and services it provides to its customers.

Poste Italiane deems it fundamental to base relations with its customers on striving for maximum transparency and fairness, with a constant commitment to meeting their expectations. In this regard, the Code of Ethics lays down that Group companies must base their relations with customers on competence, professionalism, courtesy, transparency, fairness and impartiality. These values and principles guide the essential rules of the conduct with customers, ensuring fruitful and lasting relationships and providing comprehensive and accurate information on products and services, with a view to enabling informed choices and avoid creating inaccurate expectations.

To this end, Poste Italiane avows its utmost attention to customers and, with regard to its activities, sets itself the dual objective of guaranteeing an excellent quality experience and, at the same time, establishing a relationship of trust with customers that goes beyond merely using a traditional product or service

The punctual monitoring of the quality delivered and perceived by customers, in both relational and transactional terms, is the tool the Company uses to optimise its operational activities, thereby ensuring the provision of products and services with high quality standards.

In this context, the recognised value attributed to customer satisfaction is demonstrated by the Company's desire to provide a customer experience objective for all beneficiaries of the "Management By Objectives" (MBO) programme. In particular, in 2018 the Company decided to assign the "Poste Italiane Group Customer Experience" indicator to the Chief Executive Officer, the Internal Audit function and all staff functions, in

NFS

MAIN RELATED TYPES OF CAPITAL



Improvement of approximately 81% in **customer experience** results for 2018 (up 3%), compared to the figure of approximately 79% in 2017

line with the previous year. This indicator monitors the quality perceived by customers regarding Poste Italiane Group's most important products, services and channels.

The focus on satisfying customers' needs is demonstrated by the significant number of staff employed in the quality area. In particular, in the Mail, Parcels and Distribution segment, the Company organisation employs around 1,200 professionals spread across the local and central levels, who carry out targeted measurement, prevention and improvement activities, supporting daily operational management and guiding the actions to be taken to achieve the Company's objectives.

The presidium dedicated to oversee Poste Italiane's corporate reliability, which operates within the second control level, monitors the Company's processes and reliability in order to strengthen operational and commercial processes with respect to the service levels set out in the quality and performance indicators, with the ultimate objective of improving the Company's reputation and image.

The primary attention paid to quality is expressed in the Integrated Group Policy which, with reference to quality issues, documents the Company's commitment to the continuous incorporation of quality within the Company's development strategy, so that all the processes that contribute to the design, development and implementation of a product or service are mapped within quality management systems.

The Poste Italiane Group deems it fundamental to base its relations with its customers on striving for maximum transparency and fairness, with a constant commitment to meeting their expectations. Therefore, the Group's Integrated Policy regarding quality requires Group companies - within the scope of their autonomy and independence - to implement the Policy, adapting it to their own size and organisational and operational context, as well as to specific applicable regulations (for example, in the Financial and Insurance services segments).

In order to achieve the maximum effectiveness and efficiency of processes, activities and resources, Poste Italiane has decided to adopt an Integrated Management System that brings together the significant aspects of all the management systems currently in place, in order to align business processes and make the widespread distribution of business procedures increasingly flexible. Specifically, Poste Italiane SpA has implemented an effective Quality Management System, in compliance with the UNI EN ISO 9001:2015 standard, with which it undertakes to carry out its activities through the adoption of the following principles:

- maintain adequate service quality, in particular by ensuring efficiency and continuity of service in accordance with the specific requirements;
- maintain the adequacy of the services offered to customers;
- respect time and optimise the cost/quality ratio of products and services.

The Quality Management System aims at ensuring that the products and services provided meet customer expectations and applicable mandatory requirements, as well as enabling continuous improvement of performance to enhance the Company's competitive position in the market. Indeed, the System is a fundamental tool for defining the rules and limits applicable to quality control at all levels. Any anomalies are duly recorded and reported thanks to specific audits and periodic checks.



The management model regarding the quality of services and products offered starts from a dialogue with customers, allowing the Company to connect with customers in order to identify and better meet needs over time. This attention is characterised by:

- definition and monitoring of quality indicators provided, published in periodic reports shared with top management (e.g. waiting times at post offices through the queue manager tool, which enables real-time intervention thanks to an alert system; customers served within 7.5 minutes, punctual delivery, customer care service levels, etc.);
- an approach aimed at protecting and satisfying customers, measured by the Net Promoter Score (NPS), which measures the propensity to recommend the Company, carried out twice a year regarding the performance of the Business Units (BancoPosta; Posta Comunicazione e Logistica (Mail, Communication and Logistics) and Poste Vita). These are CATI (Computer-Assisted Telephone Interviewing) surveys, conducted by an external research institute with customer samples representative of the target universe. In 2018, the Group further refined the model by spontaneously seeking out customers' opinions at several postal, financial and insurance services touch points. Once a year, the NPS is also measured for the most representative competitors of the Poste Italiane Group's four businesses;
- monitoring of satisfaction and gathering of opinions and suggestions to identify opportunities for improvement thanks to the Customer Effort Score (CES) indicator, applied to the channels (post offices, call centres and the web), which makes it possible to analyse whether the Company solves problems quickly and easily;
- adequate complaints handling, which for the Company is a fundamental and decisive activity of contact and dialogue with customers, with a view to identifying and resolving the causes of the inconvenience and implementing the necessary corrective measures to improve business processes.

With a view to overcoming the main problems and improving the quality provided to customers, a “Customer Centricity” initiative was set up in the Financial Services area, organised around twelve primary sites (e.g. commercial Front End development, definition of single Customer Relationship Management, customer assistance, etc.).

In the Payment, Mobile and Digital segment, a “Qualità PostePay” (PostePay Quality) programme was also defined, aimed at critically rethinking processes and systems on the basis of reports received and launching activities sites that redesign processes from a customer perspective.

“Dillo a Poste Italiane” (Tell Poste Italiane about it) - customers and employees, two sides of the same coin bearing witness to the customer-centric innovation path the Company has embarked on

The central importance of customers for Poste Italiane is reflected in its continuous engagement, as can be seen in the “Dillo a Poste Italiane” programme, the online panel community through which the Group directly involves its customers and employees in the design of digital products, services and solutions. The initiative is part of the innovation process undertaken by the Group, whereby it intends to actively involve its customers and employees so that they can become co-protagonists in the creation of new products and services, and help the Company to continue improving its current products and services.

Invited customers joining the initiative will participate in surveys, forums and discussion groups regarding Poste Italiane Group products and services via the online platform www.dilloaposteitaliane.it. It will also be possible to establish a direct link between customers and Poste Italiane managers through periodic web chats on specific topics.

Listening activities could be launched by Poste Italiane, Banco Posta and PostePay, as promoters of the initiative. For this reason, various brands have been created - “Dillo a Poste Italiane”, “Dillo a Banco Posta” and “Dillo a Poste Pay” - to personalise the individual initiatives aimed at customers according to the Function or Group company that launches them.



The “Dillo a Poste Italiane” panel platform will be an excellent tool to support businesses in designing new products and services as, via access to the back-end features of the platform, the Functions and Group companies will have a set of detailed information regarding customers and individual search activities, and will be able to view the results in real time while searches are being made.

With a view to valuing the contribution of customers and in the interests of maximum transparency regarding the results of the initiatives, customers will be able to view what the Group has achieved thanks to their contribution in the “Our projects” section of the www.dilloaposteitaliane.it website.

To date, the initiative has been aimed exclusively at customers, with the objective of also extending it to staff by the end of first half of 2019, selected from among those who have direct customer relations and who can share with the Company the needs and wishes of customers they deal with on a daily basis.

For companies in the Insurance segment, the Group has designed and implemented customer care actions by providing outbound telephone campaigns and sending messages to track operations relating to core processes (e.g. claims, complaints, etc.) and customer loyalty. With regard to the Payment, Mobile and Digital segment, among the activities aimed at improving the management of processes relating to the use of payment products and services, Poste Italiane has set up a permanent “Cantiere Qualità e Conformità” (Quality and Compliance) working group.

In this context, fundamental importance is given to complaints and other requests through which customers express their dissatisfaction, as their correct and timely assessment and management is a useful indicator of service levels. This element contributes to the assessment and management of operational and reputational risks, especially non-compliance and conduct risks. Top management are notified about the progress of complaints on a weekly and monthly basis through specific reporting systems. In this regard, all Group companies have implemented specif-

ic procedures that set out principles and rules for handling complaints, which are approved and periodically reviewed by the respective boards of directors.

The commitment to quality, expressed in terms of compliance with the timeframes and methods for carrying out activities, is also confirmed by the signing of a Framework Agreement with 20 consumer associations in April 2018. This has led to the creation of a single organisational struc-

ture to centralise the strengthening of complaints management, with a view to achieving an effective dialogue with consumers and quick and easy settlement of disputes. In addition, from a customer centricity standpoint, a function is responsible for defining Group guidelines regarding the design of a multichannel user experience and for implementing control systems that enable identification of any critical issues and deployment of proactive actions to retain customers and minimise defections.

Transparency in digital channels

Poste Italiane participated in the Italian edition of the Webranking by Comprend 2018-2019 survey, promoted by Lundquist. The research subjected the Company (together with 110 other Italian listed companies among those with the highest capitalisation) to a transparency test, with the aim of measuring the gap between the information presented by companies and stakeholders' requests. Webranking 2018 ranks Poste Italiane among the "Best Improvers", moving up 16 places from 28th in 2017 to 12th in 2018 (a score of 72 out of 100). The result achieved is in line with Poste Italiane's growing commitment to implementing transparent management systems and communication channels, within an overall system of improving corporate governance. Poste Italiane's website is a fundamental communication tool for guaranteeing stakeholders - including suppliers, partners and customers, as well as investors and financial communities - greater disclosure and transparency of information³². During 2018, Poste Italiane continued to expand its corporate website, posteitaliane.it, with a view to presenting its activities and business results, as well as the Company's strategic vision and the attention it pays to legality and social responsibility issues.



Innovation and digitisation of products, services and processes

In a rapidly evolving market that requires continuous business development, Poste Italiane's ability to compete is expressed through innovation - the key to identifying, interpreting and promoting change in order to foster a culture of innovation and the development of new products. Given the complexity and variety of the sectors in which the Company operates, the challenge is to exploit the opportunities offered by new technologies and the substantial amount of data available, so as to be ready to respond to changing scenarios, new customer requirements, and the opportunities offered by social and environmental changes. Moreover, technological evolution entails the acquisition of increasingly advanced cyber security protection systems, aimed at protecting personal data, tangible and intangible assets and intellectual property.

Therefore, digitisation becomes an essential tool for promptly responding to the many external stimuli, and for implementing an effective strategy at all levels of the organisation. It can also create positive externalities for society by reducing environmental impacts and promoting social inclusion through new ways of accessing information, products and services.



MAIN RELATED TYPES
OF CAPITAL



In 2018 **88%** of
procedures were
dematerialised

32. In particular, the "Investors", "Governance" and "Transparent contracts" sections contain all the relevant information relating to financial reporting, the composition of corporate bodies, governance systems and corporate strategies, as well as detailed information on the procedures for awarding works and services contracts, with a view to maximising free competition in the marketplace.

Poste Italiane's image on social networks

2018 marked a significant development in the communication activities through Poste Italiane's LinkedIn channel, placing the Company ranked second in the "Talent Awards - Best Employer Brand with 10,000 + Employees on LinkedIn", which rewards brands that have managed to make the best use of the platform for "employer branding" purposes, by reaching and involving their target thanks to sharing impactful and engaging content.



Social media are also used to provide support and information to customers, through a simple user experience that fits in well with consumers' daily habits. In 2018, over 650,000 interactions and assistance requests were handled via Poste Italiane's social media, thus guaranteeing a high level of response in terms of promptness, as well as the ratio of responses to the number of requests. Thanks to these activities, in 2018 - coming in just after the leading Italian telcos - Poste Italiane was firmly positioned among the Top 10 Italian companies in the "socially devoted" ranking, devised by SocialBakers, one of the world's leading companies for social media monitoring solutions.



In this regard, starting in 2015, Poste Italiane embarked on an important transformation process involving the entire Group, which has several objectives: placing the customer increasingly at the centre of strategies; enhancing the post office network in synergy with digital channels; developing multichannel access and use methods; strengthening Poste Italiane's role as a key stakeholder for the Public Administration and encouraging the inclusion and development of the digital economy.

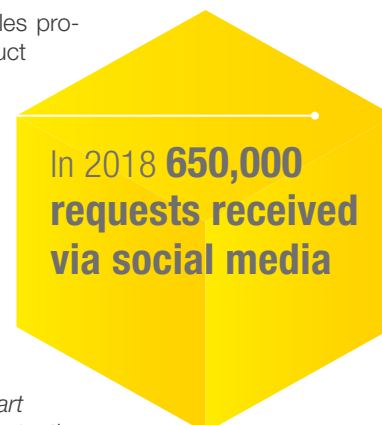
The distinguishing features of this process include the presence of a dedicated business area (Payment, Mobile and Digital), which serves as a competence centre to support the implementation of the Group's digital strategy, and PostePay, the largest Electronic Money Institution in Italy, which has integrated the telecommunications services previously provided by PosteMobile with its card payments and payment services business. PostePay aims to enhance Poste Italiane's distribution channels through a "hybrid" model, which combines the largest and most widespread physical network in Italy and the digital world, and to create new channels, products and integrated services, especially regarding acquiring, e-commerce and mobile and digital payments.

Thanks to this strategy, innovative digital solutions have already been implemented in the Group's various Strategic Business Units. These include, for example, the digital collection of undelivered registered mail, the electronic postman, the digital evolution of postal savings services, the PostelD digital identity service enabled by the Public Digital Identity System (SPID - Sistema Pubblico d'Identità Digitale), and the Postepay Connect service, the first integrated product in the payments and mobile field that, through a single app, enables users to manage their telephone and payment services in an intuitive and secure way.

Poste Italiane has also introduced digital innovations regarding processes. For example, the Group has implemented

the first "fully digital" sales process for a financial product in the postal savings sector: the "Libretto Dematerializzato" (Dematerialised Savings Book). This innovation enables customers to apply for a dematerialised *Libretto Nominativo Ordinario* (Ordinary Nominative Book) or *Libretto Smart* (Smart Book), as an alternative to the traditional paper version, including the possibility of accessing digital services thanks to the BancoPosta app, and the possibility of managing their expenses directly within the app thanks to the Personal Financial Management (PFM) solution. At the same time, investment was made in the automation of parcel sorting, shipping and tracking processes, and logistics innovation projects financed by the European Commission were launched.

Finally, in support of the Company's digital transformation process, Poste Italiane has defined specific principles in the digital field within IT Vision 2022, with the aim of promoting digitisation, increasing productivity and simplifying operations. The application of these principles - envisaged for all new projects - translates, for example, into the adoption of specific solutions to support the digital revolution, such as the use of native cloud applications; the integration of robotics and bots (software that, by accessing the internet, is able to perform the most varied tasks completely independently); the creation of applications available on the move; and the adoption of advanced analytics and the Internet of Things (IoT).



Poste Italiane's investment in innovation

In line with Poste Italiane's focus on integrating the physical and digital channels, the Group has expanded its collaboration with Microsoft to support its Digital Transformation Plan and joined the global Hyperledger consortium, which brings together over 260 operators from various industrial sectors worldwide.

The collaboration with Microsoft aims to develop the customer experience, by adopting a Customer Relationship Management (CRM) cloud platform. The project focuses on the amalgamation of the CRM platform for the Strategic Business Units and retail operations, and is in line with the Group's wider Strategic Plan to maximise the value of Italy's largest distribution network to achieve sustainable growth. Thanks to the strategic partnership with Microsoft, which primarily relies on the flexibility of the cloud platform, Poste Italiane will have a constantly updated overview of its customers and ongoing activities, in order to optimise the experience and offer increasingly integrated services.

Membership of the Hyperledger global consortium, however, is aimed at developing an open source standard for blockchain and other types of Distributed Ledger Technologies (DLT). At a time when digital evolution is rapidly enabling new services, data security is becoming increasingly important. In this context, blockchain is able to provide an effective response to the issues of security, transparency, interoperability and privacy, and Poste Italiane is committed to making it user-friendly, and having it serve Italy's economic system.

IT security and business continuity



MAIN RELATED TYPES
OF CAPITAL



With a view to safeguarding business and achieving strategic and operational objectives, the Group considers it strategically important to guarantee the protection of the information assets of the Company, and of its customers and other stakeholders, and to ensure the security of transactions.

For the Company, as well as being a fundamental value, this is a commitment to guarantee high levels of security in the selection and use of its IT systems in order to protect customers and citizens and combat cybercrime. Therefore, at organisational level, a single hub has been created to monitor the risks relating to information security and information systems.

As evidence of the specific attention paid to this issue, the Group's objective is to pursue ongoing research and subsequent dissemination of advanced technological solutions in order to address IT risks and promote technological innovation

Ensuring adequate levels of confidentiality, integrity and availability of data, information and services provided to

customers requires increasingly advanced protection systems to safeguard personal data, tangible and intangible assets and intellectual property. Consequently, in line with business needs, Poste Italiane has developed and adopted a specific IT security framework that, starting from the objectives defined in the IT Security Policy, provides specific methodologies regarding the IT risk analysis, cross-cutting interventions and technological projects needed to ensure the proper functioning of the security platforms, "Security by Design" activities and cross-cutting security technological infrastructures. The framework is completed by integrated management of information flows deriving from the various IT security structures and an Integrated Management System for IT Quality and Security that incorporates the aspects highlighted by international standards and postal sector benchmarks. Adoption of this framework guarantees an adequate level of performance of the security measures and appropriate resilience of business services, as well as enabling information flows to the fed to internal audit bodies and/or the relevant Authorities.

