

DELIVERING RESPONSIBLE GROWTH TOGETHER

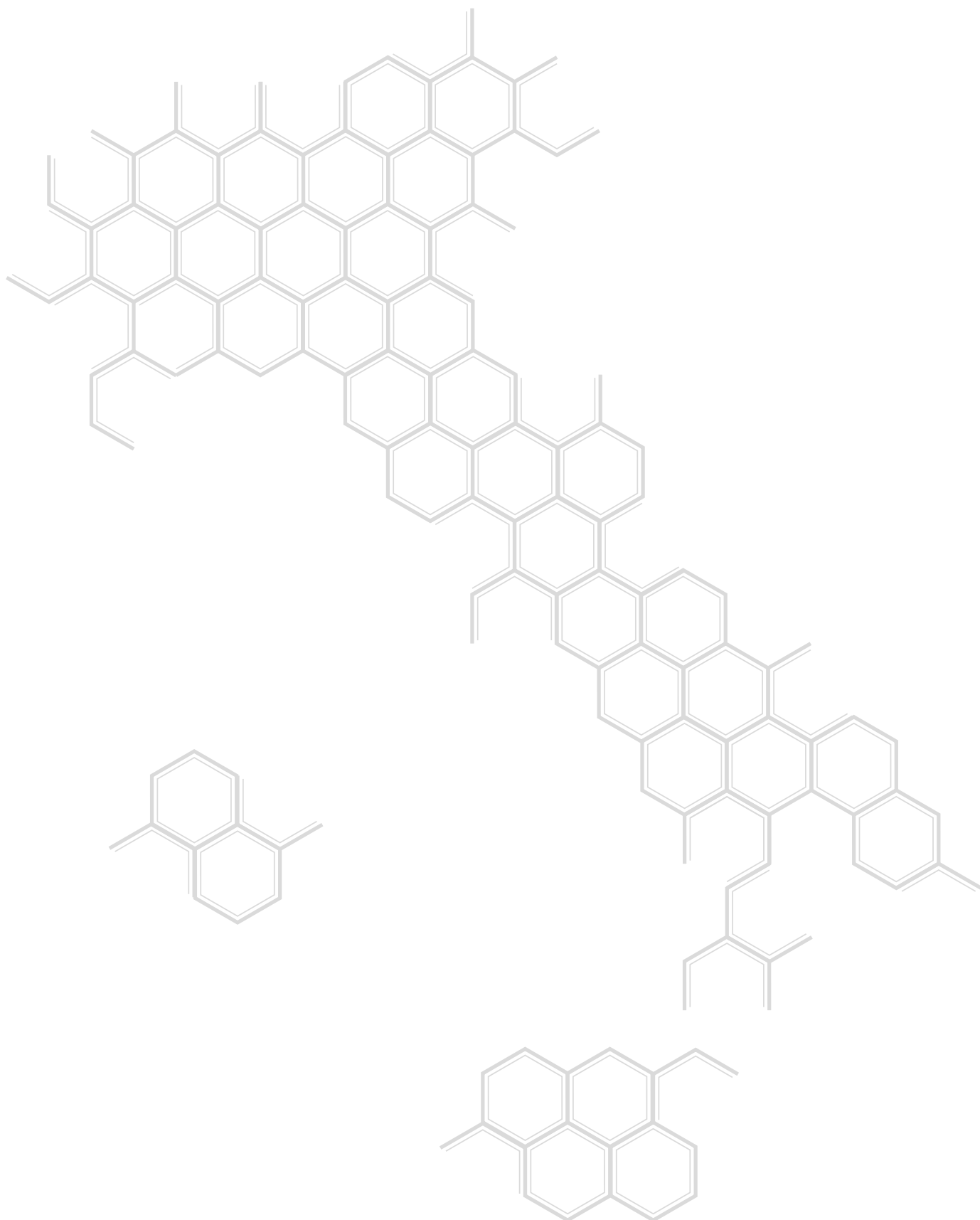
# ANNUAL REPORT 2019





DELIVERING RESPONSIBLE GROWTH TOGETHER

**ANNUAL REPORT** 2019





## READING GUIDE

We are the **network that unites Italy**, contributing to its economic and social development through the daily work of over 128,000 people, guided by shared values and common commitments.

Let's take Sustainability, a value that guides our choices and the way we do business and that has led us to publish our Integrated Report for the second year.

Precisely for this reason, we have focused on an image that inextricably links our ability to create networks and Italy's silhouette, the internal texture of which reminds us of a hive, evoking **industriousness and teamwork** that have always distinguished Poste Italiane with its vocation as a **Company at the service of the country**.

A concept made even more explicit by a strong and inclusive statement:

### **DELIVERING RESPONSIBLE GROWTH TOGETHER.**

Our second Integrated Report is an opportunity to share, through concrete data, our operating performance and financial position together with our sustainable journey.

To assist readers in identifying the information they are most interested in, the volume has been structured into **three macro sections** in three colors, also visible on the page headings, to provide guidance.

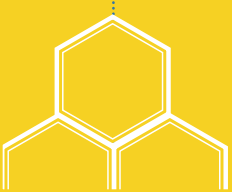
First section and volume browsing are strengthened with additional **graphic elements**. In particular, the relevant non-financial content required by current legislation (Legislative Decree 254/16) is graphically highlighted with the acronym NFS (Non-financial statement), highlighted by a yellow hexagon.



DNF

**1** The first section, the "Report on Operations at 31 December 2019" (from page 4) in blue, also includes **issues related to value aspects** and the role of the Company in the national context:

- the impacts of Poste Italiane to the economic and social well-being of the Country *pages 28/31*
- the relevant Sustainability issues and the integrated risk management model *pages 32/59*
- the integration of Sustainability in the strategy and in the governance of Poste Italiane *pages 60/268*



The performance chapter (pages 140/268) presents, in particular, the **strategic Sustainability objectives** that the Group has set for the future, the initiatives to achieve them and the indicators for measuring results achieved.

Each pillar has a different colour that can be easily identified with a coloured piece placed next to the main colour of the heading of the first section.

	Integrity and transparency	<i>pages 142/153</i>
	People development	<i>pages 154/169</i>
	Diversity and inclusion	<i>pages 170/179</i>
	Support for local communities and the Country as a whole	<i>pages 180/192</i>
	Customer experience	<i>pages 194/205</i>
	Innovation	<i>pages 206/213</i>
	Decarbonisation of real estate facilities and logistics	<i>pages 214/223</i>
	Sustainable Finance	<i>pages 224/229</i>

**2** The second section, “The Financial Statements of Poste Italiane at 31 December 2019” in yellow, (from page 286), focuses on the **Company’s operating performance and financial position**.

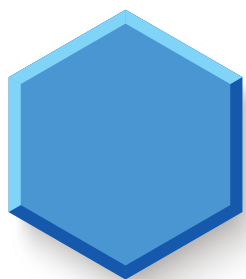
In particular, the section includes 3 subsections that represent:

- Poste Italiane Group Operating performance and financial position *pages. 326/393*
- Poste Italiane S.p.A Operating performance and financial position *pages. 396/470*
- focus on BancoPosta RFC *pages. 552/685*

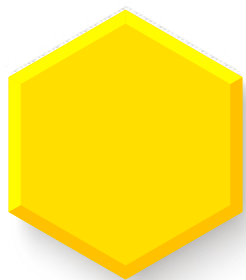
**3** Lastly, the third section, “Reports and Certifications” (from page 690) in green, collects all the supporting documentation provided by the Independent Auditors.



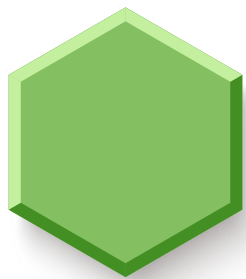
# Summary



REPORT ON OPERATIONS  
AT 31 DECEMBER 2019



FINANCIAL STATEMENTS  
OF POSTE ITALIANE  
AT 31 DECEMBER 2019



REPORTS  
AND ATTESTATIONS



**REPORT ON OPERATIONS AT 31 DECEMBER 2019** 

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**FINANCIAL STATEMENTS OF POSTE ITALIANE AT 31 DECEMBER 2019** 

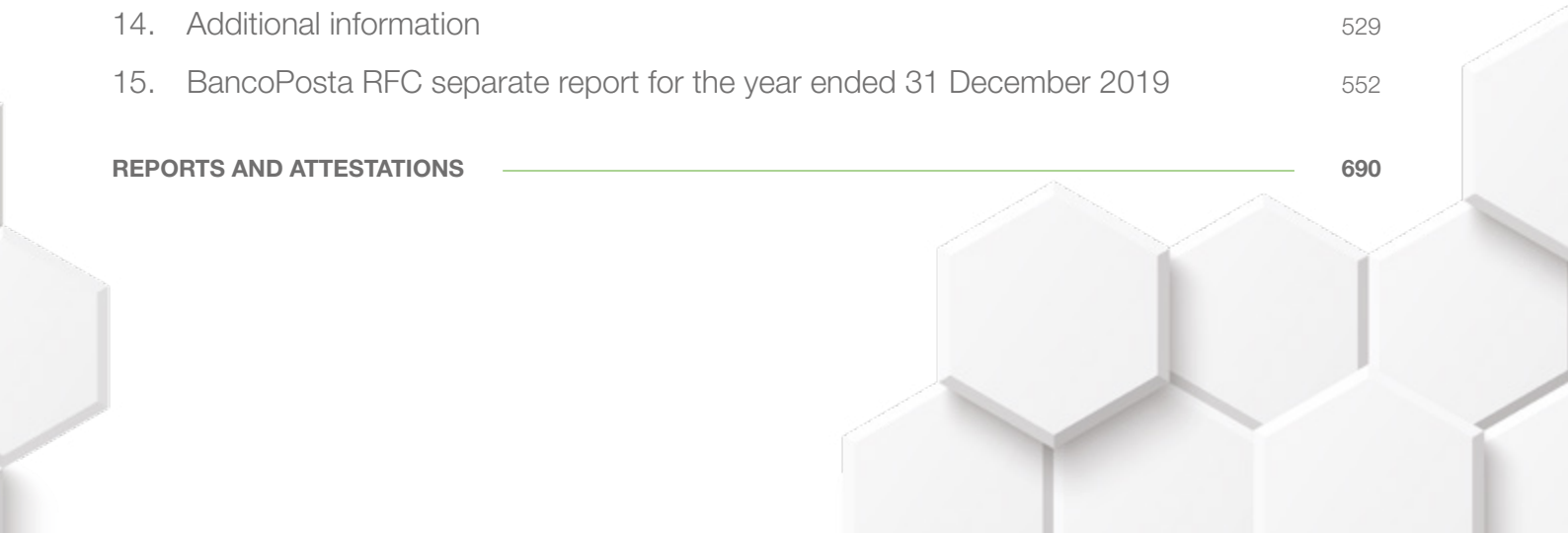
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**REPORTS AND ATTESTATIONS** 

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# 01

## REPORT ON OPERATIONS **AT 31 DECEMBER 2019**





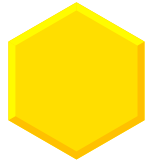


**01** REPORT ON OPERATIONS  
**AT 31 DECEMBER 2019**

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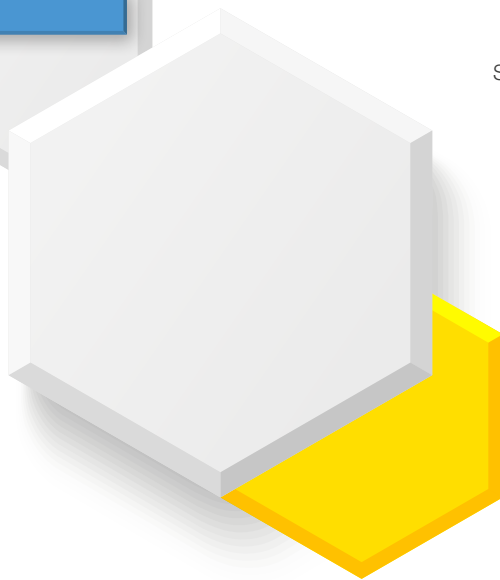
# Statement from the Chairwoman and the Chief Executive Officer



**Maria Bianca Farina**  
Chairwoman



**Matteo Del Fante**  
Chief Executive Officer



## Shareholders,

One year after the first edition, we present with great satisfaction the second Integrated Report of the Poste Italiane Group. 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. This Report is a concrete representation of how the Group, through its business model and strategy, has been able to manage risks and, above all, to seize the opportunities offered by the context, achieving important results for the Company and stakeholders.

Poste Italiane is now the largest logistics operator in Italy, and is a leading player in the financial, insurance and payment services sector. The Company plays an important role in the country, making a strong contribution to the production chain and the national economy: by investing and operating together with other operators in its value chain, it generates positive results not only through its own business, but also by generating externalities through the activation of a local supply chain.

With a turnover of over €11 billion, the Group's activities generate significant impacts on the country in terms of Gross Domestic Product, tax revenues, employment and household income. These impacts are the effect of the involvement of many local companies - many of them small and medium-sized - in the supply chain and investment activities in Italian companies and government bonds. Supporting both public and private actors, Poste Italiane contributes to the development of the entire national economy.

Aware of the importance of the role and responsibilities assumed for the country, the Deliver 2022 strategic plan has the aim of maximizing the value of the largest distribution network in Italy, responding to the ever-changing needs of customers and seizing new business opportunities towards digitisation. The Plan will make it possible to fully capitalise on the strengths that make Poste Italiane's network which consists of more than 12,800 Post Offices unique by setting targets on realistic assumptions with limited execution risk through a business transformation programme, a focus on changing customer needs and sustainable dividend growth, in line with the Group's improved operating performance.

The driving force behind this value-creation process over time is a business model which, by making the most of all the capitals on which the Company is based, allows achieving the objectives that the Group has set for each operating sector in an integrated Strategic Plan with ESG objectives. Thanks to a sustainable business model, it becomes possible to face the new challenges offered by increasingly changing and competitive scenarios not only by reacting to risks, but by seizing all opportunities without ignoring their social implications.

It is precisely the set of capital on which this model is based - in particular, intellectual and human capital - that is the fundamental element of success in a rapidly changing market that requires continuous development of its business and ability to innovate. Poste Italiane has proven to be capable of transforming its operating structures and its products and services, through continuous investments in technology and know-how, transforming market challenges into opportunities for the creation of shared value. Also in 2019, the performance achieved registered the validity and effectiveness of the choices made, with growth in the various business segments.



In this context, the ability to create innovation and make it available to all citizens becomes central to providing a timely response to the external needs expressed by stakeholders and to implement an effective strategy at all levels of the organisation. The digital solutions developed not only at product and service level, but also at the level of internal processes and the launch of a structured Digital Transformation path are representative of the approach chosen by Poste Italiane.

Innovation is one of the founding elements of the Group's integrated strategy, which recognises its value both from an economic and financial point of view and for the achievement of general sustainable development objectives - in particular, those defined by the United Nations for Agenda 2030 (Sustainable Development Goals). For Poste Italiane, being sustainable means defining a clear strategy consisting of elements consistent with the Group's business objectives and the social needs expressed by the territory.

Taking into account the continuous evolution of these needs, Poste Italiane monitors the relevance and effectiveness of the Sustainability Strategy adopted, the Policies that constitute it and the ESG Strategic Plan that represents its operational application into specific objectives. By understanding the future evolution of the market and listening to the voice of stakeholders through continuous activities and institutional moments - of which the annual Multi-stakeholder Forum represents the maximum expression - it was possible to renew this Strategy by introducing two new pillars: Innovation and Diversity and inclusion now flank by Integrity and transparency, People development, Support for Territory and Country, Customer experience, Decarbonisation of real estate facilities and logistics and Sustainable finance.

It is important to reiterate that the strategy is based on different types of capital in which Poste Italiane invests and which are an integral part of its business model: financial, physical-structural, intellectual, human, social-relational and natural. The use of this capital allows Poste Italiane to offer products and services on the market and create economic, environmental and social impacts.

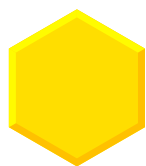
The correct management of capital also from an ESG perspective is part of our vision of a "sustainable company" and the path taken over the last three years is made up of many stages representative of this vision that have involved strategy, governance and reporting systems and have led to important evolutionary transformations that in a short time, have led the Company to achieve many goals in 2019.

The commitment to corporate action based on integrity and transparency has led, in particular, to the subscription of the United Nations Global Compact (UNGC), the United Nations initiative that encourages companies to actively promote principles of ethical and responsible business conduct. In addition, with regard to the protection of human rights in relation to gender equality and non-discrimination, the Company is further committed to the Women's Empowerment Principles, the initiative promoted by UN Women and the Global Compact in support of gender equality worldwide. These initiatives are perfectly consistent with the importance of diversity and inclusion for Poste Italiane, leading to the adoption of a corporate policy dedicated to the issue and making it a pillar of the Group's Sustainability Strategy.

The effort that Poste Italiane has made to achieve a structured sustainability path that is fully consistent with its business objectives has led the Group to achieve major awards during the year. First in order of time, was the entry in the Dow Jones Sustainability Index, the most prestigious sustainability index that includes only the companies considered the best in the world in the sustainable management of their business. Being admitted both in the “World” segment and in the more restrictive “Europe” segment is an additional reason of pride for the Group.

This was followed by other entries in equally important indexes: Bloomberg Gender-Equality Index (GEI), Euronext Vigeo-Eiris World 120, FTSE4GOOD and the RobecoSAM Sustainability Yearbook 2020 as “Industry Mover”.

In light of the achievements, which give a measure of the reputation that Poste Italiane has today and its importance as a competitive lever to face and win the challenges of an increasingly evolved market, we look with satisfaction at the path we have taken so far and with confidence at the one still ahead of us, aware that only through a constant and concrete commitment to achieving common goals and shared values with our stakeholders can we grow together and face new challenges of sustainable development.



# Presentation of Poste Italiane Group's second Integrated Report

Poste Italiane's second Integrated Report provides a clear representation of the sustainability path undertaken by the Group with the aim of sharing with its stakeholders the evolution of the activities undertaken in support of value creation. The Company is aware of its role of responsibility in supporting the country's development and for this reason, it is committed to taking actions increasingly oriented to promote shared value in the short, medium and long term.

This commitment has resulted in the implementation of strategic choices in the interest of the Company and all its stakeholders by continuing to invest in the main forms of capital: financial, human, physical-structural, intellectual, social and natural. In this regard, the document provides a clear correlation between the governance system, the business model, the risk management system and the strategic objectives and the development of the main forms of "capital" with the aim of illustrating how, through the implementation of specific initiatives to support them, the Company contributes to the development of shared value over time.

The Integrated Report provides a detailed yet concise description of the growing integration of sustainability within the company's culture, strategy and activities, illustrating its key role as a key driver now at the heart of business decisions. To represent the important goals achieved, the document includes a specific section that illustrates the evolutionary path of sustainability over time and the numerous awards obtained thanks to the constant commitment adopted. In order to complement the disclosure on the Group's value creation process, the document also presents the update of the study of Poste Italiane Group's impact on the country's economy.

With a view to increasing accountability to its stakeholders, the Company is committed to strengthening its reporting activities, going beyond regulatory obligations and adopting a reporting system that promotes further alignment with the main international reference frameworks. The 2019 Integrated Report is, in fact, characterised by numerous innovations, useful to give more distinctive features to the document and to incorporate the most recent trends in non-financial reporting.

As last year, the 2019 Integrated Report has been drafted in accordance with a reporting system defined 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 standard "GRI Sustainability Reporting

Standards" issued by the GRI – Global Reporting Initiative, with the related supplement for the Financial Services sector. In addition, the reporting process has reconciled compliance requirements (including those dictated by Legislative Decree 254/16), external communication and positioning in the sustainability indices in which the Company is involved.

There are, however, many innovative elements introduced in this version.

First of all, the document sees reinforcement of some elements of the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC). The document, in fact, provides a series of innovative elements, including: the "impact matrix" - which provides for the assessment of the issues, not only with a view to their relevance in terms of impact on strategy, governance, performance and future prospects, but also in terms of probability of occurrence of such impact; the representation of the interconnection between the material issues for the Group and the main measurement metrics; the correlation between the forms of capital used and the achievement of the Sustainable Development Goals (SDGs). Compared to last year, it also specifies the capitals that constitute the "outcomes" of the activities in relation to the SDGs and the metrics used to measure them.

In addition, given the importance that the SASB (Sustainability Accounting Standards) are assuming in relation to the increasing demands for information from investors for the ESG assessment of target portfolio companies, the document presents which indicators are required by this standard, verifying their correspondence with the reported indicators. With the aim of meeting the need for greater consistency, transparency and uniformity in terms of reporting, the Report also presents which indicators correspond to the "material ESG metrics" presented at the World Economic Forum 2020 in the document "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation" with the aim of providing a common and universal framework for non-financial reporting.