Security agreement between Poste Italiane and the Postal Police

In April 2018, an agreement was signed between the CEO of Poste Italiane, the Chief of Police and the Director General of Public Security. The historic collaborative relationship between the Postal and Communications Police, a special branch of the State Police, and Poste Italiane has enabled achievement of excellent results over the years. However, it has also required adaptation to the rapid evolution of the activities and services offered by Poste Italiane, especially regarding e-commerce payment systems, as well as financial and insurance services, which has entailed stepping up the control and upgrading of both physical and IT security structures. The new agreement particularly regards the prevention and repression of offences involving products and production processes relating to the services offered by the Poste Italiane Group, surveillance activities at post offices during scheduled payment periods, and the creation of task forces to study new computer fraud scenarios, as well as new cyber security tools. Indeed, special attention will be paid to protecting users and raising awareness of the use and management of financial services, especially on the internet. Poste Italiane and the Postal Police have the common goal of reducing risks and offences, such as the misuse of credit cards, phishing, hacking, computer fraud and other kinds of fraud.

Regarding the management and monitoring of IT security activities, a Management System for activities and implementation of dedicated platforms is envisaged, such as “PPS Web”, consisting of modules for the governance, assessment and reporting of IT security risk, “NEMESI”, a Big Data Analysis platform used to identify anomalous or risky behaviour, and “MASM”, a Mobile Security platform used to monitor the availability and operation of official and unofficial Poste Italiane apps.

In order to establish a single Group-wide control unit for all activities and responsibilities relating to privacy, a dedicated function was set up last year, with the task of ensuring the correct application of personal data protection principles and rules. The unit is also responsible for ensuring

compliance with personal data protection legislation, with specific reference to the innovations introduced with the entry into force of the General Data Protection Regulation (GDPR).



In 2018 **47% fewer IT security breaches and cyber security incidents (around 16)** compared with 2017 **(around 30)**

Personal data protection

With a view to achieving uniform management of personal data and compliance with recent regulatory requirements in this regard, the Group has adopted a corporate regulatory system consisting of the Privacy Guidelines, to ensure that management complies with legal provisions, and the Personal Data Protection Management System Guidelines, designed to ensure a uniform personal data management system at Group level, which complies with the provisions of the European General Data Protection Regulation (GDPR) and current Italian legislation. In detail, the Guidelines illustrate the Company's privacy model, the principles of Privacy by Design and Privacy by Default, which respectively establish the incorporation of privacy from the design stage and the guarantee by default, as well as the main processes adopted by the Poste Italiane Group and the related responsibilities regarding the effective management of personal data protection risk.

In particular, the fundamental value of this protection is expressed in the Poste Italiane Group's privacy policy.

The Poste Italiane Group considers personal data protection to be a fundamental value that every Group company must adhere to in its daily activities

In order to ensure effective fulfilment of the obligations provided by the GDPR and guarantee continuous improvement of the management system, a Privacy Framework has been drawn up that identifies the main relevant thematic areas and the organisational and technical controls implemented. The Framework enables continuous assessment and verification of the levels of maturity achieved to be carried out.

Moreover, senior management has appointed the Poste Italiane Group's Data Protection Officer, a role introduced by the GDPR, who is an expert on privacy matters, with the task of promoting compliance with the law and verifying the effectiveness of personal data protection measures.

The Computer Emergency Response Team (CERT) and business continuity

In order to ensure that cyber security and data protection activities are monitored at Group level, as early as 2013 the Company created the Computer Emergency Response Team (CERT), consisting of a team of IT security experts.

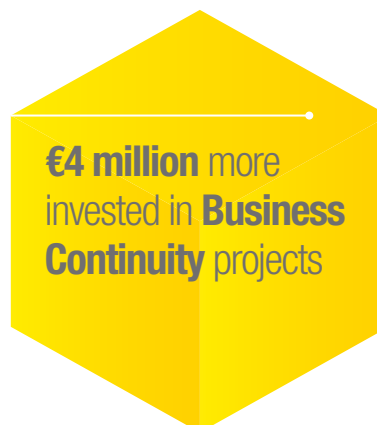
Specifically, CERT deals with prevention, analysis and protection from cyber threats, in order to increase the Company's defence capabilities and awareness, to promote and disseminate knowledge and awareness of cyber security at national level. With a view to sharing and exchanging knowledge in the field of cyber security, CERT has the task of coordinating all activities in response to computer emergencies, and maintaining relations with other public and private institutions in order to protect its own computer networks and those of the national system.

CERT's services and activities are aimed at guiding the security management of the data held and processed by the Company, in order to reduce - within acceptable limits - the risk of breaching the confidentiality, integrity and availability of data, so as to avoid possible negative consequences in terms of economic and image damage.



47% fewer IT security incidents compared with 2017

In November 2018, a strategic initiative was launched to define Poste Italiane's Crisis Management and Business Continuity Management model (CM/BCM model), with the aim of strengthening the organisation's resilience, namely its ability to anticipate, prepare for, respond to and adapt to change and sudden setbacks. In this respect, a new model will be developed and applied that will include all the Group services affected by such potential scenarios in line with business requirements, reference standards, current regulations, guidelines and industry best practices.

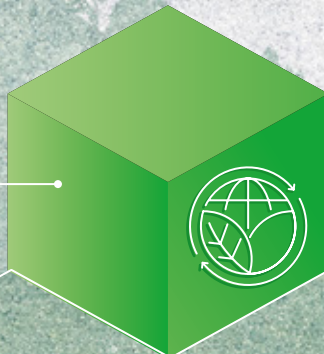


Altair, a portal to raise the cyber security awareness of Poste Italiane's staff

As part of CERT's activities, Altair, the portal designed to raise Poste Italiane's employees' awareness of cyber security issues, has been set up. This portal aims to be a reference point for raising awareness on cybersecurity issues, not only for experts in the field, but above all for a wider public, by using language and content designed to meet the needs of both types of user.

Altair ranges from more specific topics, such as new malware, spam or cyber-espionage campaign reports, to daily cyber and hi-tech news. The portal provides updates on scheduled training events, in-depth educational content on cyber security issues, guides and useful links to raise users' IT awareness while they are surfing the web.

DECARBONISATION OF REAL ESTATE FACILITIES AND LOGISTICS



**Efficient
management of
resources** in a
circular economy
perspective

96% of electricity
derived from
renewable sources

Green fleet



Innovative solutions
to promote the transition
to a low-carbon
economy

Commitment
to protect the
environment and the
climate

**WE HAVE A RESPONSIBILITY TO MAKE MINDFUL USE OF OUR PLANET'S
RESOURCES AND TO REDUCE OUR ENVIRONMENTAL FOOTPRINT.**



Decarbonisation of real estate and logistics

MAIN TYPES OF CAPITAL	OBJECTIVES	TARGETS	OUTCOMES
 Natural	Increase the number of electric vehicles used for Mail, Communication and Logistics services	70% more electric vehicles in the fleet by 2020	
	Increase the share of "green" vehicles (electric, electric hybrid, natural gas and LPG) used for Mail, Communication and Logistics services	17% of the fleet consisting of "green" vehicles by 2020	
 Physical-structural	Reduce the total number of kilometres travelled by increasing First Time Delivery Success	90% of parcels delivered on first attempt by the end of 2019	
	Reduce the Group's total energy consumption from non-renewable sources	7.5 GWh less electricity from non-renewable sources consumed by buildings by 2022	
	Reduce the Group's total energy consumption from renewable sources	32.8 GWh less total electricity consumed by buildings by 2022	
	Reduce the Group's total direct GHG emissions (Scope 1)	2,584 less tCO ₂ e emitted by buildings' direct energy consumption by 2022	
	Reduce the Group's total indirect GHG emissions (Scope 2)	9,132 less tCO ₂ e emitted by buildings' indirect energy consumption by 2022	
	Certify Corporate processes in accordance with ISO 14001 and ISO 50001	100% of Corporate processes ISO 14001 and ISO 50001 certified by the end of 2019	

Environmental impacts of real estate facilities

Environmental protection is a priority that Poste Italiane Group has established in its Code of Ethics, in which it recognises the importance of safeguarding the environment as a primary asset, undertakes to promote rational use of resources within its structures, and focuses on seeking innovative solutions to ensure a reduction in the direct and indirect environmental impacts generated by its activities.

The Company's objective is to spread an environmental protection culture, whilst systematically drawing up sectoral action plans regarding the efficient management of energy resources, water resources and waste, from a circular economy perspective, in order to reduce its ecological footprint

Therefore, the quality of products and services also entails implementation of self-regulatory environmental and energy tools, in accordance with applicable laws and regulations, and also with Italian, European and international sustainable development goals.



• MAIN RELATED TYPES OF CAPITAL •



In terms of organisation, a single central Function is tasked with overseeing the areas of environmental responsibility relating to real estate assets, including ensuring compliance with current regulations regarding energy use, monitoring and measurement of consumption, identifying areas where savings can be made, and defining efficiency improvement projects and consumption reduction objectives.

In order to raise awareness of the impact that the daily actions of the people who work permanently or temporarily at Group companies have on the environment, in early 2019 the Company adopted an Group policy on environmental sustainability with a view to sharing with customers, civil society and stakeholders in general, the commitments it has undertaken - in addition to the principles - to respect the rules and instruments it intends to adopt to ensure compliance with international regulations and standards.

Therefore, the Policy's objective is to prevent, manage and, where possible, reduce the environmental impacts

generated by the Company's operational activities, in particular, from the use of buildings and logistics and transport activities, whether carried out directly or through suppliers and partners.

The Company's approach to environmental sustainability is inspired by these principles: efficient use of natural resources; innovation to support a low-carbon economy; prevention and reduction of environmental impact, through analysis of potential environmental risks, reduction in the amount of waste produced and the elimination of waste; and promotion of an environmental culture, through the Company's corporate voluntary network and collaboration with environmental associations.

This document sets out the three main areas of intervention identified by Poste Italiane regarding which projects and activities are launched to provide an effective response to the needs most felt by the community, taking into account the objectives of the major national and international public and private institutions, with particular reference to the United Nations and the Sustainable Development Goals. Specifically, the Group's environmental priorities include:

- **reduction of the environmental impact of its operating activities:** optimisation of energy consumption, reduction of atmospheric emissions from buildings and those linked to logistical activities and staff mobility, reduction of material consumption, and correct waste management and reduction of water consumption;
- **incorporation of environmental aspects into the products and services offered:** implementation of digitisation processes regarding the goods and services offered, and assessment of environmental risks and opportunities relating to investment choices and the management of insurance activities;
- **raising the awareness of employees and third parties regarding the environmental culture:** involvement of employees in programmes and initiatives aimed at safeguarding the natural environment and ecology, support for environmental heritage protection and recovery initiatives, dialogue and collaboration with national and international bodies and associations in order to combat climate change and inefficient consumption of resources, and assessment of risks and environmental management methods adopted by counterparties.

The Group has adopted a Management System in compliance with current legislation and national and international best practices. Postel SpA e SDA SpA have obtained UNI EN ISO 14001 certification for their environmental management system. The system consists of internal environmental management rules that are implemented to ensure punctual identification of the most significant environmental impacts and adoption of the most effective management and mitigation measures, through a structured performance monitoring system involving audits and periodic checks.

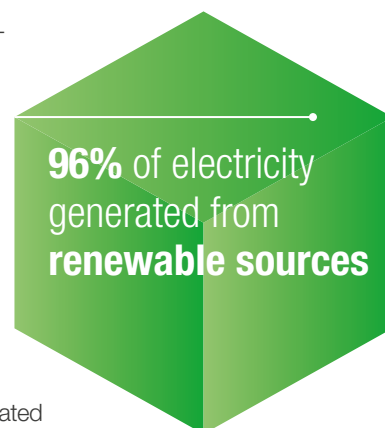
In line with the provisions of the law, the two Group companies have adopted these environmental policies:

- **Postel SpA's Quality and Environment Policy**, aimed at ensuring compliance with environmental legal requirements, sets out the objectives underlying its business conduct, namely respect for the environment, including pollution prevention and other specific commitments (responsible use of resources, protection of biodiversity) relevant to its operating context; incorporation of the requirements of the Management System within business processes, taking into account the post-delivery impacts of a product or service at the design stage, in order to completely manage the product's life cycle; definition of objectives compatible with strategic guidelines and the business context.
- **SDA SpA's Quality, Environment and Occupational Health and Safety Policy**, which contains the principles that govern and ensure proper management of environmental issues: direct and permanent engagement of senior managers in the management of the Integrated System; protection and prevention, in terms of optimising the use of resources and minimising environmental impacts; a constant quest for a sustainable procurement system.

With stakeholder engagement activities and a monitoring system - which involves various tools, including monthly checks on the state of progress of consumption and benchmark analyses carried out for homogeneous groups of buildings - the Group identifies and analyses the range of risks associated with the most significant environmental aspects and sets objectives for monitoring, limiting and optimising its performance.

In order to ensure oversight of consumption and reduce environmental impacts and costs, the Group has contracted a supplier for electricity and another one for gas, so as to have a systematic basis of consumption for the individual utilities for each month of supply.

In 2018, 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 this regard, Poste Italiane has already planned an energy management system for 2019, which will be gradually extended to the entire Group.



From an environmental responsibility perspective, the Group considers energy efficiency to be one of the main elements for combining economic growth and sustainable development.

In this context, The Group's strategy involves these courses of action:

■ **Renewable energy sources.** In order to promote renewable energy sources, Poste Italiane has focused on the distribution of integrated photovoltaic systems in buildings, thereby creating infrastructure aimed at reducing dependence on fossil fuels. With a view to reducing the withdrawal of electricity from the national grid, as well as the overall costs of supply and payment for the expected tariff increases, the Group has planned to increase its own self-production facilities by installing photovoltaic panels on its buildings.

■ **Smart buildings.** Minimise the environmental impacts of the Group's buildings with regard to energy use, water consumption, waste and consumption of raw materials, through implementation of specific measures that strictly depend on preventive analysis and constant monitoring systems. In this regard, in compliance with the obligations set out in Legislative Decree 102/2014, which provides for the promotion and improvement of energy efficiency, the Group carries out continuous energy audits, through a system for monitoring the withdrawal of electricity, based on a network of meters connected to a central data collection system that generates a report on energy consumption at each site, thus enabling identification of sites that are critical in terms of high consumption. The energy audits must be drawn up by Energy Management Experts (EGE- Esperti in Gestione dell'Energia) who are certified in accordance with UNI CEI 11339:2009. Consequently, a certification process for internal staff has been launched. The Company has embarked on a process of incorporating specific smart building initiatives within its environmental impact strategic priorities. With this in mind, Poste Italiane has selected specific technological solutions regarding building automation, energy management and space management equipment within the Group's national network of buildings. Furthermore, with the aim of monitoring its own energy consumption, identifying possible areas for improvement and planning the relative reduction, the Group intends to acquire a special control system regarding computerisation of the electricity and gas bills relating to the energy consumption of its buildings. In addition to providing a tool to support management of the process of checking electricity and gas bills relating to contracts with external suppliers, this platform will enable verification of historical consumption trends and market rates.

■ **Energy efficiencies at Sorting Centres.** The purpose of this initiative is to extend an energy supervision, control and monitoring platform to the Poste Italiane Group's most energy-intensive buildings. The main objective is to reduce electricity and gas withdrawals in order to offset expected tariff increases and reduce overall procurement costs. The current Building Management System (BMS) for Sorting Centres will be complemented with indoor

and outdoor temperature meters for the various zones. This will enable preparation of a monitoring and management system for refrigeration systems and thermal power plants, based on optimised algorithms which, by recording the temperatures and thermal responses of an individual building in terms of its thermal inertia, will be able to determine the most appropriate time for switching systems on and off in order to guarantee a comfortable level with the lowest possible consumption. It is also planned to create a network to measure the gas consumption of the most energy-intensive sites, which will enable determination and regulation of consumption via a more rational use of thermal energy, and thereby elimination of waste.

■ **Increase the production and energy efficiency of delivery.** The Mail, Parcels and Distribution segment has implemented several actions aimed at affecting production and energy efficiency. For example, SDA SpA is building new structures with a lower energy impact equipped with local generation of photovoltaic power to meet daytime requirements. The mail delivery segment is gradually replacing endothermic vehicles with electric delivery vehicles, installing new, more efficient and less energy-intensive parcel and mail sorting lines, drawing up "good energy-saving practices" and procedures, and providing specific environmental communications to all suppliers.

■ **LED lighting.** Once again in 2018, Poste Italiane specifically invested in smart technologies, focusing on the gradual installation of LED (Light Emitting Diode) lighting fixtures to replace fluorescent lamps, in line with the provisions of the relative project launched in May 2017. The four-year project involving preliminary intervention in more than 2,000 buildings, aims to significantly reduce electricity consumption and the related emissions, and save on maintenance costs. The estimated figures based on initial forecast investment of approximately €14 million, add up to expected savings of more than 32 GWh per year, thanks to the replacement of over 250,000 old lighting fixtures, and a reduction in CO₂ emissions of 11,000 tonnes per year.

■ **Encouraging virtuous behaviour.** The behaviour of our Group's people can have a major impact on energy saving. With this in mind, communication and awareness campaigns have been activated for all staff to guide them towards virtuous behaviour. In this regard, Poste Italiane continued to participate in the "M'illumino di meno" (I use less light) and "Earth Hour" awareness initiatives. The first is a campaign to promote energy saving and sustainable lifestyles. "Earth Hour", on the other hand, is an international campaign promoted in Italy by the World Wildlife Fund (WWF), which consists in turning off the lights for one hour, from 8:30 pm to 9:30 pm worldwide. The two initiatives, which are similar and occur around the same time of year, constitute a real "green month" focusing on the environment. The element they have in common is switching off or dimming lights in buildings nationwide, a symbolic gesture that provides an opportunity to create virtuous behaviours to be implemented within and beyond the Company.

Environmental impacts of logistics



MAIN RELATED TYPES
OF CAPITAL



The Poste Italiane Group, which is deployed nationwide, recognises its responsibility to play a distinctive role in creating sustainable value for the communities in which it operates, where the environmental dimension is of primary importance.