As part of the description of the main risks associated with Poste's activities, further innovations concern the description of the way in which risks and opportunities arising from emerging trends are managed and - in line with the growing attention to climate change issues - the representation of risks and opportunities related to climate change according to the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).



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 on 31 December 2019. 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.

Furthermore, the Report on Operations includes the Consolidated non-financial statement, prepared on the basis of the criteria referred to in the introduction as well as in the paragraph "Reporting standards and policies" of Chapter 7 of this document.

Amounts shown in millions of euros in the document 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:

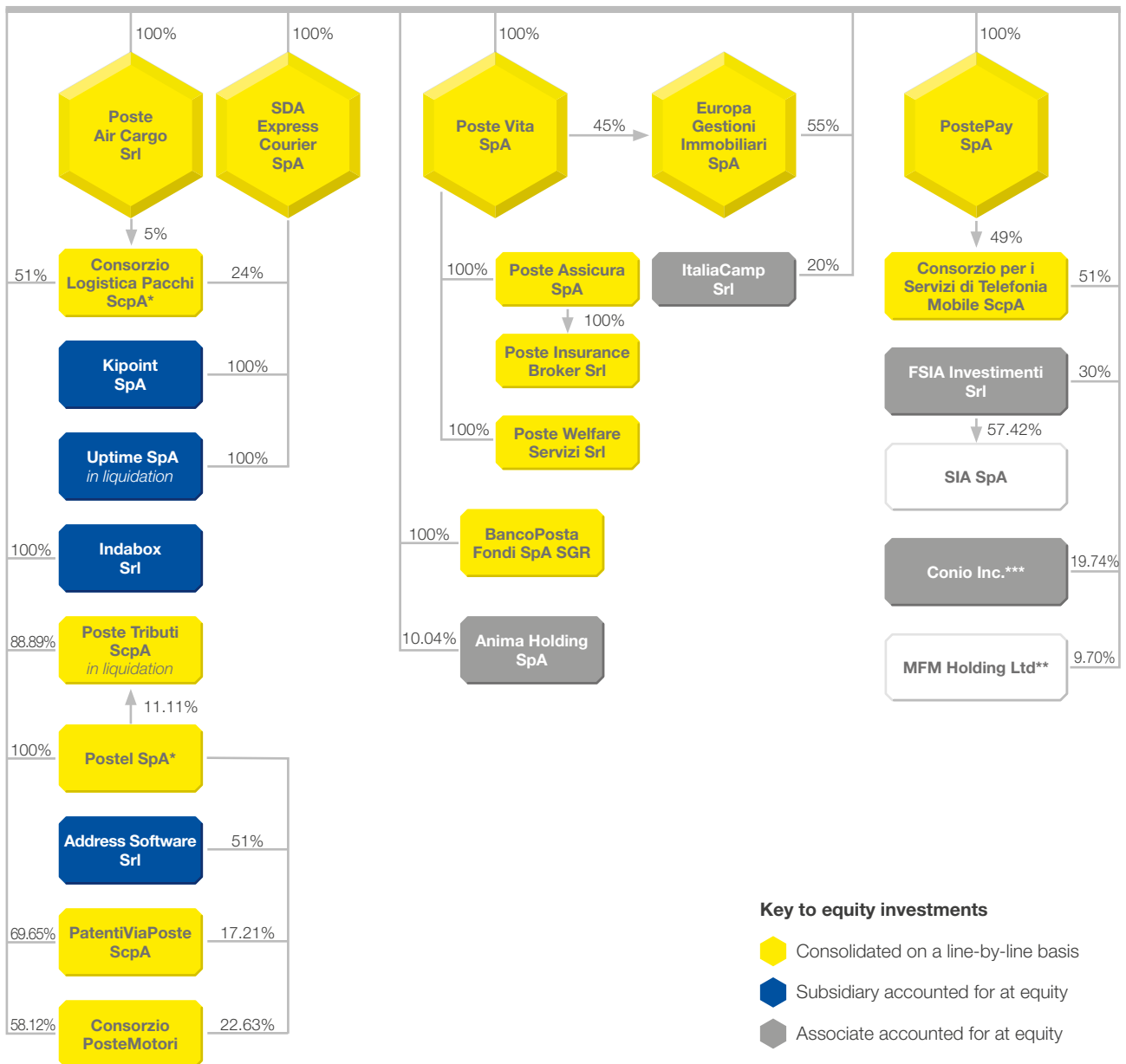


# 1. Presentation of the Organisation

## Structure of the Group at 31 December 2019



### Poste Italiane



\* The remaining 20% of the share capital of Consorzio Logistica Pacchi ScpA is held by Postel SpA.

\*\* The equity investment of Poste Italiane SpA in MFM Holding Ltd is equal to 9.70% of the shares with voting rights (10.36% of property rights).

\*\*\* Following the purchase of 250,000 new issue shares on 19 March 2019, the equity investment held by Poste Italiane in Conio Inc. went from 19.94% to 19.74% as a result of the exercise of the stock option.

## The Poste Italiane Group Company businesses

Company	Assets
<b>MAIL, PARCELS AND DISTRIBUTION</b>	
<b>SDA Express Courier SpA</b>	This is the Group's operational company. It mainly carries out activities to serve the logistics processes. It also operates on the Express Courier market, supplying non-network services with customised solutions to handle any type of transport.
<b>Postel SpA</b>	This company operates in communication services for businesses and the public administration, providing printing and delivery services, electronic document management solutions, direct marketing, e-procurement, IT services and "portal" website management in support of online payments.
<b>Poste Air Cargo Srl</b> (formerly <i>Mistral Air Srl</i> )	This company provides commercial air transport, cargo courier transport and insures, as the Group's sole provider, the air logistics in support of mail and parcel delivery.
<b>Consorzio PosteMotori</b>	This is a non-profit consortium that manages and reports on the payment of prices due by users for the proceedings for which the Transport Department is competent (e.g. issue of "pink sheets", issue and renewal of copies of driving licences, registrations, MOTs, etc.).
<b>Consorzio Logistica Pacchi ScpA</b>	This consortium coordinates the activities of the consortium members (Poste Italiane, SDA, Postel and Poste Air Cargo) in transport overland, by air or postal effects, integrated logistics, printing and envelope filling, electronic document management, e-commerce, marketing and telemarketing.
<b>PatentiViaPoste ScpA</b>	Non-profit consortium that provides centralised printing services, the dispatch and delivery of new licences and copies of log books.
<b>Address Software Srl</b>	This company develops, mainly for Postel SpA, application software packages for the processing of personal and territorial data (normalisation of addresses, data cleaning and geomarketing).
<b>Europa Gestioni Immobiliari SpA</b>	This company manages and optimises Poste's real estate assets that are no longer instrumental; it carries out town planning and construction transformations, in order to assure the relative marketing (new leases and sales). It also operates on the electricity market as "wholesale" purchaser for the Group.
<b>ItaliaCamp Srl</b>	This company intermediates the supply and demand of ideas and solutions for the development of social, economic and scientific projects as well as consultancy for businesses and entities for the supply of services relating to projects, both in the public and private context.
<b>Indabox Srl</b>	This company develops IT and telematic systems offering logistics support to e-commerce, offering customers a collection service of parcels purchased online from authorised retailers.
<b>Kipoint SpA</b>	Through a network of franchise stores, this company sells national and international deliveries, products and services. Following the stipulation of the contract with Grandi Stazioni, it also manages luggage deposits at major railway stations.
<b>Conio Inc.</b>	This Californian company creates and offers innovative services in digital currencies. It controls 100% of Conio Srl, which is involved in the research, development and testing of results consisting of innovative electronic payment technological solutions (cryptocurrencies, bitcoins).
<b>PAYMENTS, MOBILE AND DIGITAL</b>	
<b>PostePay SpA</b>	This is a hybrid electronic money institution that offers payment and telecommunications services, integrating money and payment systems with the virtual operator activities for retail and business customers and the public administration.
<b>Consorzio per i Servizi di Telefonia Mobile ScpA</b>	Consortium for the supply of services relating to the "Electronic Postman" platform, mobile telephony and integrating messaging services (device info services connected with financial instruments) exclusively for Poste Italiane.
<b>Fsia Investimenti Srl</b>	Investment SPV that purchases, subscribes, holds, administers, sells and otherwise disposes of shares in SIA SpA, bonds or participating financial instruments issued by SIA.
<b>FINANCIAL SERVICES</b>	
<b>BancoPosta Fondi SpA SGR</b>	Collective asset management company that operates through the establishment and management of mutual investment funds and the individual portfolio management service relative to institutional mandates assigned to the Group.
<b>Anima Holding SpA</b>	Investment holding company in the asset management sector. It controls 100% of Anima SGR, which, in turn, controls 100% of Anima Asset Management Ltd.
<b>INSURANCE SERVICES</b>	
<b>Poste Vita SpA</b>	Insurance company that provides insurance and reinsurance in Life classes.
<b>Poste Assicura SpA</b>	Insurance company that provides personal protection (health and accident), property protection (home and assets) and credit protection (insurance of loans and mortgages from unforeseen events).
<b>Poste Insurance Broker Srl</b>	Insurance broker for the distribution and brokerage of insurance and reinsurance.
<b>Poste Welfare Servizi Srl</b>	Company that manages Supplementary Medical Funds, services for the acquisition and validation of databases, services and liquidation of services on behalf of private medical funds; it also supplies services for the management of Poste Vita Group health and welfare products.

## Corporate actions during the year

### FSIA Investimenti Srl

On 14 March 2019, FSIA Investimenti Srl, an investment vehicle 30% owned by Poste Italiane (the remaining 70% is indirectly controlled by CDP Equity via FSI Investimenti), announced its intention to exercise its call option on 7.934% of the shares in SIA SpA held by UniCredit and Intesa Sanpaolo. On 28 May 2019, the relevant purchase and sale agreement was signed, which was finalised after FSIA obtained the necessary authorisations from the Antitrust Authority and the Bank of Italy, the latter received on 24 October 2019. Moreover, on 27 May 2019, the shareholders agreements that gave FSIA Investimenti, together with other shareholders, joint control of SIA expired. Following these events, the Cassa Depositi e Prestiti Group acquired sole control of FSIA Investimenti, which in turn holds 57.4% of the share capital of SIA SpA. Poste Italiane's indirect holding in SIA SpA (through FSIA Investimenti) rose from 14.85 to 17.23%.

In light of the above, at 31 December 2019, Poste Italiane's investment in FSIA Investimenti was classified as associate, in place of the previous joint control.

### Poste Insurance Broker Srl

On 12 April 2019, Poste Assicura established Poste Insurance Broker Srl, an insurance brokerage company set up to oversee relations with partner insurance companies in order to launch a pilot project for the offer of vehicle insurance policies to employees.

### sennder GmbH

On 7 May 2019, Poste Italiane entered into a partnership with the German digital road-freight-forwarder, sennder GmbH, with the goal of establishing a joint venture in Italy in line with the Deliver 2022 Strategic Plan, to boost the efficiency of long-haul logistics operations (so called Full Track Load). On 24 September 2019, the two companies signed the final agreements governing the arrangements for collaboration in the Full Track Load sector, the joint venture's operating and governance mechanisms and an investment by Poste Italiane in the capital of sennder. The latter was finalised on 11 November 2019, with the subscription of a reserved capital increase as a result of which Poste holds a 1.63% stake in the German company. Finally, on 12 February 2020, Poste Italiane subscribed a capital increase at nominal value in the Italian joint venture, called sennder Italia Srl, acquiring a 75% stake.

### SDA Express Courier SpA

On 20 June 2019, an Extraordinary General Meeting of SDA Express Courier's shareholders and, on 27 June 2019, the Board of Directors of Poste Italiane approved the partial demerger of the business unit responsible for commercial and customer care activities relating to SDA's Express Parcel Delivery services to Poste Italiane. The transaction is part of the plan to create a "Single Offering", with the aim of boosting the competitiveness and effectiveness of the Group's positioning in the Express Delivery market by putting in place a single, comprehensive offering for all customers, with the reorganisation of the sales force and customer support. The de-merger took effect on 1 November 2019.

## MFM Investments Ltd

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On 2 August 2019, Poste Italiane, in line with the strategic plan, launched a partnership with the digital asset management company MFM Investments Ltd (Moneyfarm) to offer innovative digital investment and asset management services. The agreement provides that Poste Italiane will distribute an asset management service in Exchange Traded Funds (ETF) with 7 investment lines of which 2 developed exclusively for its customers. As part of this partnership, on 9 August 2019, Poste Italiane signed a contract with MFM Holding Ltd (the company that controls 100% of Moneyfarm) which provides for a capital increase by the latter for a value of approximately €40 million (GBP 36 million) through the issue of convertible preference shares to be subscribed by Poste Italiane, as lead investor, and Allianz Asset Management GmbH (the minority shareholder of Moneyfarm Holding Ltd). The capital increase involves two phases. In the first, which ended in August 2019, Poste Italiane subscribed shares in MFM Holding Ltd for a total value of €15 million, representing 9.70% of voting rights (10.36% of equity rights). The second phase will be finalised in the course of 2020 when the necessary authorisations will be obtained by the supervisory authorities of Germany (Bafin) and the United Kingdom (FCA).

## Poste Air Cargo Srl

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As part of the parcel market development strategy set out in the Deliver 2022 Business Plan, the industrial reorganisation project of the airline Mistral Air was carried out with a view to reviewing its strategic positioning, with the aim of achieving economic equilibrium and reorienting its activities towards the Poste Italiane Group's mission. This initiative involved re-focusing on the parcel logistics business with the consequent divestment of all passenger activities, downsizing the workforce and reconfiguring the fleet.

In order to highlight the change in Mistral Air's mission, also through a rebranding project, the Company changed its name to Poste Air Cargo Srl with effect from 1 October 2019.

## Tink AB

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On 20 December 2019, Poste Italiane signed agreements for the establishment of a strategic partnership with the Swedish company Tink AB, one of the leading Open banking<sup>1</sup> platforms in Europe. These agreements provide, in addition to the commercial provision of PSD2 technology solutions, for long-term strategic collaboration as an enabling factor for the expansion of the Poste Group's digital service offering, including through the sharing of technological developments and the joint development of solutions and services. The agreements also provide for the Poste Group to join with other investors in an increase in the Company's capital with an investment of around €20 million, following which the Group will hold a 4.8% stake in Tink. The subscription of the capital increase will be completed by the first quarter of 2020.

## Other transactions

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As part of the process of streamlining the Poste Group's ICT processes by centralising the management of its subsidiaries' IT systems at the Parent Company, Poste Italiane, the contract was signed on 25 June 2019 (with effect from 1 July 2019) for the sale of the Information & Communication Technology business unit of SDA Express Courier to Poste Italiane. Similarly, on 12 December 2019, the Board of Directors of Poste Italiane approved the acquisition of the business units of Poste Vita, Poste Assicura and Poste Welfare Servizi relating to ICT management activities. The operation, which has already been approved by the decision-making bodies, will take effect from 1 March 2020.

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1. Open banking is sharing of data between different players in the banking ecosystem. With the entry into force of the European PSD2 Digital Payments Directive, European banks are obliged to open up their API (Application Program Interface) to fintech (technology applied to finance) companies and other companies involved in financial products and services. This will allow external companies (third parties) access to payment data thus increasing competition.

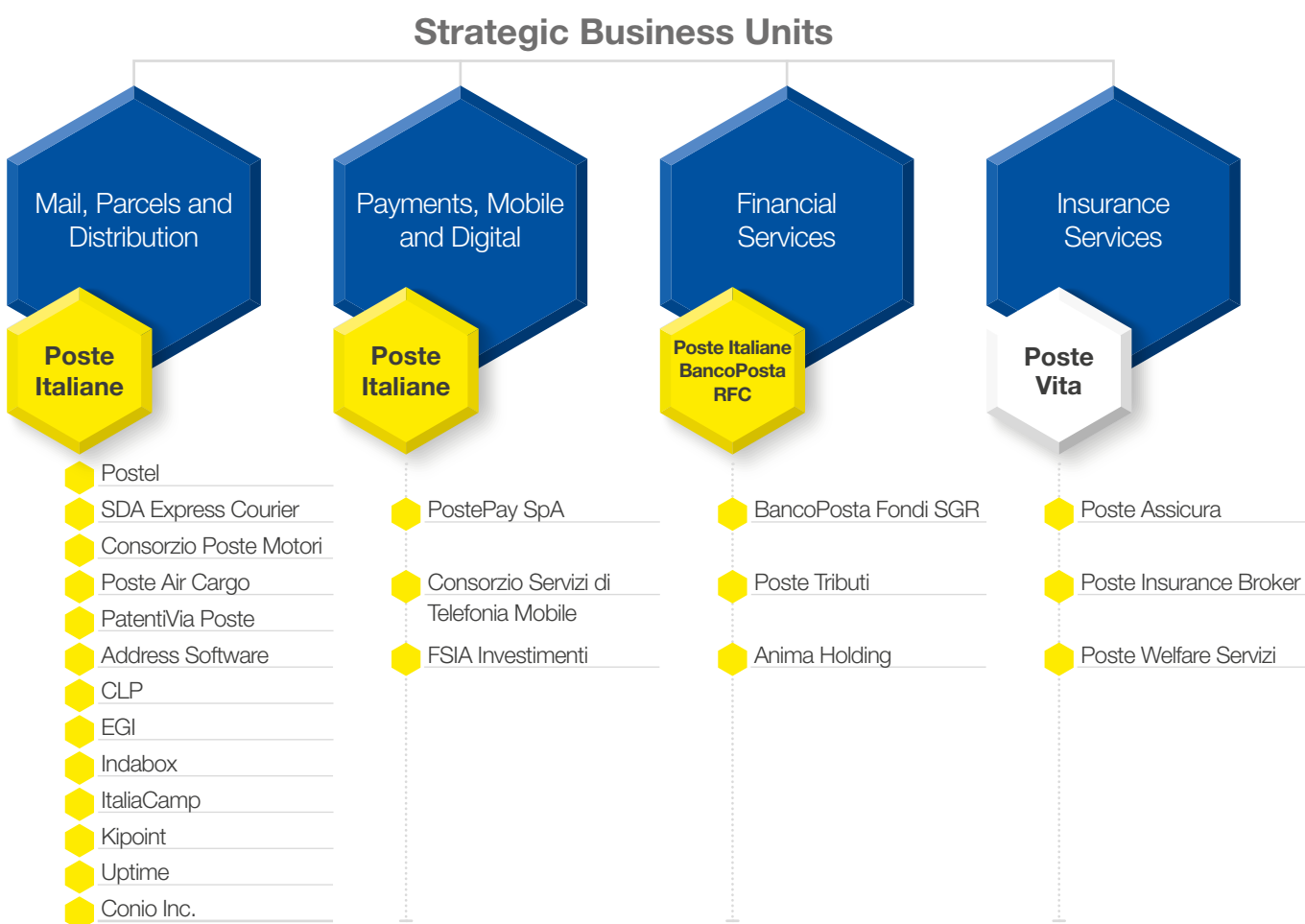
# The Group's Organisation and Operating Segments

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.