Given the potential effect it may have on the reduction of environmental impacts, in providing its postal and logistics services the Company must take environmental sustainability into account by adopting lower-impact solutions.

Indeed, the rational use of natural resources in compliance with ethical principles and social responsibility, and the focus on finding innovative environmental protection solutions, are the priorities the Poste Italiane Group has defined in its Code of Ethics, which sets out the fundamental principles that inspire us to achieve the best environmental performance.

In the light of technological developments, increasing innovation and constant regulatory changes in the postal sector, Poste Italiane intends to increasingly focus on continually renewing its fleet with more environmentally friendly vehicles, rationalising distances travelled, proper waste management, developing infrastructure for recharging customers' vehicles, and to demand that external transport providers meet minimum environmental requirements

In order to guarantee a clear and uniform managerial approach to environmental issues, the Poste Italiane Group has adopted a policy that sets out the Company's commitment to mitigating the environmental impact of its key business processes, and encourages the development of green transport solutions for logistics activities and staff mobility, partly by providing staff with a corporate fleet of hybrid and electric vehicles (for further details see the section on "Environmental impacts of real estate facilities").

In line with the Company's approach to give priority to the efficient use of renewables and the rationalisation of energy consumption from fossil fuels, in 2018 the two main corporate strategies that brought benefits in terms of environmental sustainability were the new "Joint Delivery" model and the plan relating to the green development of the corporate fleet.

Specifically, Poste Italiane has decided to radically overhaul its delivery network and operating model through implementation of the new delivery model, which provides for a transition from a single network (operating only in the morning from Monday to Friday) to a structure with two networks that differ in terms of delivery methods and type of product.

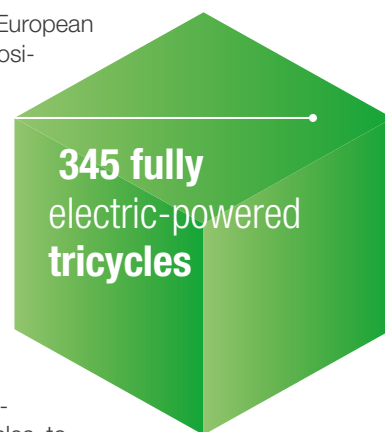
The new model provides for:

- a so-called "basic service" network, dedicated to traditional postal products to be delivered more than one day after mailing ($> J+1$), which operates from Monday to Friday and is designed to reach each customer once every two days (with the exception of the cities of Rome, Milan and Naples, where daily deliveries will continue);
- a so-called "business service" network, dedicated to postal products to be delivered on the day after mailing ($J+1$) and parcels, which operates from Monday to Saturday (and also on Sundays and public holidays at times of peak demand), with delivery scheduled later than for the basic service (late morning or afternoon).

This new operating model, characterised by a change in delivery frequency, leads to a reduction in the number of kilometres travelled and a need for fewer vehicles.

In terms of transport strategy, the Group's strong commitment to improving its environmental performance may be traced back to the introduction in the 2000s of 4-wheel vehicles powered by natural gas, which affected 15% of the fleet, followed by the introduction of the "Free Duck" (electric quadricycles) and the full rent supply of 4-wheel vehicles powered by alternative fuels (cars and vans powered by natural gas, LPG/hybrid cars and electric vans).

In line with the leading European operators, in order to position its network of postmen in the parcel deliveries market generated by online sales, in 2018 Poste Italiane planned a new mix for its last-mile fleet (currently comprising 27,500 vehicles, of which approximately 13,000 are mopeds) through the introduction of 3-wheeled vehicles to replace 2-wheeled vehicles.



These new types of vehicle are ideal for:

- increasing the load capacity compared to mopeds, whilst continuing to be agile in operations that involve frequent starting and stopping and moving through city traffic;
- improving occupational safety conditions compared to mopeds, thanks to the greater stability of the vehicle, which can reduce the risk of falling/skidding, and elimination of stands, which are linked to the risk of overturning/falling off a motorcycle;

- by using electrically powered models, operating in city areas subject to traffic restrictions and in the event of traffic jams, while at the same time enhancing the “eco-

logical mobility” process, already previously embarked on with the introduction of electric quadricycles to the fleet.

Postmen move around on electric tricycles, to make urban parcel delivery environmentally-friendly, easy and safe

In 2018, the Company's focus on the sustainability and safety of mail and parcel delivery will be stepped up by increasing the green share of the last-mile fleet.

Poste Italiane travels using clean energy thanks to the nationwide introduction of 345 three-wheeled motorcycles powered by electricity, which is part of an extensive plan to renew the fleet of vehicles for postmen. The new motorcycles are completely electric-powered, with a capacity of 4 kW that guarantees a maximum speed in line with the limits imposed by the Highway Code in towns and cities, and energy self-sufficiency that enables postmen to complete their daily delivery round with a single charge. The special shape of the three-wheeled vehicle also increases its stability and safety for the driver, and allows for installation of a special trunk that increases the number of parcels and letters that may be transported: up to 210 litres, compared with 76 for traditional motorcycles.

Finally, with a view to identifying suppliers and partners who may represent risks in terms of environmental protection, further proof of the Company's commitment to environmental sustainability was demonstrated during the year by a review of tender specifications with reference to third-party companies that provide transport services to the Company. Specifically, in addition to meeting all the

requirements imposed by current legislation, Poste Italiane requires its suppliers to submit a quarterly report on the numbers of kilometres travelled and litres of fuel consumed. The Company also conducts technical checks on vehicles from third-party companies that carry out transport activities, in order, in the event of unsatisfactory assessments, to plan appropriate actions to be taken.

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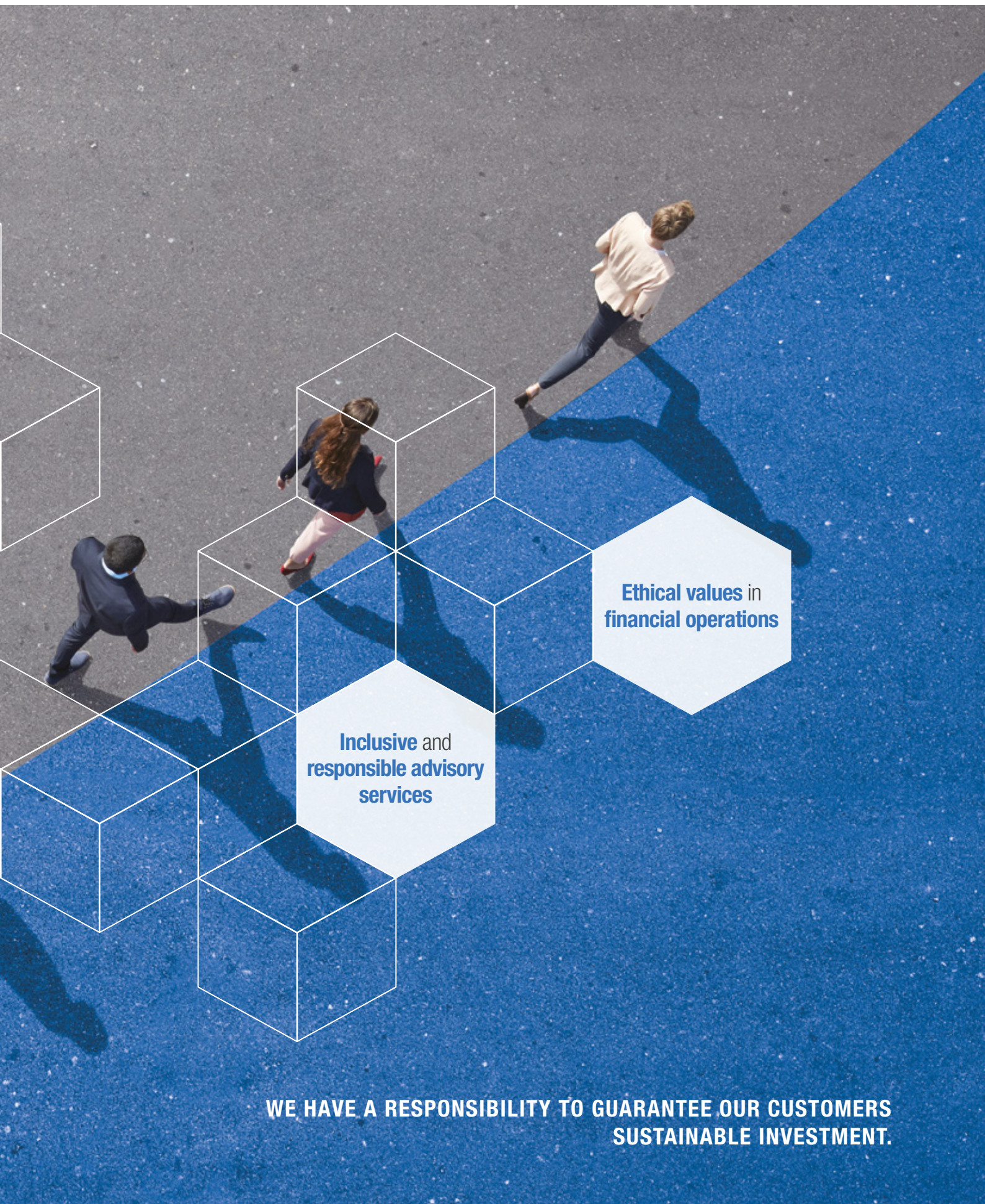
SUSTAINABLE FINANCE



Development of
insurance products
with **social** and
environmental value

Promoting a
sustainable corporate
culture in investment
services





Ethical values in
financial operations

Inclusive and
responsible advisory
services

**WE HAVE A RESPONSIBILITY TO GUARANTEE OUR CUSTOMERS
SUSTAINABLE INVESTMENT.**



Sustainable finance

MAIN TYPES OF CAPITAL	OBJECTIVES	TARGETS	OUTCOMES
 Financial	Monitor the ESG ratings of the issuers present in directly managed portfolios	100% of issuers monitored with respect to ESG issues by 2019	 8 DECENT WORK AND ECONOMIC GROWTH
	Request third-party managers to adopt Poste Vita's Responsible Investment Policy	100% of third-party managers involved by 2019	

Incorporation of ESG criteria within investment policies

The incorporation of environmental, social and governance (ESG) criteria into traditional investment processes forms one of the cornerstones of the Company's sustainability policies. By implementing effective investment processes, the financial segment can help protect society, promote innovation and support economic growth, making an important contribution to the country's sustainable development. As part of the strategy adopted by the Poste Italiane Group in order to pursue its sustainability objectives, the incorporation of ESG principles into the investment processes used by Poste Vita and BancoPosta Fondi SGR is of particular significance.

Poste Vita and BancoPosta Fondi SGR have signed up to the United Nations Principles for Responsible Investments (PRI), making a formal commitment to incorporate ESG criteria in their assessment and decision-making investment processes, and to apply such criteria in relations with counterparties. This decision results from the strong belief that integrating environmental, social and governance criteria within its investment processes is key to achieving sustainable performances over time, reducing the portfolio's risk profile and acting in accordance with the principles of integrity and transparency.

Responsible investment principles, goals and management criteria have been formalised within the Responsible Investment Policy adopted by the Poste Vita Group, following approval by the company's Board of Directors, and by BancoPosta Fondi SGR



MAIN RELATED TYPES OF CAPITAL



With the aim of positively influencing management of the investment portfolio and, at the same time, providing a response to the social and environmental needs of society, the Policy has established a general principle requiring the systematic assessment of investment transactions that also takes into account the environmental, social and governance profiles of the corporate or government issuers of the assets included in financial portfolios and of the related managers. In addition, the policy specifies the sectors excluded from the range of potential investments as they violate the basic humanitarian principles defined in the United Nations Conventions (anti-personnel mines, cluster bombs, spent uranium, biological weapons, chemical weapons, invisible fragmentation weapons, blinding laser weapons, incendiary devices and white phosphorus). The Policy also envisages the establishment of structured processes for effectively managing and monitoring the approach adopted through specific principles, activities, roles and instruments.

In 2019, another Group company with responsibility for investments, BancoPosta Fondi SGR, will complete the process of adopting its own responsible investment policy.

Monitoring the ESG profiles of the investment portfolio

With the aim of adopting specific measures enabling the Group to monitor the exposure of the investment portfolios to non-financial risks, the Poste Vita Group and BancoPosta Fondi SGR appointed VigeoEiris, an international social and environmental rating agency to conduct and assessment of the ESG aspects of their portfolio in relation to both direct and indirect investments in order to evaluate the level social responsibility. The assessment, carried out in accordance with universally accepted standards and conventions issued by international bodies regarding human rights, workers' rights and environmental protection (such as the UN, the OECD and the ILO), covered corporate issuers of both equity instruments and bonds, and ultimately measured their ability to manage stakeholder relations. The assessment process ended with the assignment of a final ESG score (between 0 and 100) to each company.

The weighted average score of the portfolios assessed was 49/100 in relation to the assets managed by the Poste Vita Group and 48/100 for those managed by BancoPosta Fondi SGR for corporate issuers. This result was higher than the ESG score of a benchmark of MSCI World ETF shares, used for comparison, of 38/100 at the same date.

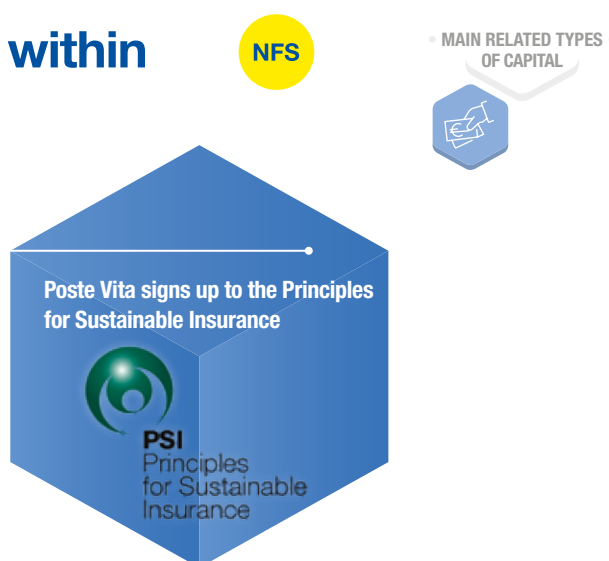
Incorporation of ESG criteria within insurance policies

By implementing effective risk prevention processes, the insurance segment can help to protect society, promote innovation and support economic growth, making an important contribution to the country's sustainable development.

Poste Vita has signed up to the Principles for Sustainable Insurance promoted by the United Nations, with the aim of becoming one of the leading proponents of a sustainability culture in the insurance sector.

By adopting the PSI, Poste Italiane has confirmed the Group's goal of assessing ESG risks and opportunities, developing innovative insurance solutions and helping to drive business performance. This approach translates into a competitive advantage, into the ability to create value over the long term and into an improved perception of the Group among all its stakeholders.

With the aim of formalising this commitment and aligning its business model with the sustainable development goals, Poste Vita adopted a Responsible Insurance Policy, a document that describes the approach the company intends to take in managing the risks and opportunities connected with environmental, social and governance factors within traditional insurance processes



In order to ensure a consistent approach to risk management at the company, the Policy has established a principle requiring the systematic assessment of economic, social and environmental issues that may have an impact on people and, therefore, on the company's long-term business. This process enables the company to adequately mitigate potential threats and identify new business opportunities that could lead to the development of sustainable insurance products of high social and environmental value. The Policy also envisages the establishment of structured processes for effectively managing and monitoring the approach adopted through specific principles, activities, roles and tools.

Insurance products with social and environmental value

In developing its offering of insurance services, Poste Vita targets, whenever sustainable, more vulnerable social categories, such as the young, the elderly and people with particular diseases. Among its individual pension plans, *Postaprevidenza Valore* is the form of supplementary pension fund with the highest number of members in Italy (975,000 customers registered at the end of 2018). As known, the projected pensions gap of younger generations – the difference

between the expected basic pension and the last salary from employment, in other words how much will be needed to maintain a person's standard of living – is high. In this context, Italian lawmakers, in reshaping pensions legislation, have introduced measures designed to drive the development of supplementary pensions. In this regard, *Postaprevidenza Valore* represents, for a significant portion of the population, an important way of topping of their basic pension.

Another area in which the Group plays an important role refers to the so-called “pure risk” products. In view of the significance of the so-called “mortality gap within households”, being the difference between the available resources and those needed to maintain an adequate standard of living for people close to the insured person in the event of the latter’s death, *Affetti Protetti* is a Life insurance policy that aims to protect the other family members. At the end of 2018, around 191,000 policies had been sold with an average capital per policyholder of €93,000 and an average annual premium of €144.

Given the aging of the Italian population, with the aim of providing concrete support to cope with the difficulties associated with ageing, Poste Vita has developed its product “*Sempre Presente*”, which guarantees the policyholder income if they lose their independence. This provides financial support enabling them to meet the cost of the necessary care without weighing on those nearest to them. Approximately 16,600 policies were sold in 2018, with a guaranteed average payout of €622 and an annual premium of €369.

Posta protezione dal Mondo is the policy for foreign citizens legally residing in Italy, offering a single product that guarantees financial support in the event of injury and the need for care, meaning that the insured person can rest easy during their stay in Italy. The product meets the needs of people who, finding themselves living in a country that is not their own, wish to protect themselves and their family and receive concrete support at times of need. In particular, it offers the policyholder round-the-clock protection in the event of a workplace injury or for an injury incurred in their free time. *Posta protezione dal Mondo* provides sim-

ple cover (injury resulting in serious permanent disability rated higher than 60%, death from injury, care packages designed specifically for the target) at an accessible price (€60 per year). The policy helps to create greater social integration, offering protection through an insurance product that is accessible to everyone.

Finally, in developing property protection products, the company is considering the introduction of guarantees providing customers with a valid way of transferring the risk relating to natural events, such as weather events or natural catastrophes that might be caused by climate change. Where possible and technically feasible, the company valorises environmental risk mitigations measures, which contribute to increasing the resilience of properties (including energy efficiency systems,) covered by the policy, thus making them more “insurable”. With the aim of providing concrete support to people living in areas at risk from catastrophic events, Poste Assicura has recently broadened its range of products and services, offering the *Casa 360* policy that pays out in the event of damage, in addition to offering traditional protection against fire and weather events (including those linked to climate change), and against earthquake damage and collapse due to any other cause. The product, at the customer’s request, includes an electronic device that enables the property owner to monitor house conditions constantly and 24-hour assistance. The policy allows the customer to choose the type of coverage and guarantees based on their needs. This product is highly inclusive, as the cost of protection against earthquake damage or collapse is the same in areas with both a high and low risk of earthquake; such feature increases possibility of coverage where most needed. Approximately 23,000 policies were sold in 2018.

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THE GOALS SET WITHIN THE ENVIRONMENTAL
SOCIAL AND GOVERNANCE STRATEGIC PLAN





Indicators tables

The following tables show the indicators required by the Global Reporting Initiative standards, together with other indicators that Poste Italiane believes important in order to illustrate its performance. The indicators are presented on the basis of the six pillars of the Group's ESG Strategic Plan.

[GRI 102-7] WIDESPREAD PRESENCE*

	2016		2017		2018	
	No.	Personnel	No.	Personnel	No.	Personnel
Operating Area Managers	6	26	6	25	6	26
Branch offices	62	780	62	784	64	730
Total	68	806	68	809	70	756

* The figures refer to the Group company, SDA SpA.

[GRI 102-7] WIDESPREAD PRESENCE*

	2016		2017		2018	
	No.	Personnel	No.	Personnel	No.	Personnel
Local Operating Centres	12	621	12	552	10	519

* The figures refer to the Group company, Postel SpA.

[GRI 201-1] ECONOMIC VALUE GENERATED, DISTRIBUTED AND WITHHELD

Economic value generated (€m)	2016	2017	2018
Economic value generated by the Group	10,776	10,726	10,863

Economic value distributed (€m)	2016	2017	2018
Economic value distributed to stakeholders	9,917	9,828	9,418
- Suppliers	3,082	2,992	3,118
- Personnel	5,808	5,682	5,584
- Lenders	73	153	43
- Public Administration	507	447	92
- Community	3	5	5
- Shareholders*	444	549	576

* The amount refers to the dividend to be proposed to the Annual General Meeting of 28 May 2019.

Economic value retained (€m)	2016	2017	2018
Economic value retained within the Group	859	898	1,445



Integrity and transparency

[GRI 205-1] COMPANIES ASSESSED FOR RISKS RELATED TO CORRUPTION* AND PERCENTAGE** OF OPERATIONS AUDITED FOR RISKS RELATED TO CORRUPTION

	2016	2017	2018
Total number of Group companies assessed for risks related to corruption	17	18	18
Total number of Group companies	26	25	25
Percentage of Group companies assessed for risks related to corruption	65	72	72
Percentage of operations audited for risk of corruption***			
High coverage	67	94	68
Medium coverage	33	3	19
Low coverage	-	3	13

* Assessment of Group companies for risks related corruption was conducted as part of the survey carried out in drawing up the Organisational, Management and Control Model required by Legislative Decree 231/2001.

** Coverage represents the overall percentage of operations audited.

*** The figures refer to Poste Italiane SpA.

[GRI 205-3] REPORTS MANAGED BY THE WHISTLEBLOWING COMMITTEE

	2016	2017	2018
Reports handled	282	290	230
of which relating to corruption	23	23	7
of which confirmed	1	-	-

SPECIFIC TRAINING ON PROCEDURES AND POLICIES OF ANTI-CORRUPTION*

	2016	2017	2018
Total employees	99,963	56,052	40,060
of which:			
Executives	179	261	471
Middle managers	12,441	6,726	6,383
Operational staff	87,343	49,065	33,206

* In 2018, the online training course on anti-corruption and the Law Decree n. 231/2001 (Italian law concerning the administrative responsibility of corporate bodies related to crimes committed in the company's interest), entitled "Law Decree n. 231/2001 - Our behavior and law provisions regarding corporate liability" was provided during two training campaigns addressed to all employees working in Poste Italiane. To this regard, a total number of 1,376 employees participated to both training initiatives.

EXISTING TENDERS WHICH INCORPORATE SPECIFIC ENVIRONMENTAL CRITERIA*

	2016	2017	2018
Percentage of suppliers selected on the basis of environmental criteria	30.8	40.4	34.1

* The assessment regards tender processes for amounts above the EU threshold that include specific environmental criteria in the subject, in the technical specifications or in the participation and/or assessment criteria (e.g. ISO 14001, ISO 50001, hybrid/electric vehicles, low-environmental impact vehicles, Minimum Environmental Criteria, the use of recycled materials in supplies, etc.). The figures refer to Poste Italiane SpA.

EXISTING TENDERS WHICH INCORPORATE SPECIFIC SOCIAL CRITERIA*

	2016	2017	2018
Percentage of suppliers selected on the basis of social criteria	42.3	39.4	45.5

* The assessment regards tender processes for amounts above the EU threshold that include specific social criteria in the subject, in the technical specifications or in the participation and/or assessment criteria (e.g. SA8000, OHSAS 18001, etc.). The figures refer to Poste Italiane SpA.



People development

[GRI 412-1] OPERATIONS SUBJECT TO HUMAN RIGHTS REVIEWS

	2016	2017	2018
Group companies			
Number of Group companies subject to human rights reviews	26	25	25
Total number of Group companies	26	25	25
Total percentage of Group companies subject to human rights reviews	100	100	100

POSTE ITALIANE'S WORKFORCE IN NUMBERS

	Average for the year ended 31 December			At 31 December		
	2016	2017	2018	2016	2017	2018
Permanent workforce						
Executives	733	732	690	748	699	672
Middle managers	16,113	15,859	15,582	15,807	15,481	15,192
Operational staff	119,772	114,767	109,879	115,947	111,251	106,801
Total workforce on permanent contracts	136,658	131,358	126,151	132,502	127,431	122,665
Apprenticeships	32	12	21	23	4	134
Total permanent workforce	136,690	131,370	126,172	132,525	127,435	122,799
Flexible workforce						
Agency staff	11	27	169	3	50	315
Fixed-term contracts	4,545	6,643	8,019	4,211	9,070	9,224
Total flexible workforce	4,556	6,670	8,188	4,214	9,120	9,539
Total permanent and flexible workforce	141,246	138,040	134,360	136,739	136,555	132,338

[GRI 102-8] NUMBER OF PERSONNEL BY CONTRACT TYPE AND GENDER, BY STRATEGIC BUSINESS UNIT*

Contract type	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent**	61,916	70,609	132,525	58,812	68,623	127,435	55,980	66,819	122,799
of which:									
Mail, Parcels and Distribution	60,529	69,150	129,679	57,600	67,304	124,904	55,256	66,122	121,378
Financial Services***	1,011	1,135	2,146	782	946	1,729	252	258	510
Insurance Services	255	234	489	276	253	529	276	273	549
Payments, Mobile and Digital***	121	90	211	154	119	273	197	165	362
Flexible****	2,539	1,675	4,214	5,436	3,684	9,120	5,681	3,858	9,539
of which:									
Mail, Parcels and Distribution	2,523	1,659	4,182	5,434	3,677	9,111	5,680	3,857	9,537
Financial Services	12	13	25	1	1	2	0	0	0
Insurance Services	1	2	3	0	6	6	1	1	2
Payments, Mobile and Digital	3	1	4	1	0	1	0	0	0
Total	64,455	72,284	136,739	64,248	72,307	136,555	61,661	70,677	132,338

* The figures are shown in Full Time Equivalent (FTE) terms.

** Includes permanent staff and apprenticeships.

*** 2018 witnessed a number of major organisational and corporate changes within the BancoPosta function, accompanied by a restructuring of the card payments and payment services business unit and the centralisation of back-office activities.

**** Includes fixed-term and agency staff.

[GRI 102-8] NUMBER OF PERSONNEL BY TYPE OF EMPLOYMENT AND GENDER, BY STRATEGIC BUSINESS UNIT*

Contract type	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-time	62,686	68,102	130,788	62,557	68,256	130,813	60,166	66,748	126,914
of which:									
Mail, Parcels and Distribution	61,301	66,702	128,003	61,357	67,000	128,357	59,441	66,076	125,517
Financial Services	1,005	1,079	2,084	770	884	1,654	251	246	497
Insurance Services	256	232	488	275	254	529	277	265	542
Payments, Mobile and Digital	124	89	213	155	118	273	197	161	358
Part-time	3,280	7,084	10,364	3,133	6,828	9,961	2,737	6,507	9,244
of which:									
Mail, Parcels and Distribution	3,251	6,973	10,224	3,111	6,723	9,834	2,736	6,471	9,207
Financial Services	29	103	132	21	96	117	1	18	19
Insurance Services	0	6	6	1	8	9	0	12	12
Payments, Mobile and Digital	0	2	2	0	1	1	0	6	6
Total	65,966	75,186	141,152	65,690	75,084	140,774	62,903	73,255	136,158

* The figures refer to the headcount.

[GRI 405-1] COMPOSITION AND BREAKDOWN OF POSTE ITALIANE SPA BOARD OF DIRECTORS BY GENDER AND AGE*

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Board of Directors	5	4	9	5	4	9	5	4	9
< 30 years old	-	-	-	-	-	-	-	-	-
30 – 50 years old	2	2	4	2	2	4	-	2	2
> 50 years old	3	2	4	3	2	5	5	2	7
Board of Directors (%)	55.6	44.4	100	55.6	44.4	100	55.6	44.4	100
< 30 years old	-	-	-	-	-	-	-	-	-
30 – 50 years old	40	50	44.4	40	50	44.4	-	50	22.2
> 50 years old	60	50	55.6	60	50	55.6	100	50	77.8

* The figures refer to the headcount.

[GRI 405-1] CLASSIFICATION OF EMPLOYEE BY CATEGORY, GENDER AND AGE GROUP*

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	565	189	754	527	182	709	506	167	673
< 30 years old (%)	-	-	-	-	-	-	-	-	-
30 – 50 years old (%)	38.6	40.2	39.0	35.3	37.4	35.8	36.2	40.1	37.1
> 50 years old (%)	61.4	59.8	61.0	64.7	62.6	64.2	63.8	59.9	62.9
Middle managers	8,608	7,210	15,819	8,381	7,109	15,490	8,154	7,045	15,199
< 30 years old (%)	0.2	0.2	0.2	0.3	0.2	0.3	0.3	0.3	0.3
30 – 50 years old (%)	36.4	37.9	37.1	37.0	38.8	37.9	37.3	39.4	38.3
> 50 years old (%)	63.4	61.9	62.7	62.7	60.9	61.9	62.4	60.4	61.4
Operational staff	55,282	64,884	120,166	55,340	65,016	120,356	53,001	63,465	116,466
< 30 years old (%)	6.0	3.6	4.7	7.9	4.5	6.0	7.8	4.4	6.0
30 – 50 years old (%)	40.3	48.0	44.5	41.2	47.2	44.4	42.5	46.3	44.6
> 50 years old (%)	53.8	48.4	50.9	50.9	48.3	49.5	49.7	49.3	49.5
Total	64,455	72,284	136,739	64,248	72,307	136,555	61,661	70,677	132,338

* The figures are shown in Full Time Equivalent (FTE) terms for both permanent and flexible personnel.

[GRI 405-1] NUMBER OF PERSONNEL BY OTHER DIVERSITY INDICATORS

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Personnel with disabilities	4,540	2,656	7,196	4,353	2,549	6,902	4,126	2,420	6,546

DISTRIBUTION OF EMPLOYEES BY EDUCATIONAL QUALIFICATION*

	2016	2017	2018
University degree (%)	11.7	12.2	12.9
High School Diploma (%)	70.6	70.8	70.8
Middle School certificate (%)	17.5	16.8	16.1
Elementary School certificate (%)	0.2	0.2	0.1
Total (%)	100	100	100

* The percentages have been calculated for permanent Full Time Equivalent (FTE) staff only.

DIVERSITY

Women in the workforce by category (%)*	2018
Management positions	30.3
Top management positions**	19.7
Junior management positions***	32.1
Revenue-generating functions****	31.4

* The percentages regard the presence of women in formally designated organisational roles within Poste Italiane and Group companies.

** Includes first and second level staff within Poste Italiane, the chief executive officers and general managers of the main Group companies and staff reporting directly to them.

*** Includes managers other than Top Management.

**** Includes organisational roles within the Post Office Network and Business and Public Administration functions.

[GRI 404-3] PERCENTAGE OF EMPLOYEES WHO RECEIVE REGULAR PERFORMANCE APPRAISALS, BY GENDER AND CATEGORY*

Category	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives (%)	90	93	91	90	98	92	92	97	93
Middle managers (%)	100	100	100	97	98	97	98	98	98
Operational staff (%)	82	87	84	91	93	92	87	91	89
Total (%)	84	88	86	92	94	93	88	91	90

* The figures do not include figures for Mistral Air, as it is not possible to compare like-for-like categories as the related contract is different. The figures do not include approximately 3,500 – 4,000 personnel (the average for the year) who cannot be assessed due to a lengthy absence from work (over 6 months). These staff are, however, included in the process of assigning annual objectives for the coming year.

NUMBER OF PARTICIPANTS IN DEVELOPMENT PROGRAMMES

Development programme	2016	2017	2018
Development of young talents (<i>POP</i>)	356	299	309
Enhancement of middle managers under development (<i>MLAB</i>)*	132	160	118
Skills Assessment	-	468	171
Mentoring	-	-	109
Hackathon	-	-	310
Total	531	945	1017

* The reduction of 26% in 2018 reflects a delay in launching the programme, which began at the end of the first quarter, following a review of the programme and the related methodology and technology (MLAB is managed by a software programme installed in 2018).

[GRI 404-1] AVERAGE HOURS OF TRAINING FOR EMPLOYEES BY GENDER AND CATEGORY

Category	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	30	36	32	27	29	28	26	27	26
Middle managers	40	45	42	52	64	57	60	77	68
Operational staff	17	21	19	21	27	24	16	22	20
Total workforce	20	22	21	24	30	27	22	28	25

HOURS BY TYPE OF TRAINING*

Type of training	2016	2017	2018
Management	83,600	42,000	77,200
Technical – specialist	1,262,000	1,452,000	966,700
Compliance	1,610,500	2,360,000	2,357,000
Total	2,956,100	3,854,000	3,400,900

* The figures have been rounded in line with the figures reported last year.

TRAINING PROGRAMMES AND CAREER DEVELOPMENT

Training and development programmes	2018
Full Time Equivalents (FTEs)	132,338
Average hours of training and development	25.85
Total expenditure on training and development programmes (€)	6,322,559
Average expenditure on training and development programmes (€)	0.54
Percentage of positions filled through internal hiring (%)	72

[401-2] BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEE

	2016				2017				2018			
	Permanent contracts		Flexible contracts		Permanent contracts		Flexible contracts		Permanent contracts		Flexible contracts	
	part-time	full-time	part-time	full-time	part-time	full-time	part-time	full-time	part-time	full-time	part-time	full-time
Financial benefits												
Life insurance		✓*		✓*		✓*		✓*		✓*		✓*
Health care		✓*		✓*		✓*		✓*	✓*	✓		✓*
Disability and invalidity insurance		✓*		✓*		✓*		✓*		✓*		✓*
Parental leave	✓**	✓**	✓**	✓**	✓**	✓**	✓**	✓**	✓**	✓**	✓**	✓**
Pension	✓**	✓	✓**	✓	✓**	✓	✓**	✓	✓**	✓	✓**	✓

* This refers to executives.

** This refers to non-executive personnel.

WORKFORCE TRENDS

	2016	2017	2018
Total turnover rate (%)*	4.80	4.60	4.80
Voluntary turnover rate (%)	4.30	3.70	4.20
Average cost of FTEs hired (€)**	-	-	34,900

* The turnover rate was calculated on the basis of the number of FTEs leaving the Group as a proportion of the total workforce for year n-1.

The turnover rate, calculated on the basis of the number of FTEs leaving the Group as a proportion of the total workforce for year n, is 4.9 for 2016, 4.8 for 2017 and 5.0 for 2018. The voluntary turnover rate, showing the number of FTEs who voluntarily left during year as a proportion of the total workforce for year n, is 4.5 for 2016, 4.0 for 2017 and 4.4 for 2018.

** The average per capita annual cost of new hires regards all types of contract (permanent, flexible and executives). The per capita cost takes into account the following components: fixed pay, additional remuneration (performance-related bonus, overtime, various forms of compensation, etc.) plus contributions and employee termination benefits payable on the first two components. The per capita cost is determined using the average per capita cost for each category of employee joining the Company (the standard cost). Fixed-term personnel and agency staff are assumed as a rule to have been hired in 2018. The average cost for FTEs hired refers to the Parent Company. The figure for SDA is €28,765.77 and for Postel is €39,947.00.

DISPUTES*

	2016	2017	2018
Disputes with employees	1,023	1,167	956

* Over the last three years, the number of disputes increased by approximately 12% in 2017 and fell by around 18% in 2018. In greater detail, in terms of "contractual matters", disputes registered a light increase in 2017 and a significant reduction in 2018, with the number of disputes totalling 81 in 2016 and 92 in 2017, before falling to 26 in 2018, a reduction reflecting a decline in the number of fixed-term contract disputes following the entry into force of new legislation. As regards "workplace issues", on the other hand, the number of disputes rose from 775 in 2016 to 939 in 2017, before falling to 788 in 2018. The reduction in the last year reflects a significant decline in disputes regarding demotions, tasks assigned beyond a worker's pay grade, union rights and other pay-related matters. Finally, disputes over the "termination of employment" are down from 167 in 2016 to 136 in 2017 and 142 in 2018. In the last, the number of disputes has risen by approximately 4% compared with the previous year.