## Strategic Business Units of the Group

The **Strategic Business Units**, consistent with the Group's new strategic guidelines reflected in the 2018-2022 Business Plan are:



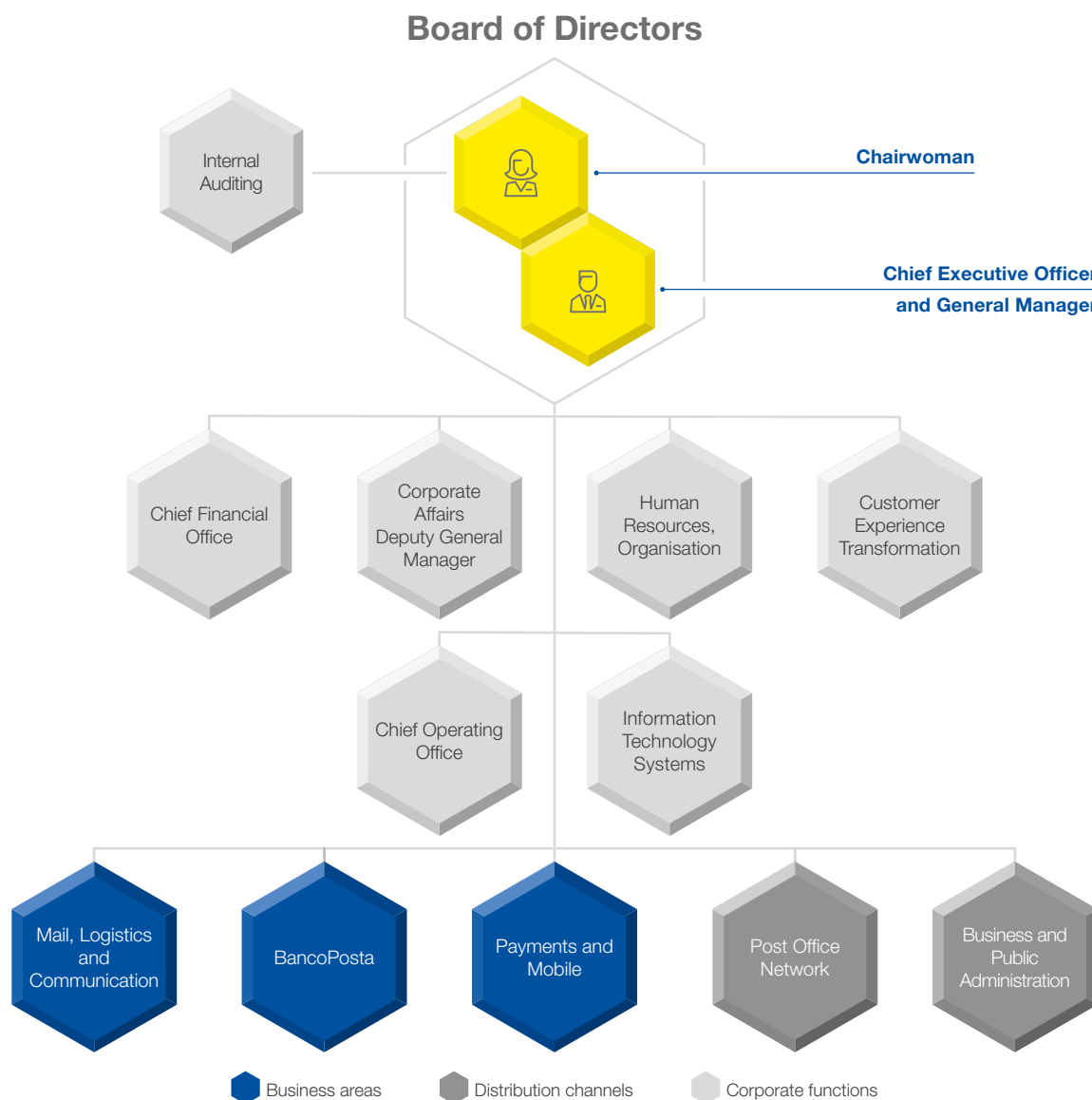
In addition to managing the mail and parcel service, the **Mail, Parcels and Distribution** SBU also includes the activities of the distribution network and the activities of Poste Italiane SpA corporate functions that provide services to BancoPosta RFC and the other segments in which the Group operates.

The **Payments, Mobile and Digital** SBU includes the activities of PostePay SpA and the mobile telecommunications services of the associate FSIA Investimenti.

The **Financial Services** SBU includes the activities of BancoPosta RFC, BancoPosta Fondi SpA SGR, the associate Anima Holding SpA and Poste Tributi ScpA in liquidation.

The **Insurance Services** SBU refers to the activities carried out by the Poste Vita Group.

## Poste Italiane's Organisational Structure



In keeping with objective in the 2022 Business Plan to maximise the value of Italy's largest distribution network, Poste Italiane continued 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 context, the following organisational interventions have been carried out

### Optimising governance and efficiency

- The Head of Corporate Affairs was assigned the role of Deputy General Manager in recognition of the part played by his department in providing strategic guidance and cohesion for the Group, as well as its responsibility for carrying out high-impact, cross-cutting initiatives and integrated management of relations with key stakeholders.
- The redefinition of the model of territorial control by the staff functions, going from 9 to 6 territorial structures.
- The centralisation of purchasing and corporate affairs activities at the Parent Company in order to enhance intragroup synergies and ensure unified and integrated governance of the Poste Italiane Group.
- The transfer of the Administration and Financial Statements function back to the CFO, due to the importance of the activities supervised and the central role in disseminating the Group's financial information to the various stakeholders, as well as the appointment of the current head of the Administration and Financial Statements function as Manager Responsible for Financial Reporting.

## Business development

- The establishment of the Customer experience Transformation function for the unitary governance of the digital innovation and transformation process initiated by the Company which, together with the objective of placing customer needs at the centre of its strategies, is increasingly focused on innovation in order to strengthen its competitive positioning and to respond in a timely manner to changes in the scenario and new customer needs.
- The redefinition, in the Human Resources and Organisation area, of the Corporate University's organisational model and the strengthening of the role of the Academies, with the aim of innovating the training model within the Poste Italiane Group and ensuring the continuous development of corporate knowledge and skills.

## Cross-cutting initiatives

The establishment, within the welfare and social inclusion policies, of the People Care and Diversity Management function within Human Resources and Organisation with the aim of identifying and resolving the factors that prevent people, with any type of diversity/disability, from accessing work, while improving work inclusion processes and enhancing skills.

Within the business areas and commercial channels, the main organisational interventions concerned the **Business Development** through:

- the further evolution of BancoPosta's organizational model aimed at strengthening the overall governance of the Group's financial and insurance business development activities and facilitating interactions with the commercial networks. In this context, the role of the Territorial Marketing function within BancoPosta has been reconfigured with the aim of ensuring a single interface to the commercial channels with regard to training needs on financial products/services, increasing its effectiveness in order to better meet the competitive challenges of the market.
- The establishment of the Global Forwarding function within the Mail, Logistics and Communication sector aimed at developing solutions to respond effectively to the rapidly changing needs of the e-commerce market and, in particular, to intercept flows of cross-border traffic from China.
- The strengthening of the business model of the Business and Public Administration function through the creation of specialised control for the mail and parcel sector and a sales structure focused on the most significant players in the e-commerce sector, in addition to those already existing and dedicated to strategic and high value customers. Moreover, in line with the objective of strengthening Poste Italiane's position in the parcels sector, during the year, SDA's sales force was integrated at the Parent Company.

During the year was also the launch of the Financial Education and Best Practices initiative, which reports directly to the Chief Executive Officer, in order to coordinate an action plan designed to educate customers and citizens in general, and to raise their awareness of the Group's offering and its various businesses, as well as of the solutions and service models of most importance to the community and social cohesion.

Finally, in line with the Group's strategic guidelines, BancoPosta Fondi SGR is the Poste Italiane Group's competence centre for the management of financial investments and, to this end, it was conferred BancoPosta's financial management mandate from 1 January 2019 and Poste Italiane's liquidity financial management mandate from 1 July 2019.

## Multichannel commercial strategy



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 physical 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.



## Territorial network - Post Office Network

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.

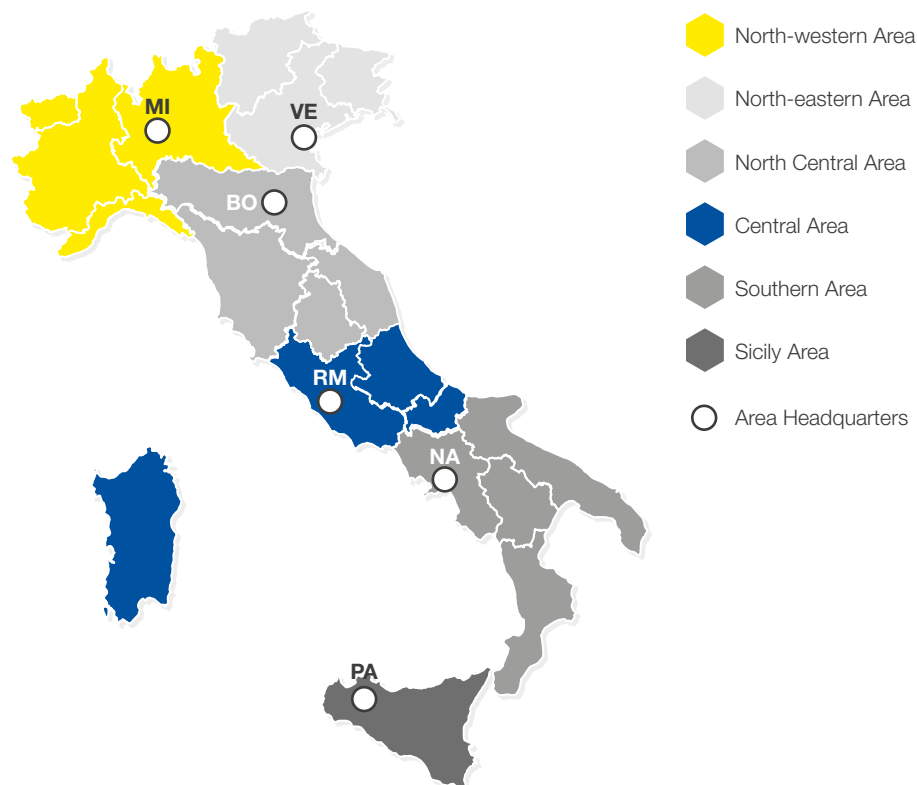
### Macro Areas, Branches and Post Offices

	31 December 2019		31 December 2018	
	Category	Personnel	Category	Personnel
Post Office Network Macro areas	6	621	6	854
Branch offices	132	4,386	132	3,715
Post offices	12,809	53,002	12,812	55,231

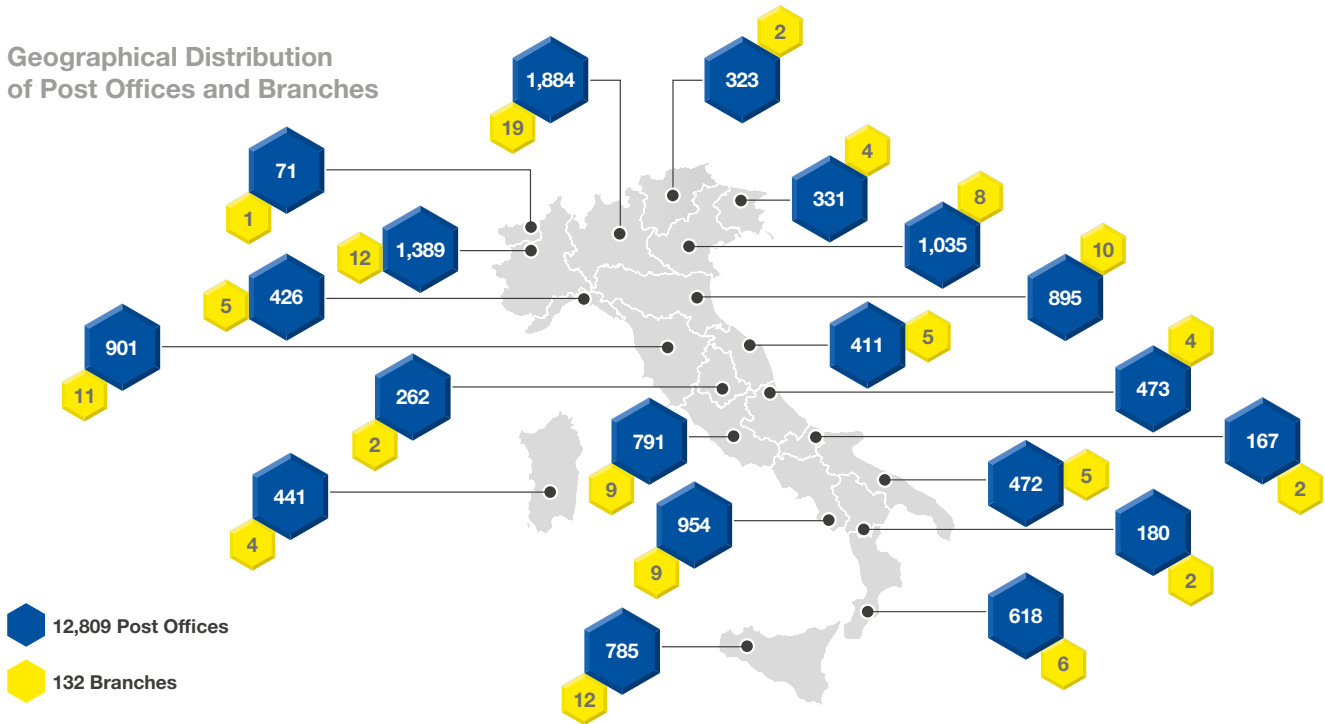
The number of resources is expressed as full time equivalent employees.

The changes in the workforce of the Post Office territorial network derive from the implementation of the new organisational model introduced for the supervision of Small Business customers and deriving from the Framework Agreement on reorganisation processes signed with the Labour Unions on 8 March 2019, with which the continuation of the Territorial Business Transformation project was presented, the objective of which is to define a territorial operating model, adapted to the new business objectives and supported by leaner and more effective processes, while guaranteeing business continuity and quality of service to the end customer. Organisational interventions were also carried out to increase the effectiveness of the sales force dedicated to the Small Business segment. The new organisational model shared with the Labour Unions in October and adopted from November 2019, provides for the specialisation of consultants in the Financial and Mail, Parcels and Distribution sectors.

#### Macro Areas Post Office Network



### Geographical Distribution of Post Offices and Branches



## Territorial Network - Business and Public Administration

The Business and Public Administration function of Poste Italiane guarantees the commercial supervision and sale of the Group's products and services for businesses and the Central and Local Public Administration through the following organisational model:

- central controls aimed at ensuring the coordination of territorial commercial action for the various business sectors;
- central controls dedicated to strategic and high-value customers, such as the Central Public Administration (PAC) and TOP Executives;
- central control dedicated to high value customers in the e-commerce segment;
- an interface function towards the competent structures in the Post Office Network regarding the marketing of financial and insurance products/services for the relevant segment;
- functions dedicated to commercial support activities, both at central and territorial level.

### Macro Areas Business and Public Administration

- North-western Area
- North-eastern Area
- North Central Area
- Central Area
- Southern Area
- Central Structures
- Area Headquarters



Number of resources Business and Public Administration	31 December 2019	31 December 2018
North-western Area	302	194
North-eastern Area	120	76
North Central Area	202	119
Central Area	122	78
Southern Area	140	84
Central Structures	28	30
<b>Total</b>	<b>914</b>	<b>581</b>

The number of resources is expressed as full time equivalent employees.

The **digital web and app channels** provide access to online services for 20.8 million retail users (17.6 million at 31 December 2018) and operate as both direct sales and after-sales channels. The daily average of web and app users was about 2 million (1.5 million average daily users in 2018).

In 2019, in line with its digital transformation programme, the Group continued activities aimed at simplifying and evolving with new services customers' experience of digital channels when using Poste Italiane's payment, financial, insurance, mail and logistics services.

In the payments area, the PostePay APP (the application available for IOS and Android devices that allows mobile management of prepaid cards) was revised from a 2.0 perspective, with the creation of a new user experience in terms of graphics and new distinctive service payment functionalities, as well as the introduction of Personal Financial Management, which allows customers to receive push notifications for credit and debit transactions and details of transactions of their card. In addition, Postepay Evolution and Postepay Evolution Business cards (registered reloadable prepaid cards with IBAN code) have been enabled for online payments through a service that allows users to store their cards, ensuring a higher level of security as only the token<sup>2</sup> information is stored, unique to each merchant, and not the card data.

In the financial area, online sales of Postal Savings products have been extended and services have been made available 24 hours a day, both on apps and on the web.

Finally, in 2019, the multi-channel offer of the SPID<sup>3</sup> Digital Identity was completed with the activation of new ways to request it remotely via electronic document (passport or ID card) and app PostelD and, from July 2019, also in support of compliance requirements under PSD2 regulations, Poste Italiane launched the new Digital Private Identity solution (Poste Account), which provides secure access to all digital properties (data, Internet accounts and other rights in the digital world) of Poste.

## Poste Italiane's logistics network

The Group's mail and parcel services are provided through 2 integrated and synergistic logistics networks in order to maximize the value of the various assets that characterize them: the **postal logistics network** for the management of mail, now evolved to allow the management of small parcels delivered by letter carriers and the **parcel logistics network** which, by taking advantage of the SDA Group's express courier assets, is also able to handle all types of parcel.

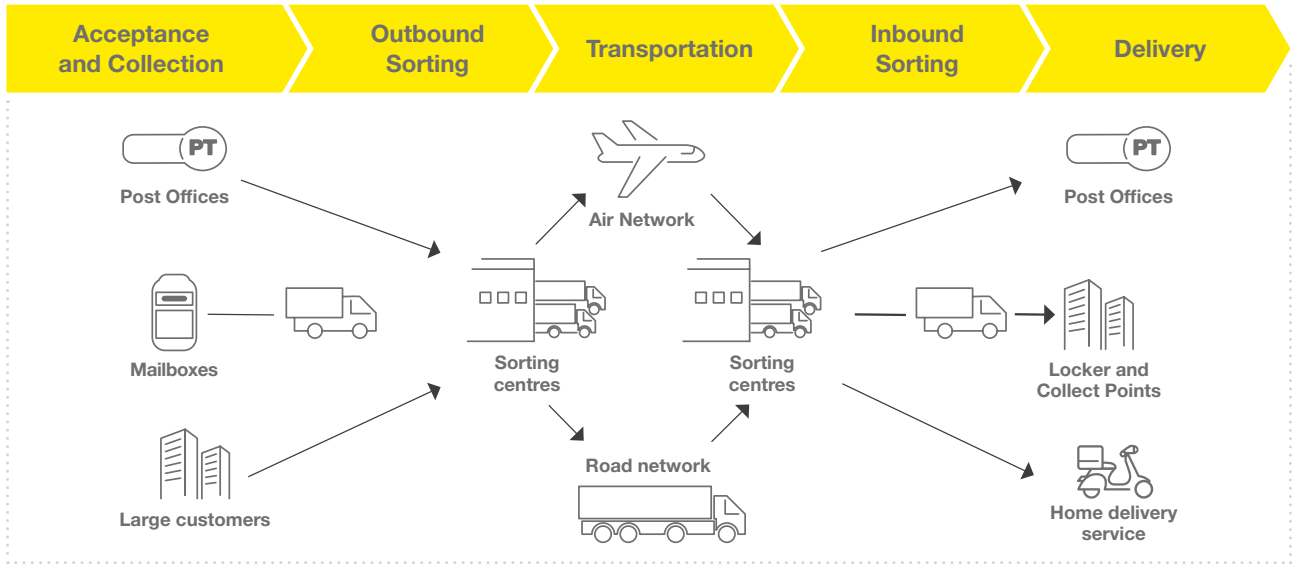
2. The token is a small, portable electronic physical device that is used to perform authentication.

3. SPID is the Public Digital Identity System that aims to provide citizens with a unique login system with which to access all Public Administration services.

# Postal logistics network activities

The postal logistics network accepts, sort and delivers mail products. The letter carrier network, as mentioned above, also distributes small parcels.

The following chart provides an overview of the postal logistics network value chain and the main quantitative drivers.



## KEY ELEMENTS OF THE POSTAL LOGISTICS NETWORK

ACCEPTANCE/COLLECTION	SORTING	TRANSPORTATION	DELIVERY
<ul style="list-style-type: none"> <li>~12,800 Postal Offices and mailboxes</li> <li>~120 Business acceptance points</li> </ul>	<ul style="list-style-type: none"> <li>16 Sorting Centres</li> <li>9 Operating Centres</li> </ul>	<ul style="list-style-type: none"> <li>7 aircraft</li> <li>~230 national road connections</li> </ul>	<ul style="list-style-type: none"> <li>~1,540 Delivery Offices</li> <li>~More than 6000 Lockers and collect point (mainly tobacconists)</li> <li>more than 30,000 postmen and women on permanent and flexible contracts</li> </ul>

The organisational model for the postal logistics network consists of 6 Logistics Macro Areas, which handle all stages of the value chain: acceptance and collection, outbound sorting, transport, inbound sorting and delivery. This model makes it possible to simplify the decision-making chain.

The model's macro areas are shown below.

### Macro Areas for Logistics

- North-western Area
- North-eastern Area
- North Central Area
- Central Area
- Southern Area
- Sicily Area
- Area Headquarters



	31 December 2019		31 December 2018	
	Category	Personnel	Category	Personnel
Macro Areas for Logistics*	6	958	6	982
Sorting Centres	16	6,467	16	6,990
Operating Centres	9	827	8	860
Delivery Centres**	1,543	35,457	1,793	35,729
<b>Total</b>	<b>1,574</b>	<b>43,710</b>	<b>1,823</b>	<b>44,561</b>

All workforce data refers to permanent staff and is shown as full time equivalent employees.