[GRI 403-2] TYPE OF INJURY, INJURY RATE, LOST DAY RATE, OCCUPATIONAL DISEASE RATE, ABSENTEE RATE AND WORK-RELATED FATALITIES AT THE GROUP*

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Injuries	4,186	4,549	8,735	4,080	4,402	8,482	4,000	4,349	8,349
of which:									
at work	3,514	3,632	7,146	3,456	3,492	6,948	3,431	3,385	6,816
whilst travelling	672	917	1,589	624	910	1,534	569	964	1,533
Fatalities	3	1	4	4	4	8	7	2	9
of which:									
at work	1	0	1	1	2	3	5	1	6
whilst travelling	2	1	3	3	2	5	2	1	3
Cases of occupational disease	9	12	21	14	10	24	5	7	12
Injury rate**	n/a	n/a	34.97	n/a	n/a	34.89	36.84	33.14	34.90
Lost day rate***	n/a	n/a	1.19	n/a	n/a	1.18	1.24	1.12	1.18
Occupational disease rate****	n/a	n/a	0.10	n/a	n/a	0.12	0.05	0.07	0.06
Absentee rate*****	4.33	4.71	4.53	4.36	4.82	4.61	4.60	5.14	4.89

* Compared with the previous year, the number of injuries includes injuries at Mistral Air.

** The number of injuries at work divided by the number of hours worked multiplied by 1,000,000. The rate is calculated for permanent and flexible personnel.

*** The number of days of absence from work divided by the number of hours worked multiplied by 1,000. the rate is calculated for permanent and flexible personnel.

**** The number of cases of occupational diseases divided by the number of hours worked multiplied by 1,000,000.

***** The number of days of absence due to illness or injury divided by the number of days worked multiplied by 100. The rate is only calculated for permanent personnel and does not include executives. The target set for 2018 is 5.

Injuries by type	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Falls from a motorcycle	1,105	600	1,705	1,119	641	1,760	978	571	1,549
Accident involving a Company vehicle	434	410	844	390	344	734	340	305	645
Hit by a car	12	16	28	12	18	30	20	20	40
Accident with a private vehicle	21	26	47	32	31	63	32	36	68
Fall and/or awkward movement	744	1,376	2,120	847	1,338	2,185	1,047	1,394	2,441
Physical attacks	241	299	540	269	275	544	276	335	611
Manual load handling	224	152	376	175	144	319	182	116	298
Robbery	140	197	337	72	144	216	96	111	207
Crushing/bruising	508	448	956	429	440	869	169	165	334
Other causes	85	108	193	111	117	228	291	332	623
Total	3,514	3,632	7,147	3,456	3,492	6,948	3,431	3,385	6,816



Support for local communities and the country as a whole

[GRI 203-1] CORPORATE GIVING AND/OR CORPORATE CITIZENSHIP INITIATIVES*

By type of activity	2018	%
Charitable Donations* (€000)	146.5	3
Community investments** (€000)	1,400.4	26
Commercial initiatives*** (€000)	3,860.2	71
Total	5,407.1	100
By purpose		
Commercial initiatives (€000)	3,860.2	71
Social and cultural initiatives (€000)	1,546.9	29
of which:		
Art, culture and education (€000)	806.5	15
Wellbeing and social inclusion (€000)	450.5	8
Training and knowledge development (€000)	289.9	5

* Donations: one-off disbursements made to support charitable organisations.

** Investment in communities: spending on medium- to long-term initiatives supporting communities in collaboration with non-profit organisations and local authorities.

*** Commercial initiatives: business initiatives that benefit the community (e.g. sponsorship, occasional donations of the Company's property and other assets). The figures refer solely to spending on support for the community and do not include, for example, expenses linked to advertising and/or marketing initiatives relating to commercial initiatives).

SETTLEMENTS

	2016	2017	2018
Settlements discussed regarding retail postal products	678	831	795
of which settled (%)	88	84	89
Settlements discussed regarding business postal products	37	94	98
of which settled (%)	68	88	88
Settlements discussed regarding BancoPosta products	352	370	553
of which settled (%)	51	49	43
Settlements discussed regarding PosteMobile products	17	38	53
of which settled (%)	71	61	85
Settlements discussed regarding IRS real estate fund (no. of applications)*	n.a	35	-
of which settled (%)	n.a	100	-
Total settlements discussed	1,084	1,368	1,499
of which settled (%)	75	75	72

* Settlements discussed regarding IRS real estate fund only relate to 2017. As a result, there is no figure for 2018. The same protections and conciliation procedures have been adopted with regard to the Europa Immobiliare 1 fund as used for the IRS fund. In 2018, 47 applications for conciliation were received and these will be processed in 2019. The related figures will thus be reported in 2019.

[FS14] ATMs FOR INCLUSION

ATM	2016	2017	2018
ATMs equipped with touchpads for the visually impaired and the blind	7,249	7,257	7,279
of which:			
ATM with voice guidance	5,269	5,847	6,307
Total	7,249	7,257	7,279

[FS14] POST OFFICES FOR CULTURAL INTEGRATION

Post offices	2016	2017	2018
Mono-ethnic	2	2	2
Multi-ethnic	21	25	25
Number of customers served	2,751,153	3,311,214	3,297,724
Total transactions carried out	5,379,679	5,503,076	5,518,522

NEW CUSTOMERS IN THE CATEGORIES MOST AT RISK OF FINANCIAL EXCLUSION AS A PERCENTAGE OF TOTAL NEW ACQUISITIONS

New retail current accounts openings	2016	2017	2018
Percentage of young current account holders (under 35)	24.6	25.4	24.9
Percentage of senior current account holders (under 35)	24	24.4	23.8
Percentage of current account holders who are "new Italians"	16.5	17.6	17.9

New standard Postepay cards*			
Percentage of young current holders (under 35)	39.1	38	35.7
Percentage of senior current account holders (under 35)	6.4	7	7.6
Percentage of current account holders who are "new Italians"	12.4	12.6	12.3

New Postepay Evolution cards*			
Percentage of young current account holders (under 35)	44.4	45.9	46.4
Percentage of senior current account holders (under 35)	5.3	5.5	5.6
Percentage of current account holders who are "new Italians"	19.6	20.6	22.1

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



Customer experience

CUSTOMERS' EXPERIENCE IN POST OFFICES

	2016	2017	2018
Average waiting time in Post Offices* (minutes)	8.61	8.97	9.57
Customer served within 15 minutes (%)	82.9	81.9	80.6
Customer satisfaction with waiting times (1-10)	7.9	8	8
Customer satisfaction with overall post office experience**	8.4	8.7	8.7

* Average waiting times were measured at approximately 3,000 post offices.

** Source: Barometro 2018, a survey conducted each year, with the aim of analysing post office customer profiles, including the frequency of visits, perceived waiting times and the customer experience. The survey involved 5,062 face-to-face interviews with visitors to 514 post offices throughout Italy.

CUSTOMER COMPLAINTS BY TYPE*

Post offices	2016	2017	2018
Complaints received	9,880	10,096	10,323
Average response time (days)	n/a	32	21

Letter post	2016	2017	2018
Complaints received	96,177	89,681	89,596
Average response time (days)	22	34	20

Parcels	2016	2017	2018
Complaints received	92,300	122,580	108,372
Average response time (days)	21	14	17

Financial Services**	2016	2017	2018
Complaints received	60,961	76,107	96,410
Average response time (days)	35	21	9

Insurance Services	2016	2017	2018
Complaints received	3,658	2,577	2,975
Average response time (days)	16	16	12
Investigations initiated by the Insurance Regulator (no.)	299	169	169

Poste Mobile	2016	2017	2018
Mobile telephone complaints received	141,356	33,098	16,045
Average response time (days)	12	3	4
Fixed line complaints received	n/a	469	939
Average response time (days)	n/a	6	10

* The figures on complaints relate to open cases requiring back-office intervention.

** Despite the increase in complaints regarding financial services in 2018, the average response time has improved (a reduction of 26 days compared with 2016), accompanied by a 15% reduction in the ratio of fraudulent transactions to total genuine transactions compared with 2017.

NUMBER OF CONTACTS HANDLED

Contact Centre	2016	2017	2018
Number of contacts handled (m)	21	26	24

CUSTOMER SATISFACTION*

Satisfied customers	2016	2017	2018
Satisfied customers following Customer Experience surveys (%)	81.3	79.1	81.4
Coverage (%)	100	100	100

* The customer experience for the various Business Units is measured twice a year (June and November) by an external research company using Net Promoter Score (NPS) surveys to measure the degree to which customers would recommend Poste Italiane's products and services. In terms of channels, the indicator used is the Customer Effort Score (CES), which records the ease of access to services. The customer samples involved in the customer experience surveys represent the related universe. The Business Units involved in the customer experience surveys are: BancoPosta (Consumer, SME and Large Customers); Mail, Communication and Logistics (SMEs and Large Customers); Poste Vita (Consumer). The sales and customer care channels involved regard the Post Office channel and the Contact Centre. The target set for 2018 is +0.1 compared with 2017. In terms of the method used to measure customer satisfaction, the surveys use a scale of 1 to 10 to measure satisfaction. The percentages shown include customers who have answered 7-8 and 9-10 in the surveys carried out. Scores of 9-10 in the NPS/CES surveys reflect customers who are "promoters" (NPS) and "enthusiasts" (CES).

DIGITAL SERVICES IN NUMBERS

	2016	2017	2018
Customers registered on Poste Italiane's digital channels (websites and apps) (millions)	12.5	15	17.6
Digital identities issued (millions)	0.6	1.8	2.6
Postepay apps downloaded (millions)	4.4	6.1	8.5
Bancaposta apps downloaded (millions)	2.1	3	4.1
Post Office apps downloaded* (millions)	0.8	1.8	3.1
PosteID apps downloaded* (millions)	0.7	1.4	2.5
PosteMobile apps downloaded** (millions)	2	2.7	3.4
Transactions carried out via consumer digital channels (websites and apps)*** (millions)	33.2	39.3	47.9

RESOURCES INVESTED IN BUSINESS CONTINUITY PLAN*

	2016	2017	2018
Investments** (€m)	4,1	3,6	7,8
Drills***	4	5	4
People involved	180	180	180
Mainframe services (open services being processed) covered by disaster recovery plans (%)	100	100	100

* The figures refer to Poste Italiane SpA (the financial and insurance services segments), PostePay SpA and BancoPosta Fondi SpA SGR.

** The increase in investments is in line with the Company's strategy and the importance given to Business Continuity Management projects.

*** Drills, which are conducted every quarter, involved all the applications hosted by Poste Italiane's central mainframe system, in addition to applications hosted in OPEN environments included within the scope of Bancoposta's financial services.

DEMATERIALISATION OF PROCEDURES AND CORRESPONDING TRANSACTIONS

Type of procedure *	2016		2017		2018	
	No. of pro-cedures	% dematerialised	No. of pro-cedures	% dematerialised	No. of pro-cedures	% dematerialised
Certificates	819	89	1,289	94	1,643	92
Current accounts	705	84	417	86	359	93
Savings Books	417	78	674	93	773	94
Postepay Evolution	-	-	1,227	91	1,715	97
Life insurance policies	-	-	274	70	540	79
MiFID	1,270	96	2,571	96	3,292	83
Poste Mobile	22	44	815	70	955	78
Total procedures **	3,233	89	7,267	90	9,277	88

* Figures in thousands.

** the increase in dematerialised procedures is linked to the greater number of enabled post offices. The total number of dematerialised procedures in 2018 is up 28% compared with 2017.

Corresponding transactions	2016	2017	2018
Total transactions (millions)	28	31.5	33.5
Total electronic transactions (millions)	27	30.3	32.4
Dematerialised transactions (%)	96.4	96.2	96.7

[GRI 418-1] PRIVACY VIOLATIONS AND DATA LEAKS

	2016	2017	2018
Total number of complaints received regarding violations of privacy	12	6	22
of which:			
complaints received from third parties and recognised by the organisation	12	6	22
complaints received from regulatory bodies	-	-	-
breaches, data theft and leaks of customer data identified*	-	-	205

* The figure relates to 204 cases relating to Consorzio PatentivaPoste (which acts as the Data Supervisor for the Ministry of Infrastructure and Transport) and in 1 case to Poste Vita.

IT SECURITY AND CYBERSECURITY BREACHES

IT incidents and breaches	2016	2017	2018
Total number of IT security breaches/cybersecurity incidents	17	30	16
Total number of IT security breaches involving customers' data	7	4	9
Total amount of fines /penalties paid in relation to IT security breaches or other IT security incidents (€)	-	24,000	-



Decarbonisation of real estate facilities and logistics

[GRI 301-1] MATERIALS USED BY WEIGHT OR VOLUME

Type of material/raw material	2016	2017	2018
Renewables	30,915,815	31,675,191	29,862,153
Paper (kg)	26,661,159	24,887,148	23,739,303
Cardboard (kg)	1,083,744	1,799,060	2,303,294
Wood (kg)	3,170,912	4,988,983	3,819,556
Non-Renewables	1,891,608	2,500,949	2,205,485
Plastic (kg)	1,563,211	2,147,694	1,793,553
Ink/toner (kg)	97,108	87,749	59,784
Glues (kg)	5,457	5,149	6,465
Other* (kg)	225,832	260,357	345,683
Total	32,807,423	34,176,140	32,067,638

* "Other" contains the following materials: labels, bags and seals, parcel string and security pouches.

[GRI 302-1] INTERNAL GROUP ENERGY CONSUMPTION*

	2016	2017	2018
Consumption of fuel from non-renewable sources (GJ)	2,688,782	2,816,874	1,963,646
of which:			
LPG (GJ)	9,997	35,056	31,381
Diesel (GJ)	534,357	846,051	807,178
Natural gas (GJ)	671,062	657,874	624,541
Jet fuel** (GJ)	919,688	1,104,614	343,341
Petrol (GJ)	553,678	173,279	157,205
Consumption of energy from non-renewable sources (GJ)	112,342	106,337	93,603
of which:			
Thermal energy (district heating) (GJ)	17,531	22,960	20,862
Electricity supplied by the National Grid (GJ)	94,811	83,377	72,741
Consumption of energy from renewable sources (GJ)	1,791,787	1,812,423	1,742,370
of which:			
Self-produced photovoltaic electricity (GJ)	4,779	7,057	5,907
Certified guarantee of origin electricity (GJ)	1,787,008	1,805,366	1,736,463
Total energy consumption (GJ)	4,592,911	4,735,634	3,799,619
of which:			
from renewable sources (GJ)	1,791,787	1,812,423	1,742,370
from non-renewable sources (GJ)	2,801,124	2,923,211	2,057,249

* Includes energy consumed by real estate and in road transport logistics and passenger transportation (only for the two-year period 2016-2017) and airmail. Source of factors used in conversion to GJ: IPC Guidelines.

** The reduction in Jet fuel consumption in 2018 is linked to Mistral Air's progressive withdrawal from the passenger transport market to focus exclusively on its cargo business.

[GRI 302-2] EXTERNAL GROUP ENERGY CONSUMPTION

	2016	2017	2018
Total external Group energy consumption * (GJ)	2,369,374	2,214,578	1,774,660
of which:			
Diesel (GJ)	1,861,003	1,675,733	1,395,456
LPG	-	-	113
Jet fuel (GJ)	508,371	538,845	379,090

* The target set for 2018 is 1,767,112 GJ (490,865 MWh) for total energy from renewable sources (internal and external) and 4,726,766 GJ (1,406,008 MWh) for total energy from non-renewable sources (internal and external).

[GRI 303-1] WATER WITHDRAWALS BY SOURCE*

	2016	2017	2018
Water withdrawals (m³)**	2,375,889	1,938,726	1,758,341
of which:			
Ground water (m³)	-	-	1,230
Municipal water supplies or other public or private water utilities (m³)	2,375,889	1,938,726	1,757,111

* Water withdrawals in the three-year period differ from the amounts reported in the Non-financial Statement for 2017 as a result of the change in scope.

** The target set for 2018 is 1,783,628 cubic metres.

[GRI 305-1] TOTAL DIRECT GHG EMISSIONS (SCOPE 1); [GRI 305-2] TOTAL INDIRECT GHG EMISSIONS (SCOPE 2); [GRI 305-3] TOTAL OTHER INDIRECT GHG EMISSIONS (SCOPE 3)*

	2016	2017	2018
Direct emissions - Scope 1** (tCO₂e)	183,338	196,573	134,540
of which:			
LPG (tCO ₂ e)	493	2,123	1,914
Diesel (tCO ₂ e)	37,616	59,296	57,154
Natural gas (tCO ₂ e)	43,007	43,582	40,384
Jet fuel (tCO ₂ e)	66,861	80,498	25,020
Petrol (tCO ₂ e)	35,361	11,074	10,068
Indirect emissions - Scope 2 (tCO₂e)***	11,562	10,647	9,266
of which:			
Thermal energy	1,806	2,286	1,972
Electricity	9,756	8,361	7,294
Indirect emissions - Scope 3 (tCO₂e)****	167,962	156,712	133,323
of which:			
Diesel (tCO ₂ e)	131,004	117,444	98,808
LPG	-	-	6,889
Jet fuel (tCO ₂ e)	36,958	39,268	27,626

* Compared with the previous year, in order ensure a continuous improvement in reporting, the different types of emissions are shown in CO₂ equivalent throughout the three years and no longer in CO₂, in line with GRI requirements.