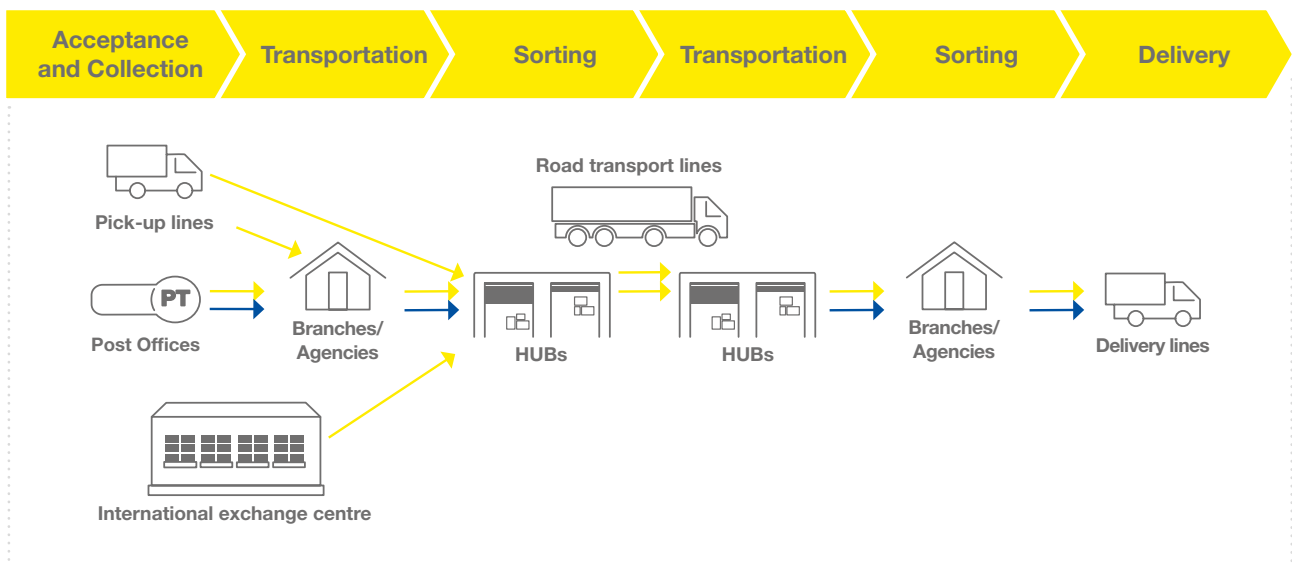
\* Logistics Network - Macro Areas, whilst coinciding geographically with the Post Office Network - Macro Areas, from 2018 have their own, separate organisations in terms of processes and competences.

\*\* Delivery staff include 26,673 Postmen and women and delivery supervisors (26,716 at 31 December 2018).

## Parcels network activities

Parcels and express courier products that are larger than those delivered by letter carriers are delivered via the network operated by the subsidiary, SDA Express Courier.

SDA's logistics flow is shown below.



### KEY ELEMENTS OF THE POSTAL LOGISTICS NETWORK

ACCEPTANCE/COLLECTION	SORTING	TRANSPORTATION	DELIVERY
<ul style="list-style-type: none"> <li>■ ~ 4,550 pick-up lines</li> <li>■ ~12,800 Post Offices</li> <li>■ ~ 87 Branches/Agencies</li> </ul>	<ul style="list-style-type: none"> <li>■ 3 automated hubs, 8 mini hubs</li> </ul>	<ul style="list-style-type: none"> <li>■ ~700 road transport lines</li> </ul>	<ul style="list-style-type: none"> <li>■ ~ 4,550 delivery lines</li> </ul>

## The contribution of Poste Italiane to Italy's economic development

Poste Italiane is currently the largest logistics operator in Italy, and is a leading player in the financial, insurance and payment services sector. The Company plays an important role within the country, contributing to the creation of shared economic value for the entire nation: it is, in fact, able to produce wealth and employment not only through its own business, but also generating externalities through the involvement of a local supply chain.

In order to provide a complete representation of how the Company, through its business model and use of capital, creates shared value for the company and the country, Poste Italiane has defined a model that estimates the overall economic impacts generated on the territory. These impacts are measured through four quantities:

- GDP generated, estimated as the difference between the value of production and the intermediate costs of production;
- employment corresponding to jobs supported by Poste Italiane;
- earned income, based on the salaries and wages paid to workers employed in the economy thanks to the economic activities carried out by Poste Italiane;
- tax contribution, which refers to the total amounts paid to national and local Public Administrations.

In order to estimate the impact of the Company's economic activity, an impact analysis model, established in literature, has been used to quantify the "direct" impacts (direct consequences of Poste Italiane's economic activity), "indirect" impacts (generated by Italian suppliers as a consequence of the purchase of intermediate goods) and "induced" impacts (deriving from consumption expenditure by workers employed in the supply chain). The above model elaborates "Input-Output" multipliers calculated from tables and data provided by ISTAT and the Ministry of Finance. The multipliers show the effects on GDP, taxation, employment and earned income resulting from changes in the expenditure 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.

It is important to underline that the impact on the country system generated by Poste Italiane also derives from investment activities directed to businesses and the State: the former can use the resources collected to carry out their business activities and make new investments; at the same time, investment in government bonds allows to finance public spending. Both types of investment represent a strong boost to the country's economy and are able to generate considerable externalities on the social fabric. However, from a prudential point of view, the model shown below does not include the impacts generated by investment activities.

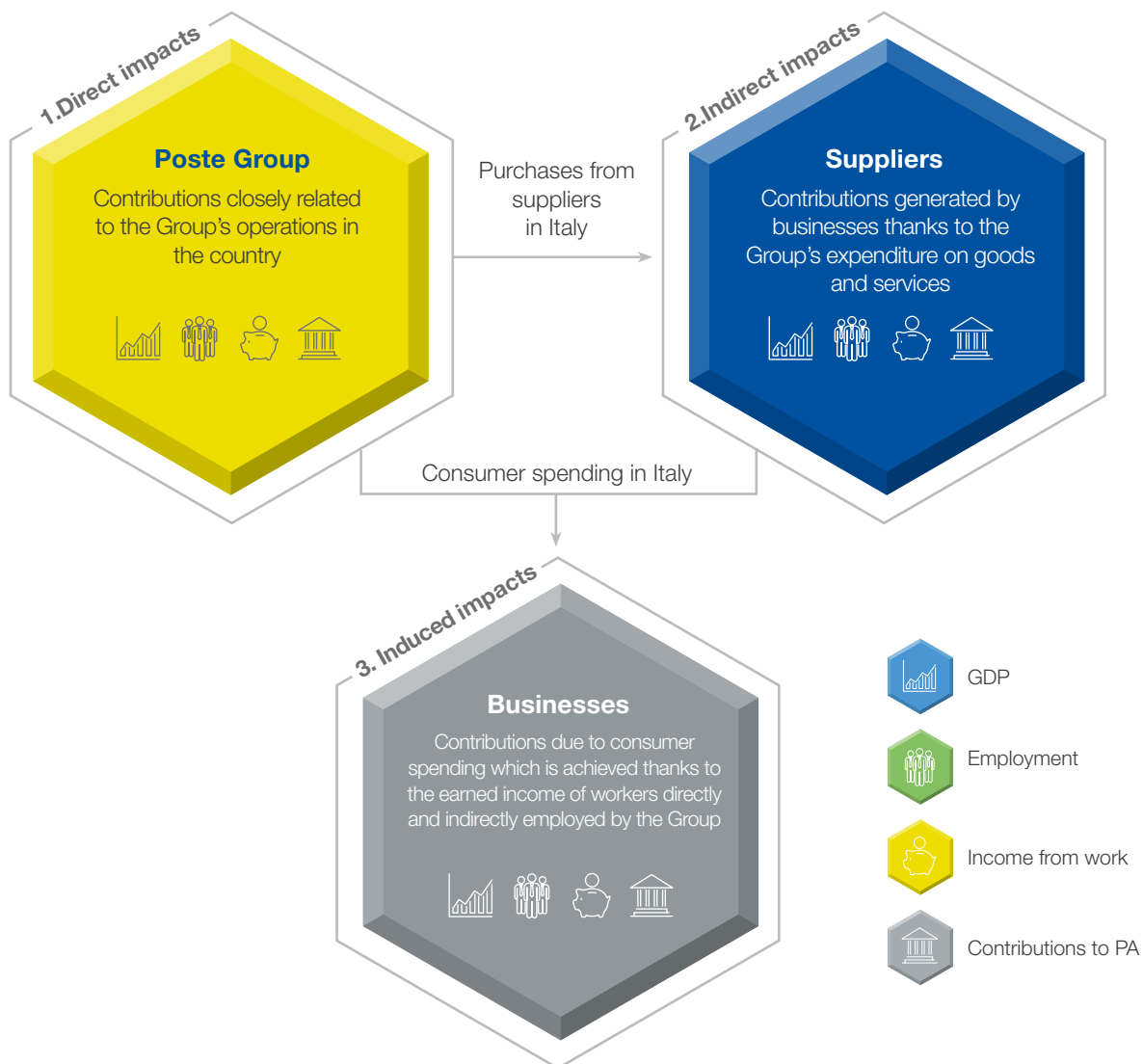
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# The impacts generated by Poste Italiane

Poste Italiane's business activities, in addition to generating direct impacts (i.e. closely linked to the Company's economic activity), requires the purchase of goods and services produced by other companies (generating indirect impacts) and allows families who have received income thanks to the work done for the Group and its suppliers to purchase new goods and services (generating induced impacts).

The impacts generated by Poste Italiane on the supply chain concern the entire national territory and significantly involve small and medium-sized Italian companies

## The process of creating Poste Italiane's economic value



In 2019, 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 €12.5 billion in terms of GDP and €2.1 billion in terms of tax revenue. It may also be estimated that a total of 189 thousand workers have been involved along the production chain. The use of this workforce entails the distribution of income to workers, for a total of €7.5 billion.





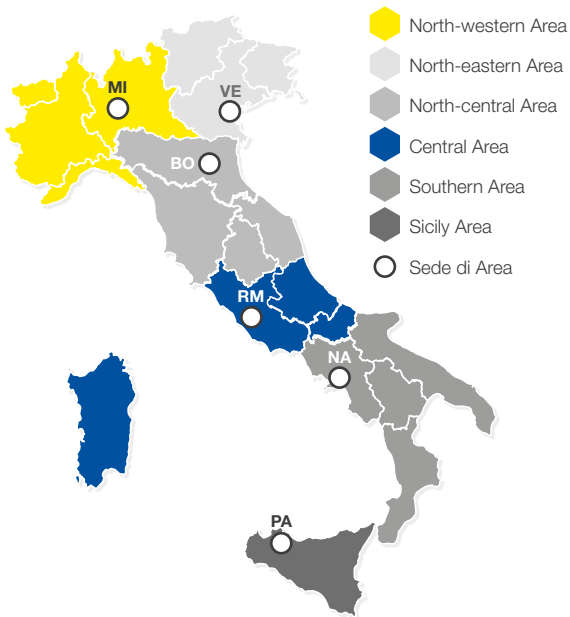
A significant indicator of the Company's impact on the Italian economy is the so-called multiplier, a factor that shows the "leverage effect" generated by spending on purchases from local suppliers. According to estimates, €1 million spent by Poste Italiane is able to generate an impact on the economy of €5 million in terms of GDP, €1 million in tax revenues and €3 million in earned income, creating over 70 jobs in the production system.

Below are two focuses on the area of Poste Italiane's suppliers, respectively the impacts generated by Italian suppliers in the individual Territorial Areas and the indirect contributions generated by Italian SME suppliers.

## Impacts generated in individual Territorial Areas

Considering the Province of the registered office of suppliers, the indirect impacts generated by them in each Territorial Area in 2019 have been identified.

The impacts arising from the activity of Poste Italiane's suppliers are distributed throughout Italy. The result is an economic boost and an increase in employment for the whole country



# Territorial Area  
(€/000, n.)



		GDP	EMPLOYMENT	INCOME FROM WORK
1	North-western Area	1,012,010	16,324	434,714
2	North-eastern Area	128,478	2,153	54,882
3	North-central Area	131,940	1,976	50,865
4	Central Area	596,709	9,664	250,368
5	Southern Area	159,625	2,719	68,613
6	Sicily Area	54,187	1,020	31,513

More than positive results were observed from the analysis of the effects of business activities in the various territorial areas of the country. With reference to the various areas examined, there are values of Gross Domestic Product between €50 million and €1 billion. This results in an employment level of no less than a thousand people and a total income from work in excess of €30 million per area.

## Impacts of Italian SME suppliers

Considering the parameters defined by the European Commission, the Italian suppliers that are characterised as Small and Medium Enterprises (SMEs) and the indirect impacts attributable to them have been identified.

Small and Medium Enterprises are a precious resource, in collaboration with Poste Italiane, in the creation of shared value in the national production chain. In 2019, the Group purchased goods and services from over 2,300 SMEs for a total value of €1.2 billion (48% of total purchases from Italian suppliers)



GDP

**€1.0 billion**



EMPLOYMENT

**17 thousand employed**



INCOME FROM WORK

**€452 million**



CONTRIBUTIONS TO PA

**€306 million**

In 2019, SMEs impacted on the level of Gross Domestic Product for a value of €1 billion, leading to the employment of 17,000 people and an income distribution of around €452 million. Finally, more than €300 million have been created in terms of tax revenue. These values are considered as a total effect, therefore including any direct, indirect and induced impact.

## The economic value generated and distributed by the Poste Italiane Group

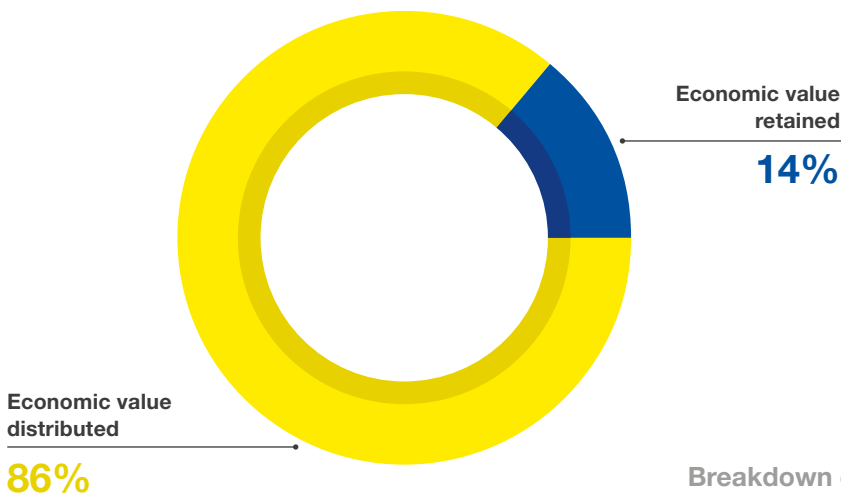


Poste Italiane provides information showing the quantification of the wealth produced by the Company and the related impact on the main categories of stakeholders it deals with in its business activities. The analysis, carried out in accordance with the requirements of GRI Standard 201-1, provides an 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.

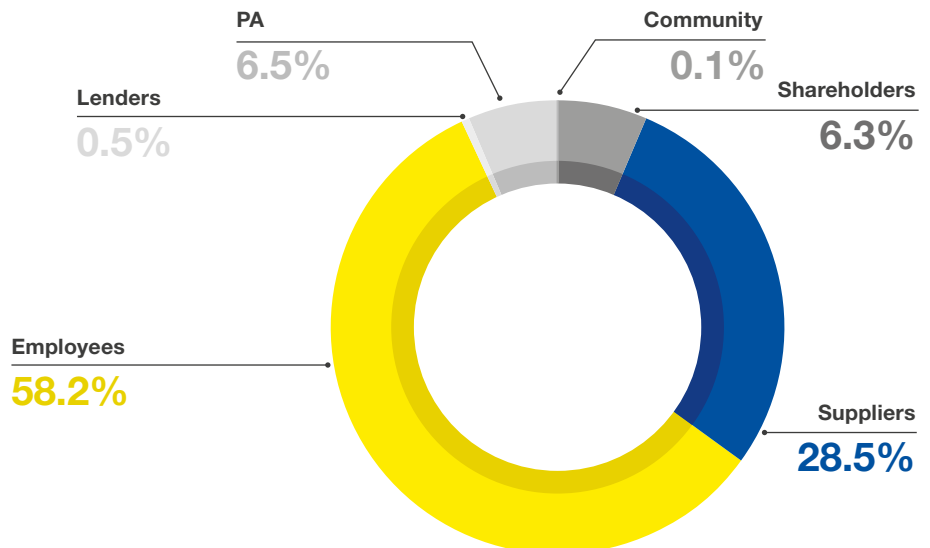
More than 86% of the wealth produced by the Company was distributed to its stakeholders. In particular, employees and suppliers are among the stakeholder categories that benefit most from the wealth produced by the Company, accounting respectively for 58.2% and 28.5% of the total value distributed.



### Distribution of economic value generated



### Breakdown of economic value distributed



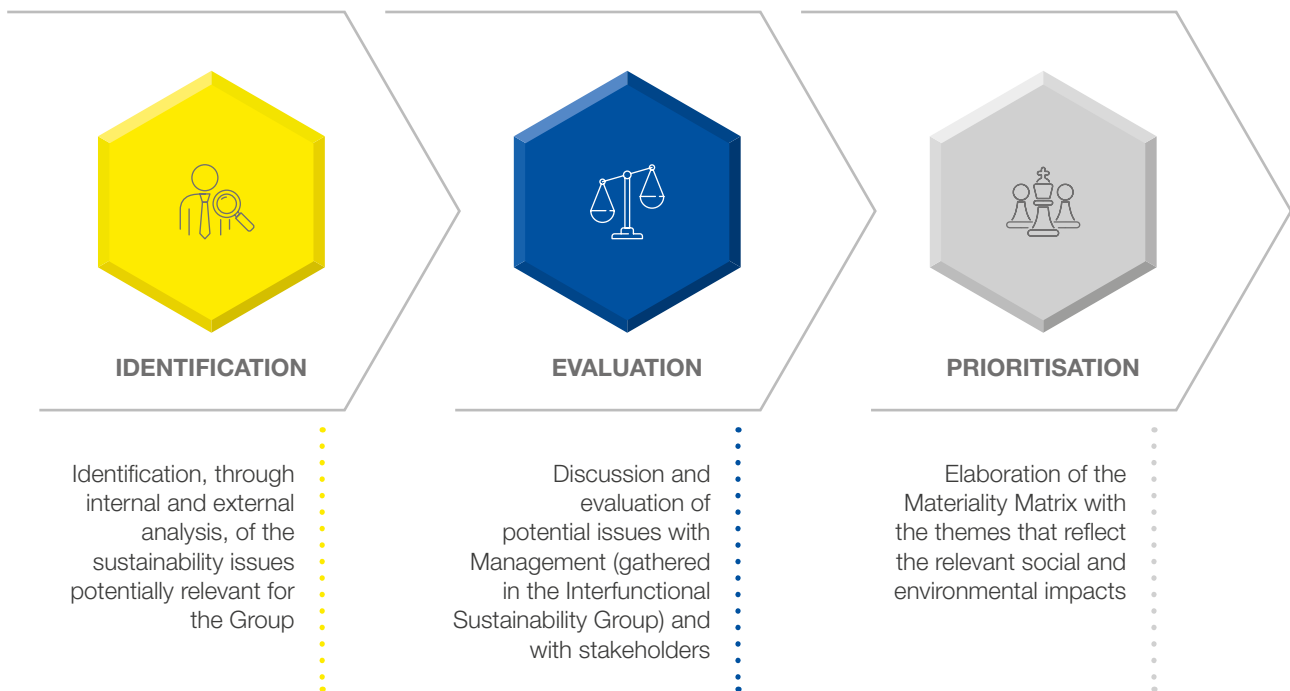
## 2. External environment - Risks, opportunities and integrated Risk management model

### Sustainability topics relevant to Poste Italiane



Poste Italiane has adopted a “materiality analysis” process, structured in accordance with Legislative Decree 254/16 and the reporting standards, 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.

## Stakeholder engagement

Poste Italiane has always been committed to listening to the needs of its stakeholders and to building solid bonds of trust and transparency with them in outlining and consolidating its sustainability strategy, aimed at preventing and minimising any negative impacts and promoting positive ones. This contributes to the achievement of a good reputation in the social context in which it operates, with a consequent increase in value and benefits for shareholders, customers and employees.

As a starting point, the Company carefully mapped the categories of stakeholder it relates with during the course of its activities, identifying in particular, those stakeholders mostly involved who may affect the achievement of strategic objectives and those who may be 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
<b>Shareholders and investors</b>	Shareholders' meetings; Corporate Governance Report; Financial relations and Periodic presentations; Road shows and dedicated meetings; The Company's corporate website; Press releases.
<b>Customers</b>	Customer experience systems; Periodic customer satisfaction surveys.
<b>Personnel</b>	Internal communication tools (intranet, newsletters, mailshots, Postenews, etc.); Internal and external events for staff; Periodic meetings; First- and second-level bargaining; Periodic staff satisfaction surveys.
<b>Suppliers and business partners</b>	Dedicated meetings.
<b>The Public Sector and authorities</b>	Conferences; Dedicated meetings; Corporate communication; Periodic communications; Organisation of events.
<b>Local communities</b>	Community projects; Partnerships; Press releases; Sponsorships; Donations; Dialogue with local authorities; Contacts during the launch of relevant projects, Publication of documents, Interviews, Events.
<b>Environment</b>	Press releases; Dedicated events; Partnerships; Collaborations; Conferences.