** The emission factors used to convert fuels into CO₂e: LPG for 2016 1.22 kg CO₂e/l (source DEFRA 2016), for 2017 1.50 kg CO₂e/l (source DEFRA 2017) and for 2018 1.51 kg CO₂e/l (source DEFRA 2018). Diesel for 2016 2.61 kg CO₂e/l (source DEFRA 2016), for 2017 2.60 kg CO₂e/l (source DEFRA 2017) and for 2018 2.63 kg CO₂e/l (source DEFRA 2018). Natural gas for 2016 2.02 kg CO₂e/m³ (source DEFRA 2016), for 2017 2.09 kg CO₂e/m³ (source DEFRA 2017) and for 2018 2.04 kg CO₂e/m³ (source DEFRA 2018). Petrol for 2016 2.19 kg CO₂e/l (source DEFRA 2016), for 2017 2.19 kg CO₂e/l (source DEFRA 2017) and 2018 2.2 kg CO₂e/l (source DEFRA 2018). The target set for 2018 is 172,984 tCO₂e.

*** 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 (the

emission factor for 2016 was 0.37045 kg of CO₂e/kWh, source: ISPRA data for 2016; the emission factor the two-year period 2017/2018 is 0.361 kg of CO₂e/kWh, source: ISPRA data for 2017). The conversion factors used to convert thermal energy into CO₂e: 0.2 kg CO₂e/kWh for 2016, 0.19 kg CO₂e/kWh for 2017 and 0.18 kg CO₂e/kWh for 2018.

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 195,451 tonnes of CO₂, in 2017 to 191,678 tonnes and in 2018 to 183,486 tCO₂e. The same emission factors were used as were used for the market-based method. The target set for 2018 is 9,476 tCO₂e.

**** The emission factors used to convert fuels into CO₂e are as follows: Jet fuel for 2016 2.53 kg CO₂e/l (source DEFRA 2016), for 2017 2.54 kg CO₂e/l (source DEFRA 2017) and for 2018 2.54 kg CO₂e/l (source DEFRA 2018).

[GRI 306-2] WASTE PRODUCED BY TYPE OF METHOD OF DISPOSAL *

	2016	2017	2018
Total hazardous waste (t)	142.5	346.0	1,096.0
of which:			
Recovered (t)	17	277.7	339.7
Sent to landfill (t)	0.7	2.5	699.1
Incinerated (t)	0	0.4	-
Other types of disposal (t)	124.8	65.4	57.3
Total non-hazardous waste (t)	21,821.6	25,790.6	27,449.5
of which:			
Recovered (t)	21,205.3	25,190.1	26,129.2
Sent to landfill (t)	218.3	182.5	795.8
Incinerated (t)	-	-	-
Other types of disposal (t)	398.0	418.0	524.6
Total waste (t)**	21,964.1	26,136.6	28,545.6

* The figures for the quantity of waste produced are provided by the companies that provide waste management services.

** The target set for 2018 in relation to waste sent to landfill, incinerated or subject to other types of disposal is 2,341 tonnes. This projection is in line with the increase in the volume of hazardous waste produced in 2018, generated by the disposal of obsolete equipment at the various sites during that year.

[GRI 302-1] INTERNAL ENERGY CONSUMPTION RELATING TO REAL ESTATE FACILITIES BY SOURCE

	2016	2017	2018
Consumption of fuel from non-renewable sources (GJ)	735,772	715,240	674,802
of which:			
LPG (GJ)	8,304	11,705	9,094
Diesel (GJ)	112,296	106,214	87,904
Gas metano	615,172	597,321	577,804
Consumption of energy from non-renewable sources (GJ)	112,342	106,337	93,603
of which:			
Thermal energy (district heating) (GJ)	17,531	22,960	20,862
Electricity supplied by the National Grid (GJ)	94,811	83,377	72,741
Consumption of energy from renewable sources (GJ)	1,790,247	1,810,741	1,741,421
of which:			
Self-produced photovoltaic electricity (GJ)	4,779	7,057	5,907
Certified guarantee of origin electricity (GJ)	1,785,468	1,803,684	1,735,514
Total energy consumption (GJ)	2,638,361	2,632,318	2,509,826
of which:			
from renewable sources (GJ)	1,790,247	1,810,741	1,741,421
from non-renewable sources (GJ)	848,114	821,577	768,405

[GRI 305-1; GRI 305-2] DIRECT AND INDIRECT CO₂ EQUIVALENT EMISSIONS RELATING TO REAL ESTATE FACILITIES

	2016	2017	2018
Direct emissions - Scope 1 (tCO₂e)	47,740	47,724	44,140
of which			
LPG (tCO ₂ e)	410	709	555
Diesel (tCO ₂ e)	7,905	7,444	6,224
Natural gas (tCO ₂ e)	39,425	39,571	37,361
Indirect emissions - Scope 2 (market-based) (tCO₂e)	11,562	10,647	9,266
of which:			
Electricity (tCO ₂ e)	9,756	8,361	7,294
Thermal energy (tCO ₂ e)	1,806	2,286	1,972

[GRI 302-2; GRI 305-3] EXTERNAL ENERGY CONSUMPTION AND CO₂ EQUIVALENT EMISSIONS RELATING TO REAL ESTATE FACILITIES

	2016	2017	2018
Total external Group energy (GJ)	-	-	113
Indirect emissions - Scope 3 (tCO ₂ e)	-	-	6,889

WEIGHT OF ELECTRICITY CONSUMPTION RELATING TO REAL ESTATE FACILITIES BY TYPE OF BUSINESS

	2016	2017	2018
Post offices (%)	55	55	55
Head offices (%)	14	14	14
Operational sites (sorting centres) (%)	14	14	14
Delivery logistics centres (%)	13	13	13
Data Centres (%)	4	4	4

TOTAL COST OF ENERGY PURCHASED FOR REAL ESTATE FACILITIES

	2016	2017	2018
Total expenditure on energy (€)*	102,535,094	98,393,160	95,380,683

* The target set for 2018 is €95,441,365.

CORPORATE FLEET DATA

	2016	2017	2018
Total km travelled	328,223,769	331,886,754	342,508,496
Total vehicles	50,854	38,165	34,102
of which:			
traditional vehicles	45,176	33,562	29,786
alternative vehicles	5,678	4,603	4,316
of which:			
bicycles	324	324	324
electric vehicles*	1,093	1,025	1,129
hybrid motor vehicles	32	102	88
petrol-natural gas fuelled vehicles	3,302	2,173	1,705
petrol-LPG fuelled vehicles	-	979	1,070
diesel-natural gas fuelled vehicles	-	-	-
LPG fuelled vehicles	927	-	-
Percentage of alternative vehicles (%)	11.2	12.1	12.6

* The figure includes 150 tricycles purchased in 2018 and added to the fleet in January 2019.

[GRI 302-1; GRI 305-1; GRI 305-2] ENERGY CONSUMPTION AND CO₂ EQUIVALENT EMISSIONS TO THE COMPANY ROAD FLEET

	2016	2017	2018
Total energy consumed (GJ)	1,034,861	998,702	946,453
of which:			
Diesel (GJ)	422,061	739,837	719,274
Natural gas (GJ)	55,890	60,553	46,737
LPG (GJ)	1,693	23,351	22,287
Petrol (GJ)	553,678	173,279	147,205
Certified guarantee of origin electricity (GJ)	1,539	1,682	950
Direct emissions - Scope 1 (t CO₂e)	68,737	68,351	65,379
Indirect emissions - Scope 2 (t CO₂e)	-	-	-

[GRI 302-2; GRI 305-3] ENERGY CONSUMPTION AND CO₂ EQUIVALENT EMISSIONS TO CONTRACTED ROAD LOGISTICS

	2016	2017	2018
Total external Group energy consumption* (GJ)	1,861,003	1,675,733	1,395,456
Indirect emissions - Scope 3 (tCO ₂ e)	131,004	117,444	98,808

* Road vehicles used by logistics contractors are diesel-fuelled.

AIR TRANSPORT FLEET DATA

	2016	2017	2018
Number of aircraft	28	25	23
AirMail (hours)	2,648	3,247	4,823
Charter (hours)	4,985	9,512	2,799

[GRI 302-1; GRI 305-1] ENERGY CONSUMPTION AND CO₂ EQUIVALENT EMISSIONS BY THE MAIL AND CHARTER FLEET*

	2016	2017	2018
Total internal Group energy consumption (GJ)	919,688	1,104,614	343,341
Direct emissions - Scope 1 (tCO ₂ e)	66,861	80,498	25,020

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

[GRI 302-2; GRI 305-3] ENERGY CONSUMPTION AND CO₂ EQUIVALENT EMISSIONS BY MAIL AND CHARTER TRANSPORT

	2016	2017	2018
Total external Group energy consumption (GJ)	508,371	538,845	379,090
Indirect emissions - Scope 3 (tCO ₂ e)	36,958	39,268	27,626

6. Outlook

The Poste Italiane Group will continue to be engaged in implementing the objectives outlined in the five-year Deliver 2022 Plan, approved by the Board of Directors on 26 February 2018 and, with specific regard to 2019, will focus on the targets set out in the budget for 2019 approved by the Board of Directors on 19 March 2019 and presented to the market.

The **Mail, Parcels and Distribution** Strategic Business Unit will be engaged in completing implementation of the new joint delivery model, which will see the reorganisation of around a further 405 delivery centres during the year, in addition to the 350 reorganised in 2018. The Unit will also continue with the adoption of new automation technologies to support production processes, with the aim of boosting the efficiency and quality of sorting processes (the Bologna hub will enter service, as will the new mixed-mail centres and the centres for handling parcels, whilst work will begin on the creation of 2 further hubs in Milan and Rome for sorting parcels). These initiatives are designed to maximise synergies in the logistics and operations network and leverage all the Group's available assets, enabling us to improve our competitive position in the parcels market by taking advantage of the opportunities arising from the growth of e-commerce.

In addition, as part of the process of modernising its vehicle fleet, the Group is progressively introducing alternative electric delivery vehicles (3-wheeled vehicles). This will improve occupational safety and extend the process, launched in recent years, of adopting eco-friendly forms of transport, involving the introduction of a fleet of 4-wheeled electric vehicles.

On 8 March 2019, an agreement was signed with the labour unions regarding key aspects of the plans to reorganise Logistics activities, central and local staff departments and the post office network.

As regards Logistics, the Group plans to invest €150 million in automation over the life of the plan and in implementing a lean production system, which will enable it to reduce the number of full-time equivalents ("FTEs") by at least 1,600 in 2019 across the various operational sites and internal departments.

The reduction in headcount at central and local staff departments is expected to be at least 650 FTEs.

Finally, plans to streamline the post office network will involve at least 1,400 FTEs, in view of the geographical reorganisation that took place in 2018, involving the creation of new macro areas, and the projects to be implemented in 2019.

The plans will be backed up by adequate incentives, in keeping with the long-standing policy regarding voluntary retirement schemes, and, where appropriate, by redeployment initiatives (reassignment to part-time roles or transfers to other locations or other positions).

The agreement also provides for initiatives that will have a positive impact on employment, involving over 3,800 personnel in 2019. This will involve the offer of permanent contracts to 2,000 staff formerly employed on fixed-term contracts, the conversion of 920 staff from part-time to full-time contracts, and the recruitment of 500 specialists and 420 new part-time personnel for operational sites and post offices.

Creation of the new **Payments, Mobile and Digital** Strategic Business Unit aims to deliver on the strategic objective of becoming Italy's leading payments ecosystem, ensuring convergence between payments and mobile technology, and between physical and digital channels. In this regard, PostePay SpA intends to lead changes in the habits of consumers, businesses and the Public Administration, creating new integrated products and services, above all in the fields of acquiring, e-commerce and mobile and digital payments.

A range of initiatives designed to develop the existing Postepay card offering will take place in 2019, alongside the introduction of new innovative products and services and commercialisation of the new Postepay Connect product, launched at the end of 2018, with a total of 40,000 cards issued by 31 December 2018.

Work on developing the new Postepay Junior and Postepay IoStudio offering has already begun, with the aim of providing new parental control functions and making it easier for parents to top up their children's cards. These new features will already be available in the first quarter of 2019.

In the **Financial Services** segment, the Group will continue with efforts to leverage our customer base, distribution network and brand. Postal Savings will continue to benefit from the new three-year agreement with Cassa depositi e prestiti signed in December 2017 and effective from 2018.

Plans to broaden the distribution of financial products will continue to take shape, with the aim of effectively responding to the various needs of customers.

Finally, the active management strategy for the financial instruments portfolio will aim to stabilise the overall return.

In keeping with the strategic guidelines set out in the Deliver 2022 Plan, 2019 will see the **PosteVita** Insurance Group continue to offer integrated savings and investment products with the aim of consolidating its position in the life insurance market. This will in part take the form of a progressive rebalancing of the offering towards products adding more value (multiclass and unit-linked products) and with risk-return profiles that are still moderate, in keeping with the type of customer served by the Group. Continuing the approach adopted in 2018, the Group is committed to delivering on the growth targets for the non-life business set out in the strategic plan. The focus will above all be on the welfare and non-vehicle non-life sectors, including property insurance (the launch of the new *Posta Protezione Casa 360* product, which has introduced cover for guarantees linked to natural disasters) and efforts to develop and complete the loan and mortgage protection offering.

Finally, with regard to vehicle insurance, having looked at the market and at potential partnerships in 2018, Poste Italiane expects to trial the distribution of vehicle insurance policies to the Group's employees in 2019.

7. Consolidated non-financial statement

Introduction

Poste Italiane's Consolidated Non-Financial Statement (NFS or "Statement") for the year ended 31 December 2018 has been drafted on the basis of the six key sustainability pillars of the Group's ESG Strategic Plan which covers environment, social and governance issues (ESG) and has been designed with the aim of generating long-term value for stakeholder.

In addition to ensuring compliance with the provisions of the Italian Legislative Decree 254/2016 ("Decree") through the integrated disclosure provided in the NFS, conformity with the law requirements is also ensured by providing references to other sections of the Annual Report and to other company documents, when the information is already contained therein or if useful to provide additional clarifications. In particular:

- the company's organizational and management model is illustrated within the Annual Report in the following paragraphs: "Incorporating sustainability within Poste Italiane's strategy", "Poste Italiane's business model" and "Poste Italiane's integrated internal control and risk management system". Such paragraphs describe the way in which the organisation, thanks to its business activities, generates results enabling it to deliver on its strategic objectives and create value over the short, medium and long term;
- risk management, implemented through the Group Risk Management ("GRM") model, based on the Enterprise Risk Management (ERM) framework, is described in the following paragraphs of the Annual Report: "Material topics of Poste Italiane" and "Poste Italiane's integrated internal control and risk management system", where the main non-financial risks, their potential impacts related to material topics and treatment actions are described in greater detail;
- company policies are described in the paragraph "The Group's sustainability policies" which sets out the general rules of conduct on which all of Poste Italiane's activities must be based. In addition, the section "Objectives, Management Methods And Key Performances Achieved In The Pillars Of The Group's Esg Strategic Plan " provides information, with regard to each material topics, on the related strategic objectives and the operating processes used to deliver on them;
- performances are illustrated under the section "Objectives, Management Methods And Key Performances Achieved In The Pillars Of The Group's Esg Strategic Plan", which describes the main initiatives for the year, and in paragraph "Indicators tables", which shows the results achieved in the last three years.

The following table shows the link between the information disclosure required by the Decree and the corresponding sections within the Annual Report and other company documents required by law.

SCOPE OF DECREE 254/2016	PARAGRAPHS INCLUDED IN THE NFS	TOPICS AND ADDITIONAL INFORMATION INCLUDED IN OTHER 2018 DOCUMENTS
Company organisational and management model	<ul style="list-style-type: none"> ■ Multichannel commercial strategy ■ Material topics of Poste Italiane 	RCG <ul style="list-style-type: none"> ■ 3. Corporate Governance Model - Company's Structure ■ 6. Board of Directors; 6.1 Current composition and term of office ■ 7. Committees
[Art. 3, paragraph 1, letter a]	<ul style="list-style-type: none"> ■ Incorporating sustainability within Poste Italiane's strategy ■ Poste Italiane's business model ■ Poste Italiane's integrated internal control and risk management system 	<ul style="list-style-type: none"> ■ 8. Board of Statutory Auditors/Organisational, management and control model pursuant to Legislative Decree 231/2001 ■ 9. Internal Control and Risk Management System; 9.2 Organisational, management and the control model pursuant to Legislative Decree 231/2001
Policies [Art. 3, paragraph 1, letter b]	<ul style="list-style-type: none"> ■ The Group's sustainability policies 	
Main risks and related management systems [Art. 3, paragraph 1, letter c]	<ul style="list-style-type: none"> ■ Material topics of Poste Italiane ■ Poste Italiane's integrated internal control and risk management system 	RCG <ul style="list-style-type: none"> ■ 9. Internal Control and Risk Management System
Efforts to combat active and passive corruption [Art. 3, paragraph 1]	<ul style="list-style-type: none"> ■ Integrity and transparency ■ Legality and incorporation of ESG criteria within procurement processes ■ Integration of ESG factors into investment policies ■ Integration of ESG factors into insurance policies ■ Indicators tables 	RCG <ul style="list-style-type: none"> ■ 9. Internal Control and Risk Management System
Pertaining to personnel [Art. 3, paragraph 1]	<ul style="list-style-type: none"> ■ Protection of human rights ■ Equal career development opportunities ■ Staff training and development ■ Staff welfare and wellbeing ■ Relations with social partners ■ Occupational health and safety ■ Indicators tables 	-
Respect for human rights [Art. 3, paragraph 1]	<ul style="list-style-type: none"> ■ Legality and incorporation of ESG criteria within procurement processes ■ Protection of human rights ■ Equal career development opportunities ■ Integration of ESG factors into investment policies ■ Integration of ESG factors into insurance policies ■ Indicators tables 	-
Environmental [Art. 3, paragraph 1]	<ul style="list-style-type: none"> ■ Legality and incorporation of ESG criteria within the procurement processes ■ Environmental impacts of real estate facilities ■ Environmental impacts of logistics ■ Integration of ESG factors into investment policies ■ Integration of ESG factors into insurance policies ■ Indicators tables 	-
Social [Art. 3, paragraph 1]	<ul style="list-style-type: none"> ■ Legality and incorporation of ESG criteria within procurement processes ■ Support for the socio-economic development of local communities ■ Dialogue and transparency in relations with the authorities ■ Financial inclusion ■ Quality and customer experience ■ Innovation and digitisation of products, services and processes ■ IT security and business continuity ■ Integration of ESG factors into investment policies ■ Integration of ESG factors into insurance policies ■ Indicators tables 	

In addition to the above, additional information as required by the Decree can be found in the paragraph "The Group's Organisation And Operating Segments".