## The Multi-stakeholder Forum 2019

Various tools are implemented in the dialogue between the Company and its stakeholders. One of the most fruitful in terms of opportunities for reflection and exchange of ideas, is the Multi-stakeholder Forum, which takes place annually. The Forum, which includes plenary sessions and dedicated group sessions, creates an opportunity for dialogue and strategic discussion on sustainability issues relevant to the sector, in order to share ideas and projects useful for the creation of shared value with the main stakeholders with whom Poste Italiane interacts in carrying out its activities. In particular, the third edition took place in 2019, involving more than 400 participants, including representatives of local communities, the financial world and rating agencies, trade associations and Labour Unions, the tertiary sector, the world of business, professions and employees. The meeting was also attended by the members of the Interfunctional Sustainability Group, which brought the Company's point of view on the importance of the sustainability issues discussed.

The Forum offered the opportunity to reflect and share ideas and projects in the areas identified by the fundamental pillars of sustainability in previous years (Integrity and transparency, People development, Support to the Territory, Customer experience, Decarbonisation and Sustainable finance) that inspire the work of Poste Italiane.



- 19 November 2019
- 3<sup>rd</sup> Multi-stakeholder Forum
- **400**
- Stakeholders present at the Forum
- **6**
- Macro-categories of stakeholders involved
- **3**
- Dedicated work tables divided by Pillar
- **18**
- Sustainability issues discussed

The additions of this edition concerned the plenary session, attended by opinion leaders expert in the main sustainability issues, and the focus groups, which involved the stakeholders present at the Forum impacted by the same pillar of the Group's ESG Strategic Plan.

The working groups thus formed were asked to express their assessment of material issues potentially relevant to the Company through internal and external analysis. Participants were able to express their reflections through a digital tool accessible from smartphones and PCs that favoured an instant and dynamic display of the results.

During the Forum, particular attention was paid to the value of sustainability for companies. Thanks to the activities carried out during the various sessions, insights emerged on topics related to the sustainability pillars.

**Integrity and transparency.** The Pillar Integrity and transparency confirms its centrality in stakeholder assessments.

Both issues that make up the Pillar Integrity and transparency and "Legality and incorporation of ESG criteria within the procurement processes" - are considered a foundation for the Group's reputation and its role as a driving force for the country's economic and social growth.

Poste Italiane undertakes to 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.

**Innovation and digitisation of products, services and processes.** The theme "Innovation and digitisation of products, services and processes" was of fundamental importance from the stakeholders' point of view, considered the beating heart and key to the identification, interpretation and promotion of change. Its central role in the success of the Deliver 2022 strategy is consistent with this vision. Therefore, it is in the interest of a company such as Poste Italiane, which assumes an economic and social role in the territory, to 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.

**Diversity and equal opportunity.** Respect for diversity and ensuring equal opportunities in the company is another requirement considered essential and indispensable by public opinion and investors when assessing the ESG profile of the Company. The stakeholders present at the Forum confirmed this condition, considering it a topic of great importance for correct and responsible management of business activities. Poste Italiane guarantees the protection of human rights, values elements of diversity (in terms of different levels of age, gender, knowledge and experience) and promotes non-discriminatory behaviour within the Company as a way to foster the development of a "business culture" and a solid response against new challenges and opportunities in the market.

**Environment.** Attention to environmental impacts with reference to real estate and logistics are two fundamental areas for the management of climate change. The stakeholders present at the Forum confirmed this assumption, considering the topic of high importance for correct and responsible management of business activities with particular reference to sustainable mobility. Spreading a culture of respect for the environment and adopting concrete solutions for the efficient management of energy resources, water resources and waste, from a circular economy standpoint represent significant objectives for the Company. It therefore undertakes to monitor environmental impacts and to encourage a process of change geared towards safeguarding the environment by adopting less polluting and harmful solutions at the expense of the environment.

**Sustainable finance.** The incorporation of environmental, social and governance (ESG) criteria into traditional financial processes forms one of the cornerstones of the Company's sustainability policies. The stakeholders present at the Forum confirmed that the financial segment can in fact help protect society, promote innovation and support economic growth, making an important contribution to the country's sustainable development. Therefore, the Company recognises the strategic importance of ESG incorporation in investment and insurance policies.

The extreme importance assumed by the issues "Innovation and digitisation of products, services and processes" and "Diversity and equal opportunity" has led Poste Italiane to add the two new pillars Diversity and inclusion and Innovation, previously included respectively in the pillars People development and Customer experience. This way, Poste Italiane aims to give greater importance to two sectors that have always been central to the management of its business activities. The innovation of products, services and processes is, in fact, emphasised as a tool that allows the Group to successfully face an increasingly digital and technological world through constant development of its business. Diversity and inclusion, in the workplace, are aimed at increasing respect for the value of people, the value of the uniqueness of the individual and access to the same opportunities for professional growth, considered essential values in which the Company must absolutely invest for its success.

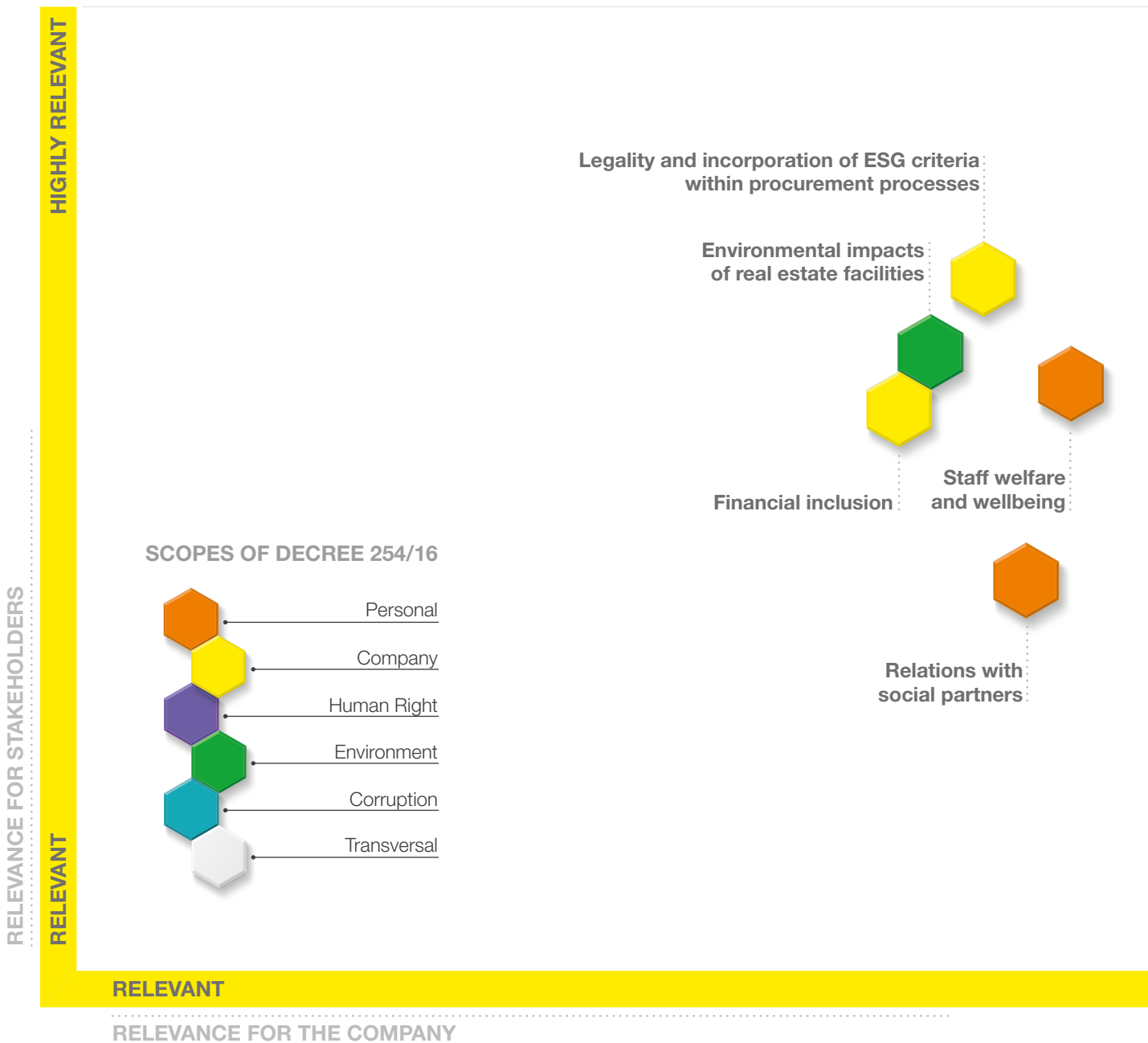
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# Materiality matrix

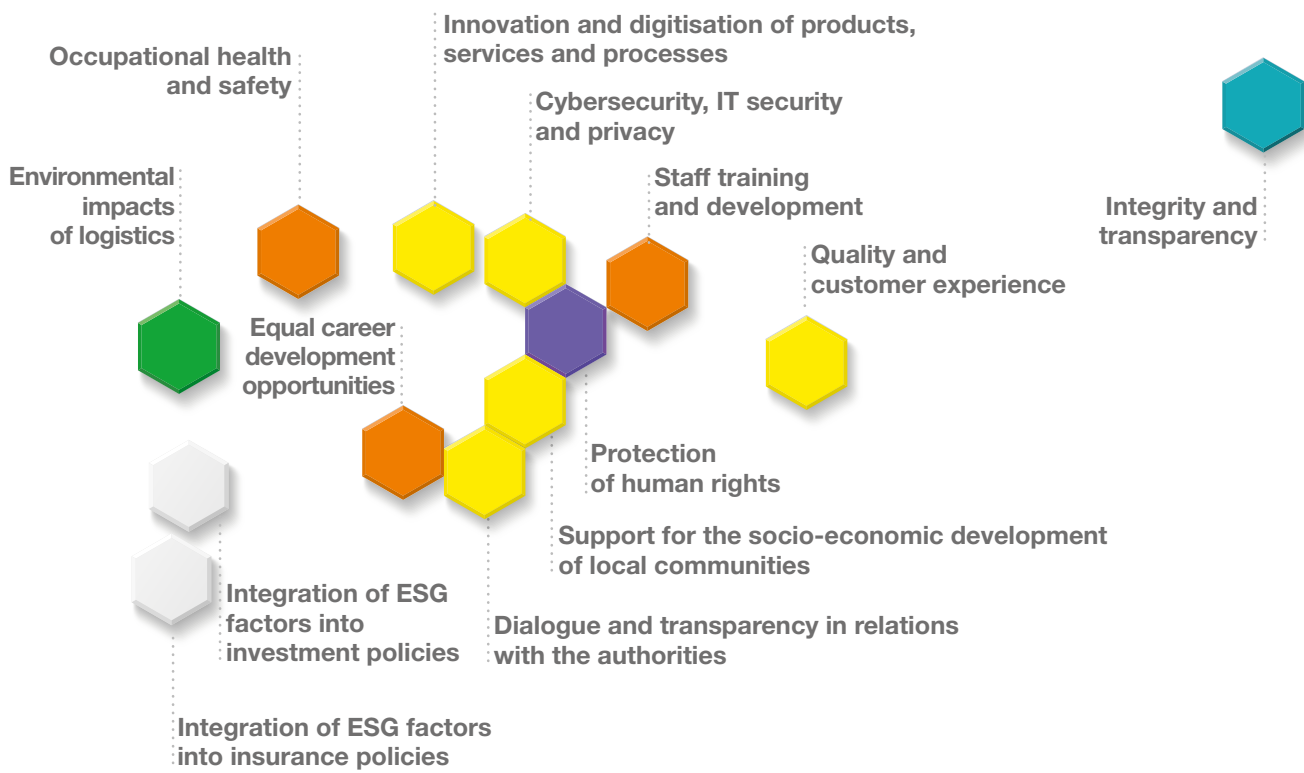
The materiality matrix represented below identifies the eighteen most relevant and necessary issues to ensure an understanding of the company's activities, their performance and their economic, social and environmental impacts. The order of priority of the issues has been defined taking into account two aspects: strategic relevance for the Company and perceived relevance for stakeholders.

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.

## Poste Italiane Group's materiality matrix







HIGHLY RELEVANT

## Description of material topics

Material topics	What this means for Poste Italiane
<b>Integrity and transparency</b>	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.
<b>Quality and customer experience</b>	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.
<b>Staff training and development</b>	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.
<b>Support for the socio-economic development of local communities</b>	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.
<b>Dialogue and transparency in relations with the authorities</b>	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.
<b>Occupational health and safety</b>	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.
<b>Environmental impacts of logistics</b>	Monitor the environmental impact of logistics activities and encourage 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.
<b>Integration of ESG factors into investment policies</b>	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.
<b>Integration of ESG factors into insurance policies</b>	Incorporate ESG aspects within insurance policies, insurance product development strategies and customer communications.
<b>Innovation and digitisation of products, services and processes</b>	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.
<b>Protection of human rights</b>	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.
<b>Staff welfare and wellbeing</b>	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.).
<b>Relations with social partners</b>	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.
<b>Cybersecurity, IT security and privacy</b>	Guarantee the privacy of customers' data, protect intellectual property and provide an effective management system for IT security and cybersecurity in order to ensure business continuity, protect the information assets of the Company, customers and other stakeholders, and the security of transactions.
<b>Legality and incorporation of ESG criteria within the procurement processes</b>	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.
<b>Environmental impacts of real estate facilities</b>	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.
<b>Financial inclusion</b>	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.
<b>Equal career development opportunities</b>	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.

In accordance with the indications of the International <IR> Framework, the material issues were assessed not only with a view to their relevance in terms of their impact on strategy, governance, performance and future prospects, but also in terms of the likelihood of such an impact occurring.

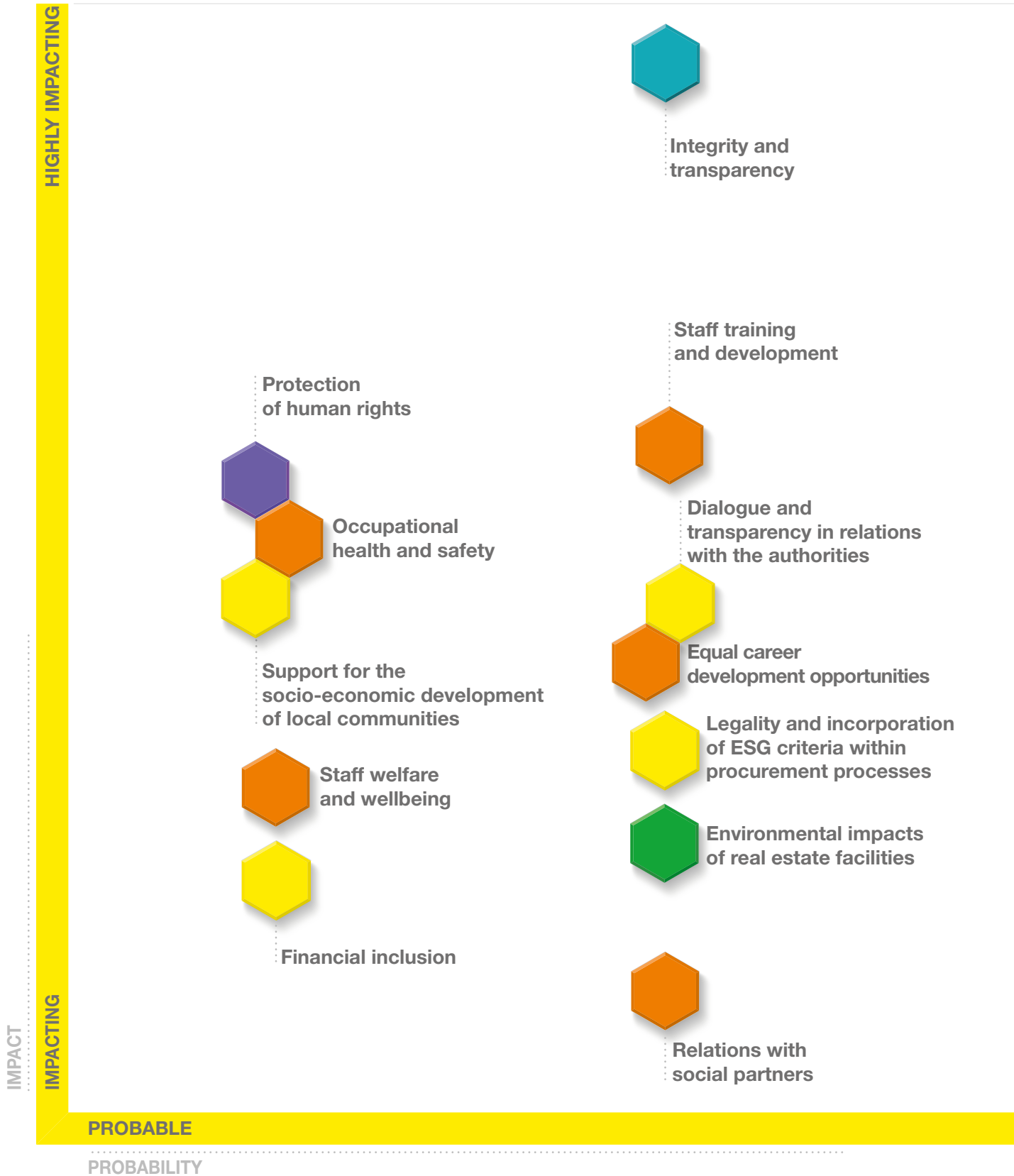
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In the course of the materiality analysis carried out with management and stakeholders, the impacts of material issues from a financial, operational, strategic, reputational and regulatory perspective were assessed through quantitative and qualitative factors, taking into account the internal and external effects and the time frame of reference

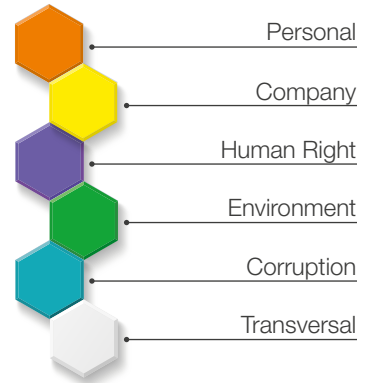
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The matrix below illustrates the relevance of the material issues in terms of the intensity and likelihood of occurrence of the related impacts.

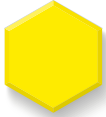
**Poste Italiane Group's impact matrix**



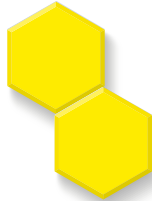
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Cybersecurity ,  
IT security and privacy



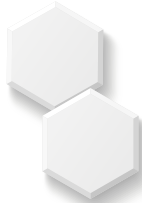
Quality and  
customer experience



Innovation and digitisation  
of products, services and processes

Integration of ESG  
factors into investment policies

Environmental  
impacts of logistics



Integration of ESG factors  
into insurance policies

HIGHLY PROBABLE

## Interconnection between material issues, risks and management methods

With the aim of integrating ESG (Environmental, Social, Governance) within the strategy and business processes, the material issues identified were related to potential risks, indicating the stakeholders involved, the impact on Poste Italiane and its stakeholders and the main management methods adopted by the Group.

### 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
<b>Integrity and transparency</b>	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"> <li>▪ Strategic</li> <li>▪ Reputational</li> <li>▪ Compliance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Economic</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reinforcement of corporate controls on specific issues (e.g. integrated risk management model, corporate reliability model, anti-corruption, environment, etc.)</li> </ul>
<b>Quality and customer experience</b>	Deterioration in the levels of quality provided and increase in the number of complaints	Customers; Independent regulatory and/or supervisory authorities; Financial community	<ul style="list-style-type: none"> <li>▪ Economic</li> <li>▪ Strategic</li> <li>▪ Reputational</li> <li>▪ Operational</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quality of service</li> <li>▪ Economic</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strengthening of Company initiatives regarding specific issues (e.g. quality)</li> <li>▪ Improvement of products and services</li> <li>▪ Development of customer assistance model</li> <li>▪ Complaints management</li> <li>▪ Implementation of the Quality Management System</li> </ul>
<b>Staff training and development</b>	Inadequate staff quality	Customers; Poste Italiane people	<ul style="list-style-type: none"> <li>▪ Strategic</li> </ul>	<ul style="list-style-type: none"> <li>▪ Human rights</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strengthening of annual training plan</li> <li>▪ Promotion of communication, training and information initiatives to increase engagement</li> </ul>
<b>Support for the socio-economic development of local communities</b>	Tensions with local communities due to redefinition of the business model	Local authorities	<ul style="list-style-type: none"> <li>▪ Strategic</li> <li>▪ Reputational</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quality of service</li> <li>▪ Economic</li> </ul>	<ul style="list-style-type: none"> <li>▪ Constant structured dialogue with bodies and authorities and agreed local community engagement initiatives</li> </ul>
<b>Dialogue and transparency in relations with the authorities</b>	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"> <li>▪ Strategic</li> <li>▪ Reputational</li> </ul>	<ul style="list-style-type: none"> <li>▪ Economic</li> </ul>	<ul style="list-style-type: none"> <li>▪ Constant structured dialogue with bodies and authorities and agreed local community engagement initiatives</li> </ul>
<b>Occupational health and safety</b>	Accidents / workplace injuries involving employees or contractors	Poste Italiane people	<ul style="list-style-type: none"> <li>▪ Economic</li> <li>▪ Strategic</li> <li>▪ Reputational</li> <li>▪ Operational</li> </ul>	<ul style="list-style-type: none"> <li>▪ Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>▪ Analysis and optimisation of occupational health and safety organisational models</li> <li>▪ Extension of production models to operational sites (e.g. lean manufacturing)</li> <li>▪ Support for the implementation and certification of OSMSS in the production units of Poste Italiane SpA and other Group companies</li> </ul>

Topic	Risk events	Stakeholders	Potential impact on Poste Italiane	Potential impact on stakeholders	Main management methods
<b>Environmental impacts of logistics</b>	Environmental externalities of logistics activities (e.g. production of polluting emissions)	Suppliers and business partners; Environment	<ul style="list-style-type: none"> <li>ESG</li> </ul>	<ul style="list-style-type: none"> <li>Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Making the Postal, Communications and Logistics fleet "green", partly with the aim of increasing load capacity</li> <li>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)</li> </ul>
<b>Integration of ESG factors into investment policies</b>	Lack of perception of the overall risk of operations and loss of business opportunities	Financial community; Customers	<ul style="list-style-type: none"> <li>Financial and insurance</li> <li>ESG</li> </ul>	<ul style="list-style-type: none"> <li>Economic</li> <li>Human rights</li> </ul>	<ul style="list-style-type: none"> <li>Management of risks and opportunities relating to ESG factors within traditional investment processes</li> </ul>
<b>Integration of ESG factors into insurance policies</b>	Lack of perception of the overall risk of operations and loss of business opportunities	Financial community; Customers	<ul style="list-style-type: none"> <li>Financial and insurance</li> <li>ESG</li> </ul>	<ul style="list-style-type: none"> <li>Economic</li> <li>Human rights</li> </ul>	<ul style="list-style-type: none"> <li>Management of risks and opportunities relating to ESG factors within traditional insurance processes</li> </ul>
<b>Innovation and digitisation of products, services and processes</b>	Insufficient innovation capacity in multi-channel, customer experience and digital areas	Financial community; Customers; Community and territory	<ul style="list-style-type: none"> <li>Strategic</li> </ul>	<ul style="list-style-type: none"> <li>Quality of service</li> <li>Economic</li> </ul>	<ul style="list-style-type: none"> <li>Specific organisational responsibility for digital development</li> <li>Launch of digital initiatives</li> <li>Partnerships and collaborations with first mover realities in the digital and technological sector</li> </ul>
<b>Protection of human rights</b>	Possible discrimination against Poste Italiane employees (e.g. gender, age, political or sexual orientation, marital status, etc.)	Poste Italiane people	<ul style="list-style-type: none"> <li>Strategic</li> <li>Reputational</li> <li>ESG</li> </ul>	<ul style="list-style-type: none"> <li>Human rights</li> </ul>	<ul style="list-style-type: none"> <li>Specific organisational responsibility for diversity and inclusion</li> <li>Identification of possible training initiatives to create culture for all staff</li> <li>Introduction of control mechanisms for the protection of human rights, equal opportunities, diversity and inclusion</li> </ul>
<b>Staff welfare and wellbeing</b>	Inadequate planning and/or implementation of staff welfare and wellbeing programmes	Poste Italiane people	<ul style="list-style-type: none"> <li>Strategic</li> <li>ESG</li> </ul>	<ul style="list-style-type: none"> <li>Health and safety</li> <li>Quality of life, wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>Staff engagement programmes (e.g. "employee engagement programme", activation of a welfare platform, an absenteeism competence centre, etc.)</li> <li>Incentivisation of the use of remote working tools</li> </ul>

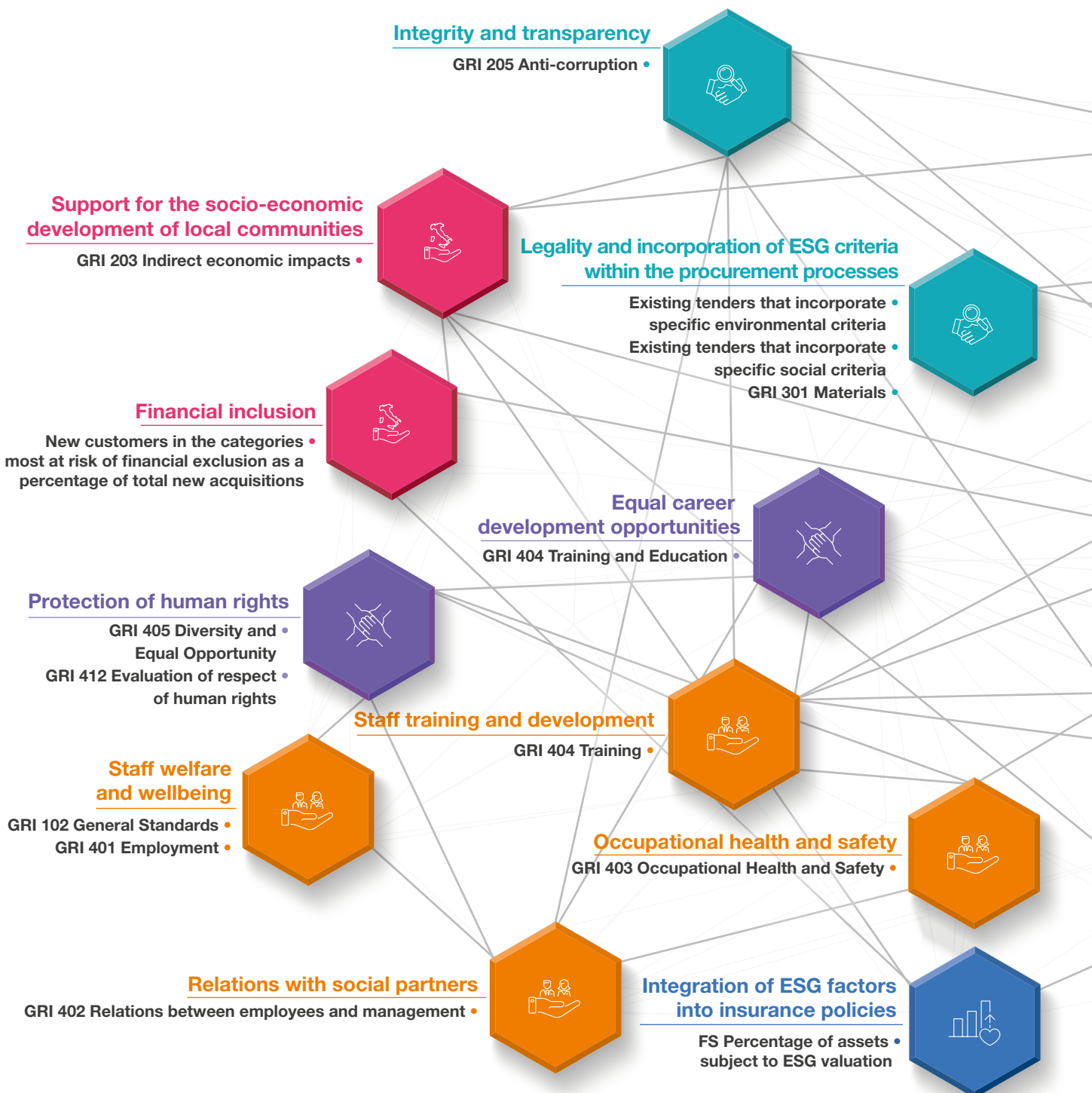
Topic	Risk events	Stakeholders	Potential impact on Poste Italiane	Potential impact on stakeholders	Main management methods
<b>Relations with social partners</b>	Labour union disputes	Labour Unions; Non-recognised workers' organisations; Financial community	<ul style="list-style-type: none"> <li>▪ Economic</li> <li>▪ Strategic</li> <li>▪ Operational</li> <li>▪ Reputational</li> </ul>	<ul style="list-style-type: none"> <li>▪ Economic</li> <li>▪ Health and safety</li> <li>▪ Human rights</li> <li>▪ Quality of life, wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Constant dialogue with labour union representatives</li> <li>▪ Implementation of restructuring projects in compliance with the regulatory framework (National Collective Labour Contract and laws), which is characterised by governable social impacts</li> <li>▪ Management of staff in line with legal requirements, policies and Company procedures</li> </ul>
<b>Cybersecurity, IT security and privacy</b>	Increase in malfunctions relating to technological infrastructure	Poste Italiane people; Media; Customers	<ul style="list-style-type: none"> <li>▪ Economic</li> <li>▪ Strategic</li> <li>▪ Operational</li> <li>▪ Reputational</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quality of service</li> <li>▪ Economic</li> </ul>	<ul style="list-style-type: none"> <li>▪ Personal data protection, cybersecurity and business continuity actions</li> <li>▪ Investments in IT infrastructure modernisation</li> </ul>
<b>Legality and incorporation of ESG criteria within the procurement processes</b>	Behaviour of suppliers not in line with Poste Italiane's sustainability policies	Suppliers and business partners	<ul style="list-style-type: none"> <li>▪ Strategic</li> <li>▪ Operational</li> <li>▪ Reputational</li> <li>▪ ESG</li> </ul>	<ul style="list-style-type: none"> <li>▪ Health and safety</li> <li>▪ Human rights</li> </ul>	<ul style="list-style-type: none"> <li>▪ "Open and Transparent Contracts" portal</li> <li>▪ Centralisation of Group companies' procurement activities within a corporate function</li> <li>▪ Supplier qualification system</li> </ul>
<b>Environmental impacts of real estate facilities</b>	Increased emissions from real estate management (e.g. energy management, waste management, etc.)	Environment; Poste Italiane people	<ul style="list-style-type: none"> <li>▪ Economic</li> <li>▪ Strategic</li> <li>▪ Reputational</li> <li>▪ ESG</li> </ul>	<ul style="list-style-type: none"> <li>▪ Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>▪ Specific organisational responsibility for the management of the company fleet</li> <li>▪ Adoption of energy efficiency solutions for real estate assets and use of renewables</li> <li>▪ Implementation of the Environmental Management System for Group companies</li> </ul>
<b>Financial inclusion</b>	Insufficient consideration regarding access to financial services by specific customer categories (e.g. the elderly, foreigners, etc.)	Financial Community; Customers; Entities and Institutions	<ul style="list-style-type: none"> <li>▪ Strategic</li> <li>▪ ESG</li> </ul>	<ul style="list-style-type: none"> <li>▪ Economic</li> </ul>	<ul style="list-style-type: none"> <li>▪ Constant structured dialogue with bodies and authorities and agreed local community engagement initiatives</li> <li>▪ Digital and postal financial education programme</li> </ul>
<b>Equal career development opportunities</b>	Lack of transparency in communication and application of objective assessment drivers in employees' career paths	Poste Italiane people; Labour Unions; Non-recognised workers' organisations	<ul style="list-style-type: none"> <li>▪ Strategic</li> <li>▪ Reputational</li> </ul>	<ul style="list-style-type: none"> <li>▪ Human rights</li> <li>▪ Quality of life, wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Introduction of control mechanisms for the protection of human rights, equal opportunities, diversity and inclusion</li> </ul>



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# Interconnection between material issues and metrics

Poste Italiane adopts an integrated decision-making process, providing for actions aimed at creating value in the short, medium and long term and taking into account the connections and interdependencies between the many factors that affect the Company's ability to create value over time. Consistent with the integrated thinking that permeates the organisation, this approach involves understanding the degree of combination, correlation and interdependence between issues that have a significant impact on economic, social and environmental performance. To this end, in accordance with the indications of the International <IR> Framework, the interconnections between the material issues for the Group and the main measurement metrics are shown below.





**Dialogue and transparency in relations with the authorities**

- Monetary contributions related to activities with the ability to influence public policies



**Environmental impacts of logistics**

- GRI 302 Energy
- GRI 305 Emissions



**Environmental impacts of real estate facilities**

- GRI 302 Energy
- GRI 303 Water and wastewater
- GRI 306 Wastewater and waste
- GRI 305 Emissions



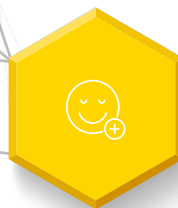
**Innovation and digitisation of products, services and processes**

- Number of digital services offered
- Number of digital transactions



**Cybersecurity, IT security and privacy**

- GRI 418 Customer Privacy



**Quality and Customer experience**

- Quality of universal service
- Customer experience in Post Offices
- Customer complaints by type
- Customer satisfaction
- Settlements



**Integration of ESG factors into investment policies**

- FS Percentage of assets subject to ESG valuation



# Poste Italiane's integrated Internal Control and Risk management system

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 governance, 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 worked towards the adoption of a SCIGR oriented towards sustainable success, i.e. the creation of long-term value for the benefit of shareholders, taking into account the interests of other stakeholders relevant to the Company. In fact, the SCIGR of Poste Italiane is integrated both internally and externally with respect to the System. 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 within the organisation.

## 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 (GRM), which forms part of 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 principal risks to which the Poste Italiane Group is exposed are described below.

Risk category	Description
<b>Strategic</b>	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 GRM 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).
<b>Operational</b>	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 GRM 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.
<b>Compliance</b>	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 Autorità per le Garanzie nelle Comunicazioni or AGCom).
<b>Reputational</b>	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 SGR), and those linked to the perceived and effective quality of the services linked to letter post and parcel delivery.
<b>Financial and insurance</b>	Financial risks that are regulated and overseen by supervisory authorities (the Bank of Italy and IVASS, the insurance industry regulator) and 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.
<b>ESG</b>	Risks arising from factors related to environmental, social and governance issues (in particular, related to human rights and climate change).

## Outlook: emerging risk management

Given the pervasiveness of emerging risks, Poste Italiane considered it necessary to incorporate and manage them within its risk management processes. Emerging risks are disruptive events that can threaten the business model over a long-term horizon (10-20 years) and are potential game changers for the industry and the context in which organisations operate and are usually characterised by elements, such as:

- uncertainty and visibility: lack of data to analyse the phenomenon and difficulty in finding skills, knowledge and awareness of the potential effects that emerging risks have on a business model;
- timing of the changes: the changes derive from radical changes in the external context of reference (socio-environmental, legislative, technological, habits, etc.) destructively altering routines on several fronts and with unpredictable time escalations;
- management complexity: increasing complexity of management methods. There are no immediate response actions as the events are derived from highly interconnected exogenous factors with strong systemic dependencies and time accelerations.

Failure to adapt to these trends will result in missed business opportunities, reduced revenue, qualitative and quantitative repercussions in terms of the mix of its employees, and sanctions by regulatory and supervisory authorities. The tables below summarise the related risks, opportunities and management methods for each emerging risk.



### MOBILITY REVOLUTION

Introduction of new mobility models, technological evolution of vehicles, sharing mobility. More efficient, cleaner, safer mobility

#### RISKS

- Traffic restrictions (e.g. blockade of polluting vehicles)
- Difficulties in replacing the means of transport used in the logistics sector
- Growing demand from staff to work remotely
- Reputational risk for the use of polluting vehicles

#### OPPORTUNITIES

- Reduce the Group's total energy consumption from non-renewable sources (e.g. fossil fuels)
- Abatement of emissions
- Adoption of smart working models
- Leaner and more efficient management of operations
- Cost reduction

#### MANAGEMENT METHODS

- Green evolution of the company fleet
- Installation of charging columns
- Partnerships with start-ups



### EVOLUTION OF THE PAYMENT SYSTEM

Introduction of new payment methods and modification of consumers' purchasing behaviour in relation to the payment instruments to be used (e.g. cryptocurrency, fintech, etc.)

#### RISKS

- Increased competition (e.g. new payment systems)
- Failure to respond to emerging payment trends in a timely manner
- Management of customer biometric data acquired for the management of new payment systems
- Inability to maintain attractiveness to traditional customers

#### OPPORTUNITIES

- Adoption of new technologies that can be extended to the target already customers of Poste Italiane
- Segmentation and differentiation of the offer (e.g. young people)
- Focus on digitally evolved customer types and specific offer creation
- Strategies of increasing customisation of the offer
- Launch of new products (e.g. platforms and instruments for cryptocurrency payments)

#### MANAGEMENT METHODS

- First integrated payment and mobile product that allows managing, through a single App, telephony and payment services in an intuitive and secure way (Postepay Connect Service)
- Digital wallets (e-wallets)
- Postepay Code
- PosteID Digital Identity Service enabled to the Public Digital Identity System (SPID)
- Advanced authentication systems
- Collaboration agreements with start-ups for the development of innovative solutions in the financial services and payments area



### AGEING POPULATION

Increased longevity combined with low birth rate resulting in a change in the generation mix

#### RISKS

- Inadequacy of standard products for changing consumer needs (e.g. smart devices to collect medical data in real time, etc.)
- Difficulty in developing reliable forecasting models
- Reduction in disposable income by new generations

#### OPPORTUNITIES

- Increased business opportunities due to changes in consumer needs
- Offering low-cost products to ensure accessibility to the most vulnerable sections of the population

#### MANAGEMENT METHODS

- Development of specific products for population groups with changing needs (e.g. supplementary health care, accidents, mobile phones, etc.)
- Projects dedicated to “age management” of personnel



### TIGHTENING OF REGULATION

Evolution of the reference legislation applicable to the business with particular reference to environmental variables

#### RISKS

- Evolution of the regulations applicable to the business of Poste Italiane
- Increasing importance of reputational risk
- Non-timely response to regulators' requests
- Increased penalties for failure to comply with the rules

#### OPPORTUNITIES

- Redirection/creation of new business areas
- Launch of products that encourage prevention and responsible behaviour
- Potential regulatory changes to benefit the business
- More timely than competitors in complying with complex regulations

#### MANAGEMENT METHODS

- Participation in the working tables on regulatory developments
- Adaptation of products to ESG regulatory requirements (sustainable investment products, responsible investment products, etc.)



### ATTRACTING DIGITAL TALENT

Need to identify and recruit resources with e-skills and, in general, to strengthen new staff skills

#### RISKS

- Reduction in attractiveness to new generations
- Low staff turnover also due to the ageing of the company's population
- Increased turnover of staff with digital skills towards sectors/ companies with greater appeal
- Difficulty to cover employment needs with adequate quality-quantitative mix of resources
- Inadequate training activity in terms of delivery and content, also with innovative tools (e.g. holograms, virtual reality, etc.)
- Difficulties in reconverting jobs/roles
- Difficulty to identify/cope with new market demands

#### OPPORTUNITIES

- Use of innovative labour markets that could provide new types of skills to Poste Italiane (e.g. start-ups, millennials, etc.)
- Innovative paths of personnel management and development
- Evolution of organisational models
- Increased efficiency and productivity through smart working initiatives

#### MANAGEMENT METHODS

- Training activities focused on areas such as Digital & Innovation Mindset, Customer Centricity, Financial and Insurance Consulting, Lean Culture, Technical Skills
- Paths for innovation (“Innovation Storm” or company Hackathons that have as their objective the engagement and involvement of the corporate population in experiences of creativity and problem solving related to issues of interest to the business)
- Projects “Paths for innovation” and “Unleash your talent”
- Partnerships with start-ups



## INCREASED CONNECTIVITY

Increased connections between business and people and the need to manage an increasing amount of data and information

### RISKS

- Difficulties in managing data from an increasing number of sources (e.g. smartphones, tablets, smart watches, etc.)
- Loss/deterioration of data and information
- Hacker attacks, data leaks and privacy risk
- Loss of control over data and customer relations
- Increased risk of contagion (e.g. virus, spam, etc.)
- Need for new skills to manage complexity

### OPPORTUNITIES

- Possibility to reach an increasing number of customers and markets
- Segmentation and differentiation of the offer
- Improving the customer experience
- Increased frequency of relationship and customer service

### MANAGEMENT METHODS

- Digital transformation projects
- Strengthening the IT infrastructure
- Partnerships with start-ups

## Poste Italiane's commitment to managing human rights risks

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 order to encourage the development of a business culture based on respect for and appreciation of diversity and with the intention of outlining a clear and structured focus on this issue, Poste Italiane, in line with what has been outlined in the Code of Ethics and the Group policy for the protection of human rights, has adopted a specific Diversity and inclusion Policy. The objective is to promote diversity in all its aspects in order to generate value within the workplace, allowing better assessment and monitoring of the risk associated with the occurrence of discrimination in the Company.

In line with the policies adopted, the Group's risk management model periodically 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 rights 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.



## Risk Drivers and Human Rights Actions

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

## The management and reporting of climate change risks according to the indications of the Task Force on Climate-related Financial Disclosures

The extensive presence of Poste Italiane on the territory and the related environmental impact of its activities, require the Company to adopt a responsible approach in order to reduce its environmental footprint and contribute to the low-carbon transition of the economy and the entire country.