Reporting standards and policies

Poste Italiane's Consolidated Non-financial Statement has been prepared in compliance with Italian Legislative Decree 254/2016 and in accordance with the most widely used standards at international level: the Global Reporting Initiative ("GRI") Standards, applied in accordance with the core option, published by the Global Reporting Initiative in 2016 and including the "Financial Services Sector Disclosures" issued by the GRI in 2013.

The Statement is included in the Report on Operations, which in turn is contained in the Annual Report for 2018 and constitutes Poste Italiane's Integrated Report, prepared in accordance with the principles included in the "International Framework", published by the International Integrated Reporting Council (IIRC).

The NFS was approved by Poste Italiane SpA's Board of Directors on 19 March 2019 and, pursuant to art.3, paragraph 10 of the Decree, requires a separate assurance report from the independent auditor, PricewaterhouseCoopers SpA.

In order to define the contents of the NFS, the accounting principles of the GRI Standards were observed, among which the principle of materiality to identify the significant aspects to be disclosed (for further information refer to paragraph "Material topics of Poste Italiane") and to present the performances achieved by the Group with reference to such aspects and the sustainability goals. In particular, in relation to the materiality principle, the degree of detail regarding the various topics covered by the reporting process was defined according to the importance assigned to them in Poste Italiane Group's business objectives and strategies and their relevance for the stakeholders, established via a structured process of materiality analysis.

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.

Key Performance Indicators are collected on an annual basis; indicators reported refer to 2018, and where available to the 2016-2018 period as well. The qualitative and quantitative information derive from the Group's information systems and from a non-financial reporting system specifically implemented in order to comply with the requirements of the "GRI Sustainability Reporting Standards". The disclosures correspond with the scope of the Decree and are consistent with the activities conducted and the impacts produced by Poste Italiane. The data is based on punctual calculations and, where specifically indicated, on estimates. 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 outsourced Data Centres), natural gas, diesel, LPG and district heating for the Group's real estate facilities - and water consumption, which was calculated on the basis of the costs incurred and the average tariff payable. Consumption linked to logistics is estimated in terms of distance travelled and/or average consumption of the means and the transported load, except for motor vehicles used in last mile logistics.

The scope of reporting refers exclusively to companies consolidated on a line-by-line basis for financial report, as indicated in the table "List of investments consolidated on a line-by-line basis"³³. Exceptions to this scope are explicitly indicated within the document. The terms "Poste Italiane", "Group" or "Company" are used in the NFS to refer to the Poste Italiane Group.

All the GRI indicators published are listed below in the "GRI Standards Content Index", in which eventual limitations with respect to the relevant requirements are noted (see paragraph "GRI Standards Content Index").

In order to identify the contribution of Poste Italiane to achieving the 17 United Nations Sustainable Development Goals, a link was made with the targets established by Poste Italiane, the GRI Standards indicators and the SDGs, following the indications in the document "SDG Compass" drawn up by GRI, UN Global Compact and WBCSD (the World Business Council for Sustainable Development), further supplemented by an analysis of each Goal and the related 169 targets associated to them.

The following table outlines the relations among the scope of the Decree, Poste Italiane's material topics and the corresponding GRI Standards and describes, for each material topic, the related impact generated both inside and outside of the organisation.

33. Figures for Poste Tributi, which is in liquidation and has three employees, regard the workforce.

TABLE SHOWING THE LINK WITH THE SCOPE OF THE DECREE, POSTE ITALIANE'S MATERIAL TOPICS AND THE GRI STANDARDS

Scope of Decree 254/2016	Material topic	GRI Specific Standard	Internal scope	External scope
Efforts to combat active and passive corruption	Integrity and transparency	■ GRI 205 Anticorruption	Poste Italiane Group	Suppliers and business partners
Personnel	Equal career development opportunities	■ GRI 404 Training and Education	Poste Italiane Group	-
	Staff training and development	■ GRI 404 Training and Education	Poste Italiane Group	-
	<i>Staff welfare and wellbeing</i>	■ GRI 401 Employment	Poste Italiane Group	-
	Relations with social partners	■ GRI 402 Labor/Management Relations	Poste Italiane Group	-
	Occupational health and safety	■ GRI 403 Occupational Health and Safety	Poste Italiane Group	Suppliers and business partners
Respect for human rights	Safeguarding human rights at the Company	■ GRI 405 Diversity and Equal Opportunity ■ GRI 412 Human Rights Assessment	Poste Italiane Group	Suppliers and business partners
Environment	Legality and incorporation of ESG within the procurement process	■ GRI 301 Materials	Poste Italiane Group	Suppliers and business partners
	Environmental impacts of real estate facilities	■ GRI 301 Materials ■ GRI 302 Energy ■ GRI 303 Water ■ GRI 305 Emissions ■ GRI 306 Effluents and Waste	Poste Italiane Group	-
	Environmental impacts of logistics	■ GRI 301 Materials ■ GRI 302 Energy ■ GRI 305 Emissions ■ GRI 306 Effluents and Waste	Poste Italiane Group	Suppliers and business partners
Social	Support for the socio-economic development of local communities	■ GRI 203 Indirect Economic Impacts	Poste Italiane Group	-
	Dialogue and transparency in relations with the authorities	-	Poste Italiane Group	-
	Financial inclusion	■ FS 14 Initiatives designed to improve access to financial services for disadvantaged people	Poste Italiane Group	-
	Quality and customer experience	-	Poste Italiane Group	-
	Innovation and digitisation of products, services and processes	-	Poste Italiane Group	-
	IT security and business continuity	■ GRI 418 Customer Privacy	Poste Italiane Group	-
	Integration of ESG factors into investment policies	■ FS 11 Percentage of assets subject to positive and negative environmental/social screening	Poste Italiane Group	-
	Integration of ESG factors into insurance policies	■ FS 11 Percentage of assets subject to positive and negative environmental/social screening	Poste Italiane Group	-

GRI standards content index

GRI Standard	Indicator number and title	Section
GRI 101: Foundation 2016		
GRI 102: GENERAL DISCLOSURES		
GRI 102: General Standards	Organisational profile	
	102-1 Name of the organisation	Report on Operations: Statement from the Chairwoman and the Chief Executive Officer
	102-2 Activities, brands, products and services	Report on Operations: The Group's organisation and operating segments
	102-3 Location of headquarters	Annual Report: inside the back cover
	102- 4 Location of operations	Report on Operations: Multichannel commercial strategy
	102-5 Ownership and legal form	Report on Operations: 4. Governance and integrated risk management model
	102-6 Markets served	Report on Operations: The Group's organisation and operating segments; Multichannel commercial strategy
	102-7 Scale of the organisation	Report on Operations: Group financial review; Indicators tables – People development Report on Corporate Governance and the Ownership Structure: Section I: Governance and ownership structures
	102-8 Information on employees and other workers	Report on Operations: Indicators tables – Protection of human rights
	102-9 Supply chain	Report on Operations: Legality and incorporation of ESG criteria within the procurement processes
	102-10 Significant changes to the organization and its supply chain	Report on Operations: Corporate actions during the year; Poste Italiane's organisational structure Report on Corporate Governance and the Ownership Structure: Section I: Governance and ownership structures
	102-11 Precautionary Principle or approach	The cautionary approach required by principle 15 of the United Nations Rio Declaration is applied by Poste Italiane to protect the environment in the development and introduction of new products and services and in planning new operating activities.
	102-12 External initiatives	Report on Operations: The Group's Environmental Social and Governance (ESG) Strategic Plan
	102-13 Membership of associations	Report on Operations: The Group's Environmental Social and Governance (ESG) Strategic Plan; Dialogue and transparency in relations with the authorities; Relations with social partners
	Strategy	
	102-14 Statement from senior decision-maker	Report on Operations: Statement from the Chairwoman and the Chief Executive Officer
	102-15 Key impacts, risks and opportunities	Report on Operations: Poste Italiane's material topics; Poste Italiane's integrated internal control and risk management system
	Ethics and Integrity	
	102-16 Values, principles, standards and norms of behaviour	Report on Operations: Risk management and risk assessment; Integrity and transparency

GRI Standard	Indicator number and title	Section
	Corporate Governance	
	102-18 Governance structure	Report on Operations: Management and supervisory bodies Report on Corporate Governance and the Ownership Structure: 7.2 Audit, Risk and Sustainability Committee
	102-19 Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	Report on Operations: Risk management and risk assessment
	102-20 Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics	
	102-21 Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics	
	102-22 Composition of the highest governance body and its committees	Report on Operations: Management and supervisory bodies; Indicators tables – People development; Link: https://www.posteitaliane.it/it/consiglio-di-amministrazione.html Report on Corporate Governance and the Ownership Structure: 7.2 Audit, Risk and Sustainability Committee
	102-23 Chair of the highest governance body	Report on Corporate Governance and the Ownership Structure: 6.6 Chief Executive Officer
	102-24 Criteria used for nominating and selecting the highest governance body	Report on Corporate Governance and the Ownership Structure: 6. Board of Directors; 6.1 current composition and term of office (pursuant to art. 123-bis, para. 2.d), Consolidated Law on Finance); 6.8 Independent Directors, 6.10 Assessment of workings of the Board of Directors and Board Committees, 6.11 Diversity policies (pursuant to art. 123-bis, paragraph 2.d), Consolidated Law on Finance)
	102-25 Conflicts of interest	Report on Corporate Governance and the Ownership Structure: 14. Other corporate governance procedures (pursuant to art. 123-bis, paragraph 2.a), Consolidated Law on Finance)
	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.
	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 (pursuant to art. 123-bis, paragraph 2.d), Consolidated Law on Finance); 6.8 Independent Directors; 6.10 Assessment of workings of the Board of Directors and Board Committees
	102-28 Processes for evaluating the highest governance body's performance	Report on Corporate Governance and the Ownership Structure: 6.10 Assessment of workings of the Board of Directors and Board Committees
	102-29 Highest governance body's role in identifying and managing economic, environmental, and social topics	Report on Corporate Governance and the Ownership Structure: 6.3 Role and functions (pursuant to art. 123-bis, paragraph 2.d), Consolidated Law on Finance)
	102-30 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
	102-31 Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities	
	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 (pursuant to art. 123-bis, paragraph 1.e), Consolidated Law on Finance); 7.2 Audit, Risk and Sustainability Committee
	102-36 Process for determining remuneration	Report on Corporate Governance and the Ownership Structure: 6.12 Remuneration

GRI Standard	Indicator number and title	Section
	Stakeholder Engagement	
	102-40 A list of stakeholder groups engaged with by the organisation	Report on Operations: Stakeholder engagement
	102-41 Collective bargaining agreements	Report on Operations: Relations with social partners
	102-42 The basis for identifying and selecting stakeholders with whom to engage	Report on Operations: Stakeholder engagement
	102-43 Approach to stakeholder engagement	Report on Operations: Stakeholder engagement; Quality and Customer Experience
	102-44 Key topics and concerns that have been raised through stakeholder engagement and related actions	Report on Operations: The observations that emerged during the 2018 Multi-stakeholder Forum; Quality and Customer Experience
	Reporting practice	
	102-45 List of entities included in the consolidated financial statements and those not included in the sustainability report	Report on Operations: 7. Consolidated Non-financial Statement
	102-46 Defining report content and topic Boundaries	Report on Operations: Poste Italiane's material topics; 7. Consolidated Non-financial Statement
	102-47 List of material topics	Report on Operations: Poste Italiane's material topics
	102-48 Restatements of information provided in previous reports and reasons for doing so	Report on Operations: Indicators tables The restatements of information provided in the Consolidated non-financial Statement 2017 concern the following indicators: 303-1, 305-1, 305-2, 305-3 and 403-2. The reasons for the restatements are explicated in note of the related data collection tables
	102-49 Significant changes in reporting compared with previous periods	Report on Operations: 7. Consolidated Non-financial Statement
	102-50 Reporting period	Report on Operations: 7. Consolidated Non-financial Statement
	102-51 Date of most recent report	Non-financial Statement 2017; Sustainability Report 2017
	102-52 Reporting cycle	Report on Operations: 7. Consolidated Non-financial Statement
	102-53 Contact point for questions regarding the report	For further information and details regarding the topics and indicators covered in this Report, contact: Poste Italiane SpA Corporate Affairs/Group Risk Management Viale Europa, 190 00144 Rome – Italy
	102-54 Claims of reporting in accordance with the GRI Standards	Report on Operations: 7. Consolidated Non-financial Statement
	102-55 GRI content index	Report on Operations: GRI Standard Content Index
	102-56 External assurance	Report on Operations: 7. Consolidated Non-financial Statement







GRI Standard	Number and description of indicator	Section and/or page number	Notes/omissions
Material topics			
GRI 200: ECONOMIC PERFORMANCE INDICATORS			
Economic performance			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; The economic value generated and distributed by the Poste Italiane Group	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 201: Economic performance	201-1 Direct economic value generated and distributed	Report on Operations: The economic value generated and distributed by the Poste Italiane Group	
Indirect economic impacts			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Support for the socio-economic development of local communities	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 203: Indirect economic impacts	203-1 Investment in communities	Report on Operations: Indicators tables	Information not available. The current reporting system did not allow reporting investments in communities for the years 2016-2017. We expect to report this information in the next cycles of disclosure.
Anti-corruption			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Integrity and transparency	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	Report on Operations: Indicators tables	
	205-3 Confirmed incidents of corruption and actions taken	Report on Operations: Indicators tables	
GRI 300: ENVIRONMENTAL PERFORMANCE INDICATORS			
Materials			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Legality and incorporation of ESG criteria within the procurement processes; Environmental impacts of logistics	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 301: Materials	301-1 Materials used by weight or volume	Report on Operations: Indicators tables	






GRI Standard	Number and description of indicator	Section and/or page number	Notes/omissions
Energy			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Environmental impacts of real estate facilities; Environmental impacts of logistics	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 302: Energy	302-1 Energy consumption within the organisation	Report on Operations: Indicators tables	
	302-2 Energy consumption outside of the organisation	Report on Operations: Indicators tables	
Water			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Environmental impacts of real estate facilities	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 303: Water	303-1 Water withdrawals by source	Report on Operations: Indicators tables	
Emissions			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Environmental impacts of real estate facilities; Environmental impacts of logistics	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	Report on Operations: Indicators tables	
	305-2 Indirect (Scope 2) GHG emissions	Report on Operations: Indicators tables	
	305-3 Other indirect GHG (Scope 3) emissions	Report on Operations: Indicators tables	
Effluents and waste			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Environmental impacts of real estate facilities; Environmental impacts of logistics	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 306: Effluents and waste	306-2 Waste by type and disposal method	Report on Operations: Indicators tables	
Environmental assessment of suppliers			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Legality and incorporation of ESG criteria within the procurement processes; Indicators tables	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 400: SOCIAL PERFORMANCE INDICATORS			
Employment			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Staff welfare and wellbeing	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 401: Employment	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Report on Operations: Indicators tables	






GRI Standard	Number and description of indicator	Section and/or page number	Notes/omissions
Labour/management relations			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Relations with social partners	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 402: Labour/management relations	402-1 Minimum notice periods regarding operational changes	For Parent Company and its subsidiaries which are signatories of the Poste Italiane's National Collective Labour Agreement, the notice period for communicating major operational changes is four weeks (25 working days from the date of the first meeting with the labour unions, including Saturday) for talks at national level. In addition, a further two weeks (13 working days, including Saturday) is provided for in order to endorse any agreement reached by HR Coordination and an additional week (7 working days, including Saturday) for talks at local level. In addition, Article 2 (Contractual Arrangements) of the National Collective Labour Agreement of 30 November 2017 includes details of the notice period and procedures for consultation and negotiation with Trade Union Organisations	
Health and safety			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Occupational health and safety	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 403: Health and safety	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Report on Operations: Indicators tables	Information not available. The current reporting system did not allow reporting disclosure on contractors. We expect to report this information in the next cycles of disclosure.
Training and education			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Staff training and development; Equal career development opportunities	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 404: Training	404-1 Average hours of training per year per employee	Report on Operations: Indicators tables	
	404-3 Percentage of employees receiving regular performance and career development reviews	Report on Operations: Indicators tables	

GRI Standard	Number and description of indicator	Section and/or page number	Notes/omissions
Diversity and equal opportunity			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Protection of human rights	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 405: Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	Report on Operations: Indicators tables	
Human rights assessment			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Work with transparency and integrity; Legality and incorporation of ESG criteria within the procurement processes	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 412: Human rights assessment	412-1 Operations that have been subject to human rights reviews or impact assessments	Report on Operations: Indicators tables	
Supplier social assessment			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Legality and incorporation of ESG criteria within the procurement processes	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
Customer privacy			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; IT security and business continuity	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 418: Customer privacy	418-1 Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	Report on Operations: Indicators tables	
Active ownership			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Integration of ESG factors into investment policies; Integration of ESG factors into insurance policies	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
	FS11 Percentage of assets subject to positive and negative environmental or social screening	In 2018, Poste Vita and BancoPosta Fondi SGR – the Poste Italiane Group companies operating in the investment sector – subjected their portfolios to social and environmental screening by an external body. The process regarded 99% of Poste Vita's total AuM and 80% of BancoPosta Fondi SGR's total AuM.	
Local communities			
GRI 103: General requirements for reporting the management approach	103-1 Explanation of the material topic and its boundary	Report on Operations: Materiality matrix; Poste Italiane's sustainability strategy; Financial inclusion	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
	FS14 Initiatives to improve access to financial services for disadvantaged people	Report on Operations: Indicators tables	