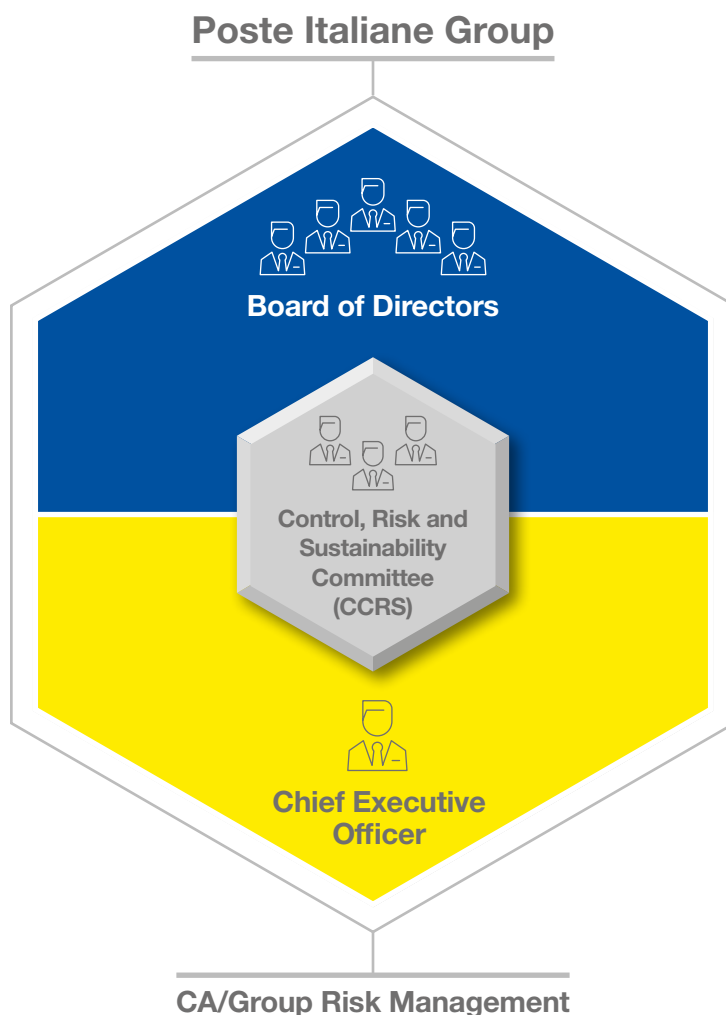
The Company is aware of the risks that climate change may pose to its business activities and therefore considers it important to identify the potential economic impacts of climate change. This importance was reaffirmed by the World Economic Forum in the Global Risk Report 2020, which identifies climate risks among the top five risks at global level.



Established in 2015 by the Financial Stability Board (FSB), the Task Force on Climate-related Financial Disclosures (TCFD) has defined a set of recommendations with the objective of guiding companies in reporting information in a transparent and comprehensive manner on the risks and opportunities that climate change may bring to corporate performance. In line with the main regulatory trends and in response to growing demands from the financial community and key stakeholders, Poste Italiane reports climate change information according to the areas defined by the TCFD: Governance, Strategy, Risk Management, Metrics and Objectives.

This section complements and supplements the information on the commitment, approach and initiatives to reduce environmental impact provided within the Pillar “Decarbonisation of real estate facilities and logistics”.

## Governance



The organisational and corporate governance structure includes specific roles and responsibilities for the management of environmental issues.

- The Board of Directors of Poste Italiane SpA approves the sustainability strategies and guidelines, based on assessments that take into account, among other things, risks and opportunities related to climate change that may be relevant to the Poste Italiane Group's most effective reputational positioning.
- The Control, Risk and Sustainability Committee (CCRS) has the task of supporting, through an appropriate investigative activity, the evaluations and decisions of the Board of Directors on the Company's internal control and risk management system, also relating to climate change.

The CCRS also has the task of assisting the Board of Directors to evaluate and decide on sustainability.

As part of its functions, the CCRS carries out an activity specifically dedicated to climate change. In particular, the Committee carries out its support functions in setting up reporting by examining in advance the general approach on environmental issues, in the definition of strategic objectives, and in monitoring the evolution of environmental sustainability issues also in light of international guidelines and principles on the matter, monitoring the Group's position.

At managerial level, the main specific roles on environmental issues are covered by the Chief Executive Officer and the Group Risk Management function: the CEO of Poste Italiane SpA is responsible for the establishment, maintenance and effectiveness of the Internal Control and Risk Management System (SCIGR), formulating sustainability strategies related to environmental issues and overseeing their implementation by constantly checking their adequacy and effectiveness, always on the basis of the assessment of risks and related opportunities.

The Group Risk Management function of Poste Italiane SpA, established within the Corporate Affairs function:

- defines, in collaboration with the departments involved, the guidelines and objectives of sustainability and corporate social responsibility for the Group, identifying the set of indicators for monitoring sustainability performance, including specific metrics used to monitor environmental risks and opportunities, in line with best practices and international guidelines on the subject;
- is the single point of reference for the governance and management of all risks from a Group perspective, availing itself to this end of the contribution of the specialist units directly reporting to the Group (direct controls), as well as other risk controls (indirect controls) present in Poste Italiane and in Group companies.

Finally, the necessary controls have been established also for investment and insurance processes for the correct identification and management of climate-related risks and opportunities. In particular, as regards investments, BancoPosta Fondi SGR and Poste Vita have set up committees that are responsible for periodically reviewing and assessing the ESG (and therefore also environmental) risk of portfolios and the criteria for assessing the ESG profiles of issuers. In the insurance field, on the other hand, it is the Risk Office function of Poste Vita that is responsible for identifying, analysing and evaluating the signs of change that come from the different aspects of the external environment and, in particular, factors related to climate change. The identification of such signals takes place in coordination with the “Product Committee - ESG Assessments” which is responsible for periodically reviewing and evaluating the criteria for the definition of ESG profiles and the Company’s product catalogue.

## Strategy

The Company has adopted a business model in which ESG issues support the achievement of the financial objectives set out in the Deliver 2022 Strategic Plan. To this end, the Group has adopted a sustainability strategy that includes policies, objectives and adherence to recognized initiatives related to environmental issues and climate change.

The commitment to promote the correct management of environmental issues is confirmed by the Company’s signing of the United Nations Global Compact, which defines specific principles in relation to environmental protection through the adoption of a responsible approach and the implementation of specific initiatives to reduce environmental impact. Similarly, the companies BancoPosta Fondi SGR and Poste Vita, signatories of the Principles for Responsible Investment (PRI) and of the Principles for Sustainable Insurance (PSI), undertake to adopt specific measures to assess the proper management of environmental risks and opportunities in their investment decisions and insurance policies.

The integration of environmental issues has also involved the company’s regulatory system. The Group policy on environmental sustainability is proof of the Company’s commitment to prevent, manage and, where possible, reduce the direct and indirect environmental impacts generated by its activities, as well as to take environmental risks and opportunities 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.

Moreover, in relation to the investment sector, with the aim of promoting the proper management of risks linked to environmental issues in their investment decisions, BancoPosta Fondi SGR and Poste Vita have adopted specific responsible investment policies. The Policies describe the approach followed in the management of risks and opportunities related to environmental factors (as well as social and governance factors), within traditional investment processes, in the belief that evaluating ESG risks and opportunities encourages the development of innovative solutions and contributes to the management of the business while providing a concrete response to the social and environmental needs expressed by the community.

The process of responsible investment is therefore also based on the assessment of the environmental profile of issuers: in this context, initiatives, policies and performance relating to the impact of issuers on climate change are analysed. At the same time, Poste Vita has also adopted a responsible insurance policy that describes its model for assessing the risks and environmental opportunities of counterparties within the insurance processes.

In order to make the commitments made concrete, the Group is committed to fighting climate change through the definition of specific objectives contained in a specific Pillar of the ESG (Decarbonisation) Strategic Plan dedicated to reducing climate impact.

## Risk management

As part of the risk management model adopted by the Group, risks related to climate change in relation to the short, medium and long term are also analysed. The model considers both the possible impacts that climate change-related phenomena (e.g. extreme climate events, temperature rise, rising sea levels, etc.) may have on the business of Poste Italiane (indirect impact) and those that Poste Italiane's activities may have on the climate (direct impact).

The Group's risk management model provides for:

- the identification of company activities and organisational areas where an environmental risk, possibly related to climate change, could occur, by applying risk assessment procedures;
- the assessment of the risks identified in terms of impact and likelihood through specific metrics and the assessment of the adequacy of the mitigation and remediation measures taken in relation to the identified risks, with a specific focus on climate change;
- the conduct of audits in the areas identified as being at greater risk within the Group and externally with suppliers and partners;
- the definition of prevention and mitigation action plans, also shared with suppliers and partners, which may include activities to extend, review and strengthen company procedures and controls and specific training and awareness-raising actions on environmental protection.

The process of identifying and assessing risks and environmental management methods also extends to counterparties (suppliers, business partners, other companies), impacting procurement processes and any extraordinary finance transactions. The Group's risk management model provides, among other things, for the identification of suppliers and partners that may present risks related to environmental protection, also through a multidimensional analysis of their profile that takes into account parameters such as: possession of environmental, quality and energy performance certifications and adoption of environmental management systems, ethical standards of conduct and Minimum Environmental Criteria (MEC).

Finally, the correct identification and assessment of climate-related risks and opportunities is also ensured by listening to stakeholders. They are periodically involved in the Multi-stakeholder Forums organised by Poste Italiane and have a reporting system that allows them to bring any perceived risks to the attention of the Company.

The risks associated with climate change 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.

## Risk drivers and Climate Change actions

	Risk drivers	Time horizon	Main risk management actions and tools
Transition risks	<b>1. Regulatory developments</b>	<b>Medium-term</b>	<ul style="list-style-type: none"> <li>▪ Constant preventive monitoring of possible changes to regulations</li> <li>▪ Collaboration with policy makers to represent the need for clear and stable regulations</li> <li>▪ Participation in specific training courses and workshops</li> </ul>
	<b>2. Technological developments</b>	<b>Medium-term</b>	<ul style="list-style-type: none"> <li>▪ 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, installation of photovoltaic panels)</li> <li>▪ Development and dissemination of the digitisation process - regarding processes and procedures as well as products and services - to help reduce pressures on the environment</li> </ul>
	<b>3. Market scenario</b>	<b>Long-term</b>	<ul style="list-style-type: none"> <li>▪ Development of existing products and services with alternatives that take ESG criteria into account (e.g. investment, insurance)</li> <li>▪ 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)</li> <li>▪ 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).</li> <li>▪ Use of energy sources that do not use fossil fuels (e.g. solar energy from photovoltaic panels on buildings)</li> <li>▪ 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</li> </ul>
	<b>4. Reputation</b>	<b>Medium-term</b>	<ul style="list-style-type: none"> <li>▪ Monitoring of reputational risks via management tools</li> <li>▪ Dialogue with investors and analysts, with a focus on climate change issues</li> <li>▪ Participation in climate-related working groups and initiatives, partly with a view to defining sectoral benchmarks and/or helping to draw up guidelines</li> <li>▪ Investment in data transparency and accuracy</li> <li>▪ 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</li> </ul>
Physical risks	<b>5. Extreme weather conditions</b>	<b>Medium-long term</b>	<ul style="list-style-type: none"> <li>▪ Adoption of business continuity plans</li> <li>▪ Taking action to prevent physical damage to structures</li> <li>▪ Dialogue with local institutions (e.g. Civil Protection, Civil Defence) regarding coordination of emergency and rehabilitation activities</li> <li>▪ Communication with the responsible organisations and with international protection and defence bodies (e.g. participation in drills or other initiatives, etc.)</li> </ul>

The risk assessment process includes, in addition to the identification of downside aspects related to the identified risks, also upside aspects that lead to the identification of some opportunities related to climate.

## Climate Change Opportunities

Driver	Time horizon	Main risk management actions and tools
<b>1. Use of resources</b>	<b>Medium-term</b>	<ul style="list-style-type: none"> <li>▪ Adoption of more efficient means of transport</li> <li>▪ Adoption of more efficient production and distribution processes</li> <li>▪ Use of more efficient properties</li> </ul>
<b>2. Energy sources</b>	<b>Medium-term</b>	<ul style="list-style-type: none"> <li>▪ Use of low emission energy sources</li> <li>▪ Use of public support incentives</li> <li>▪ Use of new technologies</li> </ul>
<b>3. Products and Services</b>	<b>Medium-long term</b>	<ul style="list-style-type: none"> <li>▪ Development of low emission services</li> <li>▪ Development of investment products and insurance products for climate adaptation</li> <li>▪ Innovation</li> </ul>
<b>4. Markets</b>	<b>Medium-long term</b>	<ul style="list-style-type: none"> <li>▪ Access to new markets</li> <li>▪ Access to new customer segments requiring insurance coverage</li> </ul>
<b>5. Business resilience</b>	<b>Medium-long term</b>	<ul style="list-style-type: none"> <li>▪ Supply chain reliability and ability to operate under various conditions</li> </ul>

## Metrics and objectives

The Company uses metrics to assess climate risks and opportunities in line with its strategy and risk management process.

The main metrics refer to the indicators proposed by the Global Reporting Initiative (GRI) reporting standards and are reported annually as part of the non-financial disclosure made available to stakeholders. The "Indicators Tables" section of the following document outlines indicators related to atmospheric emissions (GHG) of Scope 1, Scope 2 and Scope 3 (GRI 305-1, GRI 305-2; GRI 305-3) and the energy consumption indicators that constitute the main emission sources. The indicators analyse in detail the areas of business that have an impact on the climate and to what extent as well as the emission sources, providing the company's risk management system with useful information to identify and manage climate-related risks, opportunities and performance.

The same metrics are used to monitor the progress of the environmental impact reduction targets contained in the Decarbonisation Pillar of the ESG Strategic Plan. Currently, the strategy foresees objectives for the future that concern the increase in the number of electric vehicles and the share of green vehicles dedicated to logistics services and the reduction of energy consumption by buildings and related GHG emissions of Scope 1 and Scope 2.

## 3. Strategy and business model

### Incorporating sustainability within Poste Italiane's Strategy



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<sup>4</sup>. 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.

#### Strategic Plan Deliver 2022



#### 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. In addition, partnerships with innovative companies in the fields of logistics (sender) and last mile delivery (Milkman) were finalised in 2019.

#### 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 letter carriers: 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 enables full advantage to be taken of the growing convergence between market segments. This division also serves as a competence centre for the implementation of the Group's digital strategy.

#### FINANCIAL OBJECTIVES

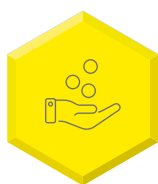
- Revenue: €0.8 billion (2017: €0.6 billion).
- Payment card revenue: €0.4 billion (2017: €0.2 billion).
- EBITDA: €0.2 billion (2017: €0.2 billion), with CAGR of 1%.

#### OPERATING OBJECTIVES

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

4. 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. In 2019, reached an agreement with Moneyfarm for the distribution of PosteMoney Investimenti to customers of Poste Italiane. The agreement with Tink, on the other hand, supports Poste Italiane with opportunities from open banking, resulting from a constantly evolving context determined by the new PSD2 regulation.

### FINANCIAL OBJECTIVES

- Revenue: €4.9 billion (2017: €5.0 million), 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 P&C 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 P&C 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 structural integration of sustainability elements into corporate policies, processes and long-term strategy continued in 2019 and is an established feature of Poste Italiane's business model.

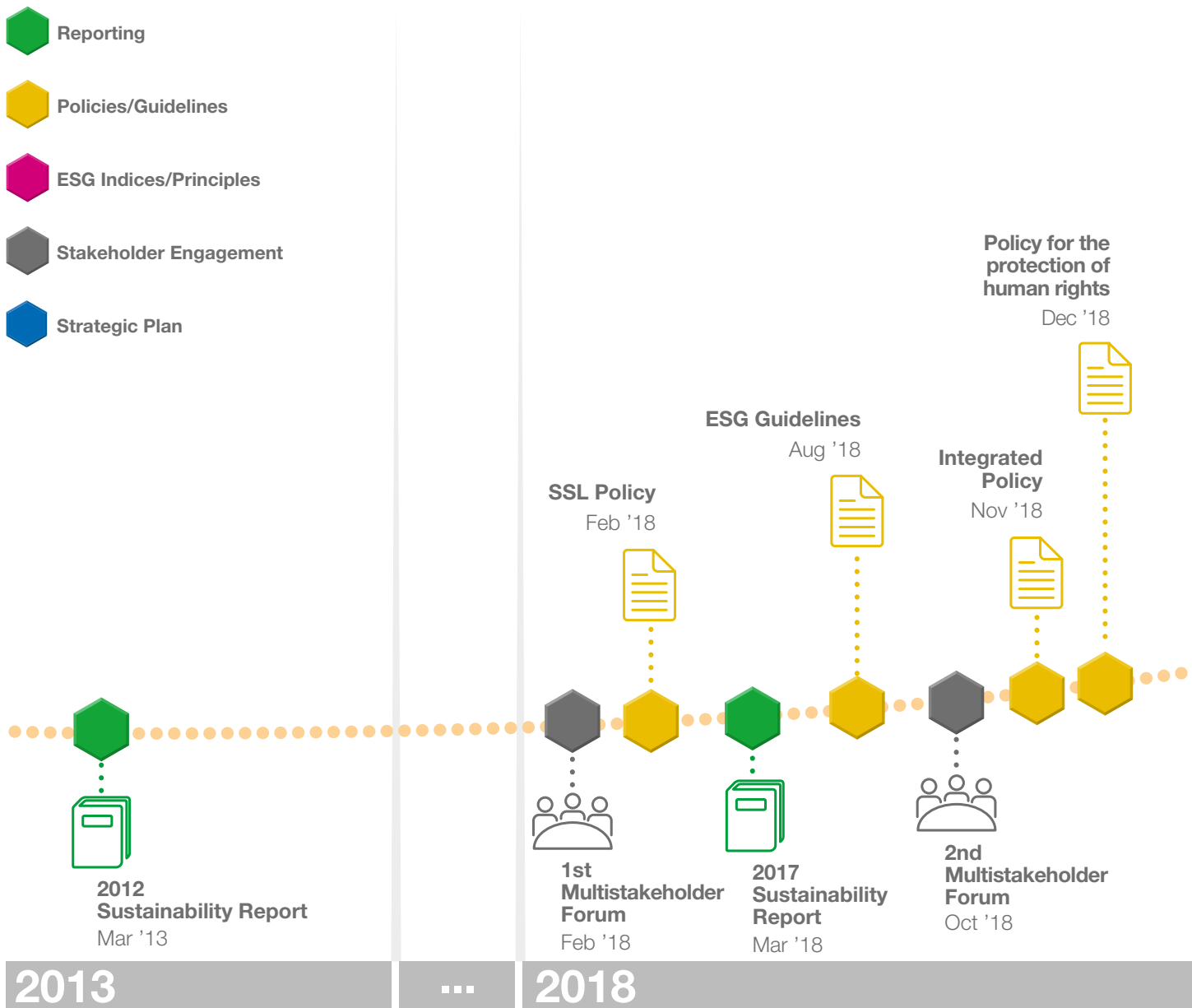
Evidence of this approach, also in the 2020 incentive scheme, is the assignment of sustainability goals to the Chief Executive Officer/General Manager and consistently, to all key management personnel, the Head of BancoPosta, the Head of Internal Auditing and the heads of the various functions. Moreover, sustainability objectives are monitored and analysed as part of the Group's risk management process using a specific Group GRC (Governance, Risk & Compliance) platform.