Table showing links between the SDGs and the GRI indicators

SDG	Topic	GRI Standard Disclosure
 <p>Goal 1 – No poverty</p> <p>End poverty in all its forms everywhere.</p>	<ul style="list-style-type: none"> ■ Access to financial services 	<ul style="list-style-type: none"> ■ FS14
 <p>Goal 2 – Zero hunger</p> <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture.</p>	<ul style="list-style-type: none"> ■ Infrastructure investment 	<ul style="list-style-type: none"> ■ 201-1
 <p>Goal 3 – Good health and wellbeing</p> <p>Ensure healthy lives and promote wellbeing for all at all ages.</p>	<ul style="list-style-type: none"> ■ Air quality ■ Occupational health and safety 	<ul style="list-style-type: none"> ■ 305-1 ■ 305-2 ■ 305-3 ■ 403-2
 <p>Goal 4 – Quality education</p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>	<ul style="list-style-type: none"> ■ Employee training and education 	<ul style="list-style-type: none"> ■ 404-1 ■ 404-3
 <p>Goal 5 – Gender equality</p> <p>Achieve gender equality and empower all women and girls.</p>	<ul style="list-style-type: none"> ■ Gender equality ■ Infrastructure investment 	<ul style="list-style-type: none"> ■ 405-1 ■ 201-1 ■ 203-1
 <p>Goal 6 – Clean water and sanitation</p> <p>Ensure availability and sustainable management of water and sanitation for all.</p>	<ul style="list-style-type: none"> ■ Sustainable water withdrawals ■ Waste 	<ul style="list-style-type: none"> ■ 303-1 ■ 306-2

SDG	Topic	GRI Standard Disclosure
 <p>Goal 7 – Affordable and clean energy</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all.</p>	<ul style="list-style-type: none"> ■ Energy efficiency ■ Infrastructure investment ■ Renewable energy 	<ul style="list-style-type: none"> ■ 302-1 ■ 302-2 ■ 201-1 ■ 203-1 ■ 302-1 ■ 302-2
 <p>Goal 8 – Decent work and economic growth</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	<ul style="list-style-type: none"> ■ Access to financial services ■ Diversity and equal opportunity ■ Earnings, wages and benefits ■ Economic performance ■ Employee training and education ■ Energy efficiency ■ Materials efficiency ■ Occupational health and safety 	<ul style="list-style-type: none"> ■ FS14 ■ 405-1 ■ 401-2 ■ 201-1 ■ 404-1 ■ 404-3 ■ 302-1 ■ 302-2 ■ 301-1 ■ 403-2
 <p>Goal 9 – Industry, innovation and infrastructure</p> <p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.</p>	<ul style="list-style-type: none"> ■ Infrastructure investment ■ Research and development 	<ul style="list-style-type: none"> ■ 201-1 ■ 203-1 ■ 201-1
 <p>Goal 10 – Reduced inequalities</p> <p>Reduce inequality within and among countries.</p>	<ul style="list-style-type: none"> ■ Access to financial services ■ Economic development in areas of high poverty ■ Responsible finance 	<ul style="list-style-type: none"> ■ FS14 ■ 203-1 ■ FS11
 <p>Goal 11 – Sustainable cities and communities</p> <p>Make cities and human settlements inclusive, safe, resilient and sustainable.</p>	<ul style="list-style-type: none"> ■ Infrastructure investment 	<ul style="list-style-type: none"> ■ 201-1 ■ 203-1

SDG	Topic	GRI Standard Disclosure
 <p>Goal 12 – Responsible consumption and production</p> <p>Ensure sustainable consumption and production patterns.</p>	<ul style="list-style-type: none"> ■ Air quality ■ Energy efficiency ■ Materials efficiency/recycling ■ Waste 	<ul style="list-style-type: none"> ■ 305-1 ■ 305-2 ■ 305-3 ■ 302-1 ■ 302-2 ■ 301-1 ■ 306-2
 <p>Goal 13 – Climate action</p> <p>Take urgent action to combat climate change and its impacts.</p>	<ul style="list-style-type: none"> ■ Energy efficiency ■ GHG emissions 	<ul style="list-style-type: none"> ■ 302-1 ■ 302-2 ■ 305-1 ■ 305-2 ■ 305-3
 <p>Goal 14 – Life below water</p> <p>Conserve and sustainably use the oceans, seas and marine resources.</p>	<ul style="list-style-type: none"> ■ Ocean acidification 	<ul style="list-style-type: none"> ■ 305-1 ■ 305-2 ■ 305-3
 <p>Goal 15 – Life on land</p> <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.</p>	<ul style="list-style-type: none"> ■ Forest degradation 	<ul style="list-style-type: none"> ■ 305-1 ■ 305-2 ■ 305-3
 <p>Goal 16 – Peace, justice and strong institutions</p> <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.</p>	<ul style="list-style-type: none"> ■ Anti-corruption ■ Protection of privacy 	<ul style="list-style-type: none"> ■ 205-1 ■ 205-3 ■ 418-1

8. Proposed shareholder resolutions

The Board of Directors proposes that the Annual General Meeting approve Poste Italiane SpA's financial statements for the year ended 31 December 2018 (including BancoPosta RFC's Separate Report), accompanied by the Directors' Report on Operations.

In line with the previously announced dividend policy, the Board of Directors proposes that the Annual General Meeting:

- appropriate BancoPosta RFC's profit for the year of €596,808,586 to be put at the Company's disposal;
- appropriate Poste Italiane SpA's profit for 2018, amounting to €583,766,266, as follows:
 - to pay shareholders a dividend of €0.441 per share, payable to the holders of each of the ordinary shares in issue at the ex dividend date, excluding treasury shares held by the Company at that date;
 - to take the remaining amount after payment of the above dividend to shareholders to "Retained earnings".
- pay the above dividend of €0.441 per ordinary share for 2018 – before any applicable withholdings – from 26 June 2019, with an ex dividend date of 24 June 2019 for coupon number 4 and a record date (defined in accordance with art. 83-terdecies of Legislative Decree 58 of 24 February 1998 and art. 2.6.6, paragraph 2 of the Regulations for the Markets organised and managed by Borsa Italiana SpA) of 25 June 2019.

9. Other information

Events after 31 December 2018

Events after the end of the reporting period to which the Annual Report for 2018 refers are described in other sections of this document. Further information is provided in Poste Italiane Financial Statements for the year ended 31 December 2018.

Related party transactions

With the aim of ensuring the transparency and substantial and procedural correctness of transactions with related parties and connected persons, in 2015, Poste Italiane adopted “Guidelines for the management of transactions with related and connected parties”. The Guidelines have been drawn up in compliance with the principles established by the CONSOB in Regulation 17221 of 12 March 2010, as amended, and with the Supervisory Standards issued by the Bank of Italy and applicable to Poste Italiane in relation to the activities of BancoPosta.

In line with these regulations, the Guidelines are reviewed every three years, and are in any event revised in response to any changes in legislation or of an organisational nature, or in the event of significant changes in the business model.

As a result, on 7 November 2018, Poste Italiane’s Board of Directors approved new Guidelines that reflect, among other things, in relation to Bancoposta RFC’s operations, the recommendations made by the Bank of Italy as part of the process of authorising the electronic money institution.

The scope of application of the Guidelines differs depending on the applicable regulations. This means that the CONSOB’s requirements apply to Poste Italiane (in carrying out both its postal activities and those of BancoPosta and in the conduct of transactions with Poste Italiane’s related parties through subsidiaries), whilst the standards issued by the Bank of Italy apply solely to BancoPosta’s transactions with Poste Italiane’s connected parties. The updated version of the Guidelines is published on Poste Italiane’s website at <https://www.posteitaliane.it/it/documenti-societari.html>. The document is also available in the section dedicated to BancoPosta at <https://www.posteitaliane.it/it/documenti-bancoposta.html>.

Significant transactions completed in 2018

Within the scope of the transactions with Monte dei Paschi di Siena Capital Services Banca per le Imprese SpA authorised by the Board of Directors on 20 September 2017, having obtained the consent of the Related and Connected Parties Committee, twelve repurchase agreements and fifteen buy & sell back transactions and seven Interest Rate Swaps for hedging purposes, and twenty-four trades in government securities were carried out in 2018.

Within the scope of the transactions with Cassa depositi e prestiti authorised by the Board of Directors on 11 October 2016, having obtained the consent of the Related and Connected Parties Committee, two repurchase agreements were entered into during 2018.

Moreover, in connection with the process that resulted in the establishment of the electronic money institution, the Related and Connected Parties Committee issued a favourable opinion to the Board of Directors on two contracts with PostePay SpA that qualify as material under the Bank of Italy’s regulations. These regard the contract governing the outsourcing of BancoPosta’s

activities to the electronic money institution and the agreement on the promotion and placement of the EMI's products by BancoPosta. Both were approved by the Board of Directors and took effect on 1 October 2018.

Details of the impact of related party transactions on the financial position and profit or loss are provided in Poste Italiane Financial Statements for the year ended 31 December 2018.

Statement of reconciliation of profit and equity

The statement of reconciliation of the Parent Company's profit/(loss) for the period and Equity with the consolidated amounts at 31 December 2018, compared with the statement at 31 December 2017, is included in Poste Italiane Financial Statements for the year ended 31 December 2018 (Notes to the Poste Italiane Group's financial statements – Equity).

Exceptional and/or unusual transactions

Under the definition provided by the CONSOB ruling of 28 July 2006, the Poste Italiane Group did not conduct any exceptional and/or unusual transactions³⁴ in 2018.

Alternative performance indicators

In keeping with the guidelines published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415), in addition to the financial disclosures required by IFRS, Poste Italiane has included a number of indicators in this report that have been derived from them. These provide management with a further tool for measuring the Group's performance.

The following alternative performance indicators are used:

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) – this is an indicator of operating profit before non-operating financial expenses and taxation, and depreciation, amortisation and impairments of non-current assets.

EBIT margin – this is an indicator of the operating performance and is calculated as the ratio of operating profit (EBIT) to total revenue before non-operating financial expenses and taxation. This indicator is also presented separately for each Strategic Business Unit.

ROE (Return On Equity) – this is calculated as the ratio of net profit to the average value of equity (net of the fair value reserves) at the beginning and end of the reporting period.

NON-CURRENT ASSETS – this indicator represents the sum of property, plant and equipment, intangible assets and investments measured using the equity method. This indicator is also presented separately for each Strategic Business Unit inclusive of intersegment transactions.

NET WORKING CAPITAL – the sum of inventories, trade receivables and other receivables and assets, current tax assets, trade payables and other liabilities, and current tax liabilities.

This indicator is also presented separately for each Strategic Business Unit before adjusting for intersegment transactions.

34. Such transactions are defined as transactions that due to their significance/materiality, the nature of the counterparties, the purpose of the transaction, the manner of determining the transfer price and timing of the transaction may give rise to doubts over the correctness and/or completeness of the disclosures in the financial statements, over a conflict of interest, safeguards for the Company's financial position and protections for non-controlling shareholders.

NET INVESTED CAPITAL – this indicator represents the sum of non-current assets and net working capital, deferred tax assets, deferred tax liabilities, provisions for risks and charges and provisions for employee termination benefits and pension plans and non-current assets and disposal groups held for sale and liabilities related to assets held for sale. This indicator is also presented separately for each Strategic Business Unit inclusive of intersegment transactions.

GROUP NET (DEBT)/FUNDS - the sum of financial assets, cash and deposits attributable to BancoPosta, cash and cash equivalents, technical provisions for the insurance business (shown net of technical provisions attributable to reinsurers) and financial liabilities. This indicator is also shown separately for each Strategic Business Unit inclusive of intersegment transactions.

NET (DEBT)/FUNDS OF THE MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT – this is the sum of the following items, shown according to the format recommended by ESMA, the European Securities and Markets Authority (document 319 of 2013): financial liabilities after adjusting for intersegment transactions, current financial assets after adjusting for intersegment transactions and cash and cash equivalents.

COMBINED RATIO is a measure of profitability, calculated by taking total claim-related losses and general business costs and dividing them by the value of gross earned premiums and gross premium revenue. It is the sum of the Loss Ratio and the Expense Ratio.

LOSS RATIO is a measure of the technical performance of an insurance company providing Non-life cover and is calculated as the ratio of total losses incurred (including claims expenses) and gross earned premiums.

EXPENSE RATIO is calculated as the ratio of total expenses (operating costs and fees and commissions) and gross premium revenue.

Key performance indicators for principal Poste Italiane Group Companies

The figures shown in the tables below reflect the financial and operational indicators (as deduced from the related reporting packages) of the principal Group companies, prepared in accordance with International Financial Reporting Standards (IFRS) and approved by the boards of directors of the respective companies..

POSTEL SPA

(€000)	2018	2017	Increase/(decrease)	
Revenue from sales and services	195,725	213,230	(17,505)	-8.2%
Operating profit/(loss)	(20,134)	1,672	(21,806)	n/s
Profit/(loss) for the period	(16,141)	118	(16,259)	n/s
Investment	6,706	7,607	(901)	-11.8%
Equity	83,962	101,459	(17,497)	-17.2%
Permanent workforce - average	1,052	1,069	(17)	-1.6%
Flexible workforce - average	25	20	5	25.0%

n/s: not significant

SDA EXPRESS COURIER SPA

(€000)	2018	2017	Increase/(decrease)	
Revenue from sales and services	578,164	549,173	28,991	5.3%
Operating profit/(loss)	(51,155)	(42,114)	(9,041)	-21.5%
Profit/(loss) for the period	(39,711)	(31,990)	(7,721)	-24.1%
Investment	19,813	8,288	11,525	139.1%
Equity*	22,514	(22,876)	45,390	198.4%
Permanent workforce - average	1,309	1,347	(38)	-2.8%
Flexible workforce - average	111	85	26	30.6%

* Equity for 2018 includes capital of €90 million injected by the Parent Company during the year.

EUROPA GESTIONI IMMOBILIARI SPA

(€000)	2018	2017	Increase/(decrease)	
Revenue from sales and services	91,234	94,240	(3,006)	-3.2%
Operating profit/(loss)	3,068	4,639	(1,571)	-33.9%
Profit/(loss) for the period	431	1,843	(1,412)	-76.6%
Investment	271	681	(410)	-60.2%
Equity	237,674	237,263	411	0.2%
Permanent workforce - average	28	28	-	n/s
Flexible workforce - average	1	-	1	n/s

n/s: not significant

MISTRAL AIR SRL

(€000)	2018	2017	Increase/(decrease)	
Revenue from sales and services	59,015	100,472	(41,457)	-41.3%
Operating profit/(loss)	(5,182)	(8,950)	3,768	42.1%
Profit/(loss) for the period	(4,279)	(7,611)	3,332	43.8%
Investment	73	172	(99)	-57.6%
Equity*	845	(1,895)	2,740	144.6%
Permanent workforce - average	105	129	(24)	-18.6%
Flexible workforce - average	18	56	(38)	-67.9%

* Equity for 2018 includes capital of €7million injected by the Parent Company during the year.

POSTE VITA SPA*

(€000)	2018	2017	Increase/(decrease)	
Insurance premium revenue**	16,609,902	20,263,356	(3,653,454)	-18.0%
Profit/(loss) for the period	949,761	510,172	439,589	86.2%
Financial assets	126,263,345	125,626,314	637,031	0.5%
Technical provisions for insurance business	124,965,928	123,489,910	1,476,018	1.2%
Equity***	3,862,261	3,323,728	538,533	16.2%
Permanent workforce - average	396	388	8	2.1%
Flexible workforce - average	3	5	(2)	-40.0%

* The figures shown have been prepared in accordance with IFRS and therefore may not coincide with those in the financial statements prepared in accordance with the Italian Civil Code and under Italian GAAP.

** Insurance premium revenue is reported gross of outward reinsurance premiums.

*** During the year, the company paid dividends totalling €238 million.

POSTE ASSICURA SPA*

(€000)	2018	2017	Increase/(decrease)	
Insurance premium revenue**	168,157	131,099	37,058	28.3%
Profit/(loss) for the period	45,658	28,609	17,049	59.6%
Financial assets	281,905	233,498	48,407	20.7%
Technical provisions for insurance business	183,077	160,005	23,072	14.4%
Equity	139,723	104,359	35,364	33.9%
Permanent workforce - average	59	57	2	3.5%
Flexible workforce - average	1	-	1	n/s

* The figures shown have been prepared in accordance with IFRS and therefore may not coincide with those in the financial statements prepared in accordance with the Italian Civil Code and under Italian GAAP.

** Insurance premium revenue is reported gross of outward reinsurance premiums.

n/s: not significant

BANCOPOSTA FONDI SPA SGR

(€000)	2018	2017	Increase/(decrease)	
Fee income	104,491	101,954	2,537	2.5%
Net fee income	45,432	54,501	(9,069)	-16.6%
Profit/(Loss) for the period	22,529	29,134	(6,605)	-22.7%
Financial assets (liquidity and securities)	70,827	71,372	(545)	-0.8%
Equity*	60,709	53,886	6,823	12.7%
Permanent workforce - average	54	58	(4)	-6.3%

* During the year, the company paid dividends totalling €15 million.

POSTEPAY SPA

(€000)	2018	2017	Increase/(decrease)	
Revenue from sales and services	431,931	234,543	197,388	84,2%
Operating profit/(loss)	76,719	26,837	49,882	185,9%
Profit/(loss) for the period	54,509	18,659	35,850	192,1%
Investment	30,613	26,583	4,030	15,2%
Equity*	243,059	57,905	185,154	319,8%
Permanent workforce - average	232	213	19	8,9%
Flexible workforce - average	-	4	(4)	n.s.

* During the year, the company declared dividends totalling €9 million. Equity includes the capital increase of €140 million carried out via the contribution of the card payments and payment services business unit from BancoPosta RFC, effective for legal, accounting and tax purposes from 1 October 2018. On the same date, PosteMobile SpA changed its name to PostePay SpA.
 n/s: not significant