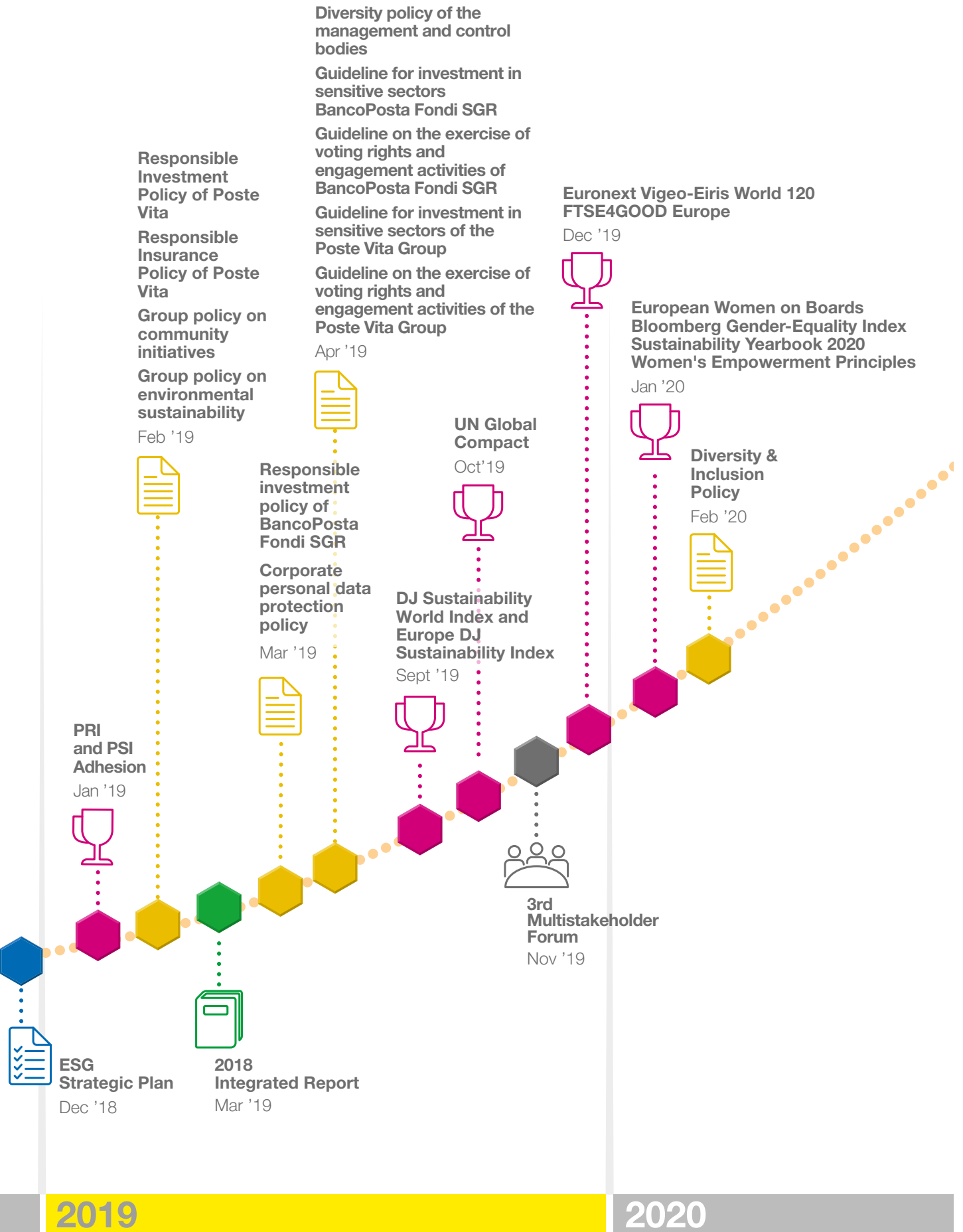
# Poste Italiane's sustainability path

Over the last three years, Poste Italiane has undertaken an important sustainability path aimed at promoting the distinctive elements of its corporate strategy, transforming market challenges into opportunities for the creation of shared value and contributing to the development of the company's reputation.

To support the achievement of the objectives set along this path, the Company has undertaken specific actions with the aim of promoting and disseminating, at Group level, a corporate culture oriented towards sustainability throughout the entire value chain. These actions, taken along three main lines - Reporting, Strategy and Governance - have led to important evolutionary transformations that in a short time have led the Company to achieve numerous goals and awards; emblematic, is the entry into the prestigious international sustainability indices.

Intended as a key element to support business strategy, today sustainability is considered an integral component of the company's activities, processes and strategy, being embedded in all components of the Company and an essential element for the definition of future strategic and financial choices undertaken by the Group.





# The value of reputation and the Sustainability Indices in which Poste Italiane is present

In an economic-financial context in which the market value of companies increasingly derives from their intangible assets, reputation represents an extraordinary asset for Poste Italiane, as it is able to significantly influence the behaviour and choices of its stakeholders and, as a result, creates a strong impact on business and corporate strategies and becomes a competitive lever for the Company to face (and win) the challenges of an increasingly evolved market where the boundaries of traditional business are increasingly transient and trust becomes an element of choice for consumers.

With this in mind, Poste Italiane has been listening to the Top Management of Poste Italiane since January 2020, with the aim of understanding the Company's strategic vision, so as to use - in a data-driven logic - the data to make its reputation active as an incentive for continuous development and progress for the entire Group.

A measure of the reputation achieved by Poste Italiane is represented by the many awards and recognitions achieved in recent years, which further strengthen its image and confirm the effectiveness of the activities undertaken.

## ESG Awards and Recognitions

### Top Manager Reputation



In 2019, for the first time, the CEO of Poste Italiane entered the Top 15 in the Top Manager Reputation ranking, drawn up by the Permanent Observatory of Reputation Science on the online reputation of top management companies active in Italy. The CEO took fifth place in the ranking.

### Top Employer Italy 2020



Poste Italiane is Top Employer Italy 2020. The prestigious award was given to Poste by the Top Employers Institute, the global certification body for excellence in HR practices. The Top Employer Italia 2020 certification is in addition to the other awards given to Poste Italiane by Universum Global, a Swedish company specialized in employer branding.

### World's Best Employers 2019



According to the ranking drawn up by Forbes, which identifies the top 500 companies in the world in terms of quality of working life, Poste Italiane ranks second globally in the "Life & Health Insurance" sector and fourth among all Italian companies. It is clear that there has been significant progress in the ranking compared to the past.

### Best performance in the 500 Top Brand Finance



Among the nine Italian brands that entered the Global 500 ranking, Poste climbed 108 positions, recording the highest performance in terms of image and reputation for the insurance industry, also thanks to the dynamism in digital solutions such as Postepay and growth prospects, winning the AAA rating of excellence (read TRIPLE A).

### 15th in the world's top 100 insurance companies



The Company enters for the first time in the world ranking for reputation and brand value in the insurance industry, ranking directly in 15th place. At the same time in the national ranking, Poste moved from eighth to sixth place.

### SMAU Innovation Award



Poste is awarded for innovation in the transformation plan of Customer Service in logistics and shipping, financial, insurance and digital payment services.

### HR & Organization Innovation Award















The Group was awarded first place in the "Chatbot for digital learning" project for the adoption of an artificial intelligence system applied to learning.

### PostePay first position at the 2019 Awards



At the MVNO World Congress in Amsterdam, PostePay SpA, thanks to its Connect offer, distinguished itself as the most innovative and successful telecommunications operator in the international market.

<p><b>BancoPosta and Postepay apps products of the year</b></p> 	<p>The BancoPosta and Postepay apps have won the “Elected Product of the Year” award, an important recognition of Poste Italiane’s ability for innovation, which has been able to create market-leading products that are central to customers’ lives.</p>
<p><b>FEIEA Award</b></p> 	<p>The NoidiPoste app, the internal communication tool for employees, stood out among the top five at European level, ranking for the “best use of social media application”.</p>
<p><b>The Governance award to Poste Vita</b></p> 	<p>Capital Finance International awarded Poste Vita with the Best Pension Fund Governance award for combining Environmental, Social and Governance (ESG) principles with the performance required by investors.</p>
<p><b>DEO Fund obtains Green Star rating</b></p> 	<p>Poste Vita’s DEO Fund obtained a five-star rating from GRESB, qualifying as Green Star and, with a score of 86/100, ranked 12th among unlisted real estate investments in the Eurozone in the Offices sector, for compliance with Environmental, Social and Governance (ESG) principles.</p>
<p><b>5th most transparent company</b></p> 	<p>In the transparency ranking, Lundquist’s annual research, Poste climbs the ranking of the major Italian companies and reaches fifth place, thus gaining seven positions compared to 2018.</p>
<p><b>posteitaliane.it climbs the European rankings</b></p> 	<p>In the Webranking Europe 2019-2020, Poste Italiane is in ninth position, advancing eight steps from the 2018 ranking. Within the Top Ten, the portal www.posteitaliane.it ranks second overall in financial/insurance.</p>
<p><b>Top 10 Socially Devoted</b></p> 	<p>In 2019, the company was again in the Top 10 of Italian companies, drawn up by SocialBakers, climbing three positions.</p>
<p><b>Leader in media communication</b></p> 	<p>EIKON Strategic Consulting, through the Top Ten research, analyses and compares the press image of the top 10 Italian companies in the top 10 newspapers of the country. Poste climbs 9 positions. In a range between 0 and 1, the company went from the bottom of the ranking with 0.37 in 2017, to substantial leadership with 0.93 in 2019.</p>
<p><b>Poste at the top for young people</b></p> 	<p>Poste Italiane enters the Top Ten of the most attractive companies on the Italian job market for young people. This is confirmed by the “Most Attractive Employers Italy” ranking, drawn up annually by Universum Global, a Swedish company leader in employer branding.</p>
<p><b>International Finance Award for Administrative and Financial Processes</b></p> 	<p>The award recognises Poste Italiane for a new way of doing business with innovative financing methods aimed at making business more and more sustainable.</p>
<p><b>Most influential brand among Italian listed companies</b></p> 	<p>Poste is the most influential Italian listed company in the daily choices of citizens, according to the international ranking The Most Influential Brands 2019 drawn up by Ipsos. The company has achieved 23rd place in the Global Top 100 for Corporate Social Responsibility by climbing 10 positions in two years.</p>
	<p>Poste Italiane was awarded the highest level (Category 1) in 2019, which entitles it to a certificate of excellence. Only seventeen postal operators in the world have been awarded the highest prize this year, including nine Europeans. The Certificate of Excellence refers to the results achieved in the Sustainable Development Strategy and the reduction of pollutant emissions.</p>

The year 2019 saw the entry of Poste Italiane into important sustainability indices. These indices allow analysts to monitor and evaluate Poste Italiane's performance with respect to environmental, social and governance issues. As a result, analyses in the ESG sector are used by investors as a useful tool to assess business strategy and identify possible opportunities and risks in terms of sustainability with respect to their investments. In addition, careful analysis contributes to the development of sustainable investment plans for the Group.

### Sustainability Indices in which Poste Italiane is present



In 2019, Poste débuts in the Dow Jones Sustainability World Index (DJSI) and the more selective Europe Dow Jones Sustainability Index.



For the first time, Poste Italiane is included in the FTSE4Good index. An index that assesses the performance of companies that are globally recognised for their high standards of social responsibility. The FTSE4Good Europe and FTSE4Good Developed indices, in which Poste makes its début, include companies that stand out for their transparent management and application of sustainable criteria.



The Group is included in the prestigious international index for the first time. After the assessment of the company's performance, Poste was also included in the regional indices Euronext Vigeo Eurozone 120 and Europe 120. In addition, the company is ranked third in the ESG performance evaluation - Environmental, Social and Governance - carried out by Vigeo Eiris both among the 134 companies worldwide and among the 46 European companies in the "Transports and Logistics" sector."



Poste Italiane joins the Bloomberg Gender-Equality Index (GEI) 2020, the main index for measuring company performance on gender equality issues and the transparent reporting of data and information related to it. The Gender-Equality Index 2020 includes 325 companies operating in 50 different sectors in 42 countries.



Poste Italiane conquers ninety-eighth place among the major groups of the Stoxx Europe 600 list in the Gender Diversity Index (GDI) compiled by the organization "European Women on Boards" (EWOB). The new award places the Group at the top positions in Europe for the presence of women in positions of responsibility. The EWOB indicator has a range between 0 and 1 and with a GDI of 0.69, Poste Italiane exceeds the European average of 0.53.



Poste Italiane ranks among the top ten companies in the global insurance industry in terms of sustainability in the Sustainability Yearbook 2020, the Sustainability Yearbook published by S&P Global in collaboration with rating company ESG RobecoSAM, which assesses the sustainability performance of leading companies globally. The Group was awarded the Industry Mover award for having obtained the best change in score from the previous year with respect to the peers in the selected sector, being, moreover, the only company to have obtained this recognition within the "Insurance" sector.



This year, Poste Italiane is in sixth place in the general ranking of the Integrated Governance Index (IGI), up four positions compared to the previous edition and is in fifth place in the special category dedicated to human resources.



The Poste Italiane Group has obtained a rating of 1, considered to be the highest possible, in the Environment and Social areas, in Institutional Shareholder Services Inc. (ISS).



## Poste Italiane's sustainability strategy

The Company's Sustainability Strategy involves a system of Sustainability Policies and an ESG Strategic Plan that are in line with the Group's business strategy and criteria, and with national and international social and environmental development targets.

General principles, qualitative objectives and management methods are incorporated into the Company's policies that regulate the issues identified in the materiality analysis and the areas required by Legislative Decree 254/2016, while specific objectives and targets - quantitative and qualitative - are included 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
<b>Tax Strategy</b>	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.
<b>Group Policy on occupational health and safety</b>	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.
<b>Integrated Policy</b>	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).
<b>Policy on community initiatives</b>	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.
<b>Group Policy on personal data protection</b>	The Poste Italiane Group policy shows that personal data protection is a fundamental value that every Group Company must adhere to in its daily activities. The Group protects and promotes the protection of personal data and the rights of data subjects through information and awareness campaigns and policies for data protection.
<b>Group Policy on environmental sustainability</b>	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.
<b>Responsible Investment Policy of the Poste Vita Group</b>	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.
<b>Responsible Insurance Policy of the Poste Vita Group</b>	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.
<b>Responsible Investment Policy of BancoPosta Fondi SGR SpA</b>	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.
<b>Guideline for investment in sensitive sectors of BancoPosta Fondi SGR</b>	BancoPosta Fondi SGR's Guideline for investment in sensitive sectors defines measures to identify, assess and monitor exposure to activities that present a relevant intrinsic risk from an ESG point of view, thus enabling environmental, social and governance aspects to be incorporated into the investment process.
<b>Guideline on the exercise of voting rights and engagement activities of BancoPosta Fondi SGR</b>	The SGR's Guideline defines measures and procedures to exercise voting rights in accordance with established national and international reference principles and to promote the proper management of ESG issues through beneficial dialogue with issuers of securities in their financial portfolios.
<b>Guideline for investment in sensitive sectors of the Poste Vita Group</b>	Poste Vita SpA's Guideline for investment in sensitive sectors defines measures to identify, assess and monitor exposure to activities that present a relevant intrinsic risk from an ESG point of view, thus enabling environmental, social and governance aspects to be incorporated into the investment process.
<b>Guideline on the exercise of voting rights and engagement activities of the Poste Vita Group</b>	The Company's Guideline defines measures and procedures to exercise voting rights in accordance with established national and international reference principles and to promote the proper management of ESG issues through beneficial dialogue with issuers of securities in their financial portfolios.
<b>Diversity Policy of Poste Italiane's administrative and control bodies</b>	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.
<b>Group Policy for the protection of human rights</b>	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.
<b>Group Policy on Diversity and inclusion</b>	The Policy indicates that the Poste Italiane Group is committed to supporting the values of diversity and inclusion through the adoption of corporate, organisational and management mechanisms based on respect for people's rights and freedom. In this direction, the path undertaken aims to evolve the way in which diversity issues are dealt with, moving from an approach aimed at protecting and integrating diversity to a proactive strategy to overcome any cultural stereotype and to identify and resolve the factors that prevent people from being included in the labour market.

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

Poste Italiane's ESG Strategic Plan is based on 8 key sustainability Pillars in the ESG areas relevant for the Group. This year, in consideration of the importance given during the Multi-stakeholder Forum to the issues related to innovation, diversity and inclusion, two new Pillars related to these issues were introduced. The Company is committed to achieving specific actions and objectives under each pillar for the proper management of material issues. These objectives have been identified also with reference to the targets set at global level by the United Nations in the Sustainable Development Objectives and the contribution offered by Poste Italiane for their achievement.

## The pillars of Poste Italiane's ESG Strategic Plan that support the Deliver 2022 Plan

### 1. INTEGRITY AND TRANSPARENCY



### 2. PEOPLE DEVELOPMENT



### 3. DIVERSITY AND INCLUSION



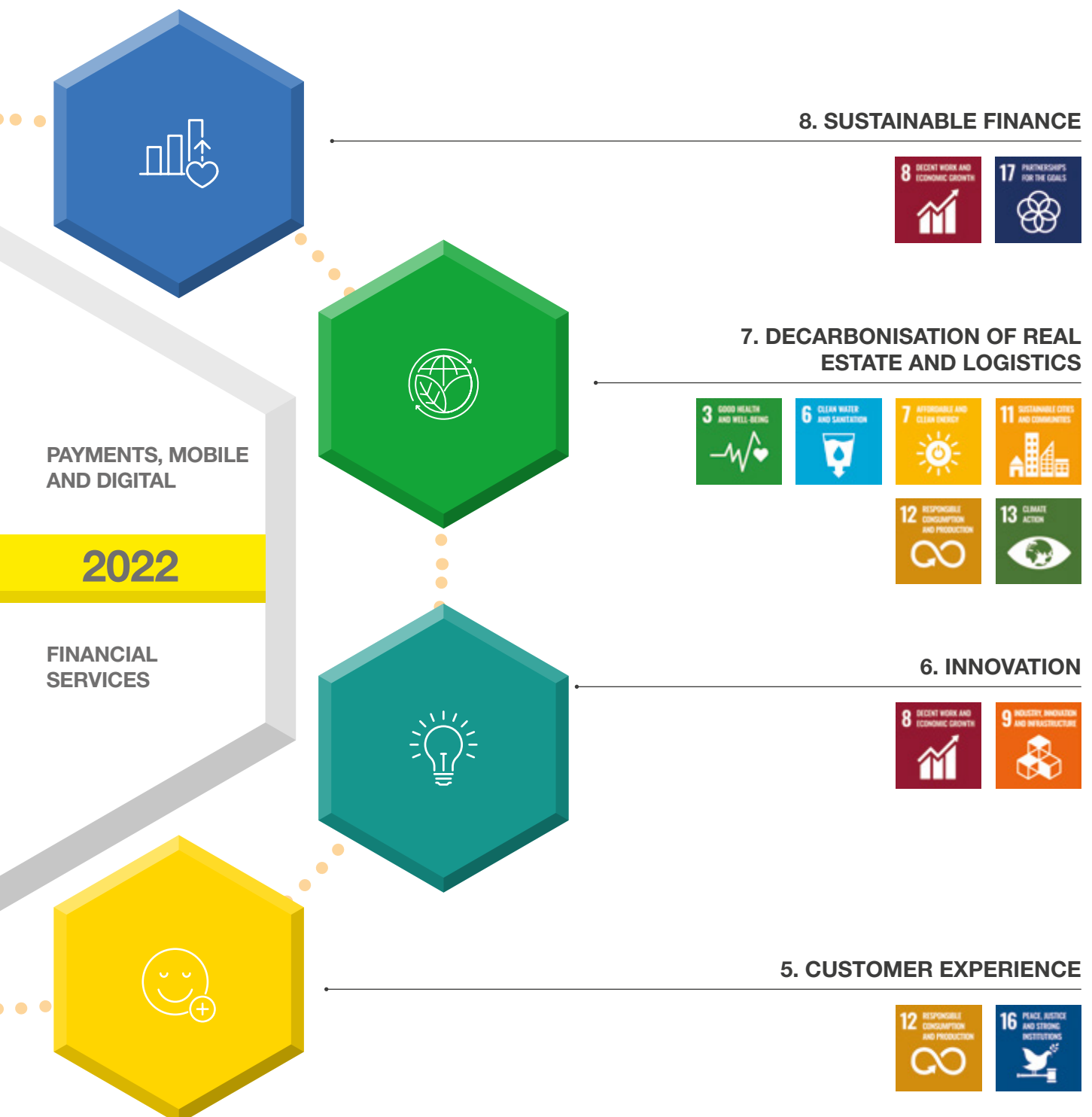
### 4. SUPPORT FOR LOCAL COMMUNITIES AND THE COUNTRY










The structured path that has directed management towards the definition of the milestones to be pursued in the coming years, in accordance with the time frame covered by the business strategy indicated in the Deliver 2022 Plan, has produced actions and objectives formalised within the ESG Strategic 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.



In order to support the definition of a sustainability strategy consistent with the evolution of the context, Poste Italiane actively participates in national and international networks and associations that aim to stimulate development and continuous discussion on sustainability issues.

	<p><b>UN Global Compact:</b> is the largest corporate sustainability initiative in the world. An appeal to companies to align their strategies and operations with universal principles in the areas of human rights, labour, environment and anti-corruption and to take actions that promote society's objectives. It is a voluntary initiative to implement the principles of universal sustainability and adopt measures to support the objectives of the United Nations.</p>
<p>Signatory of:</p> 	<p><b>Principles for Responsible Investment:</b> 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.</p>
	<p><b>Principles for Sustainable Insurance:</b> 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.</p>
	<p><b>UN Women:</b> is the UN entity dedicated to gender equality and empowerment of women. UN Women was established to accelerate progress in meeting their needs around the world. It supports UN member states as they define global standards to achieve gender equality and work with governments and civil society to design the laws, policies, programmes and services needed to ensure that the standards are effectively implemented and truly benefit women and girls around the world.</p>
	<p><b>CSR Exhibition:</b> is the most important event in Italy dedicated to sustainability. It is an opportunity to share ideas and find common paths through dozens of meetings, hundreds of speakers and thousands of visitors. The exhibition allows getting to know the companies that have made sustainability a strategic driver, meeting young people, helping build the future of CSR. The exhibition takes place for two days, which are intense thanks to a rich cultural programme, many stimulating appointments, many opportunities for networking.</p>



**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.

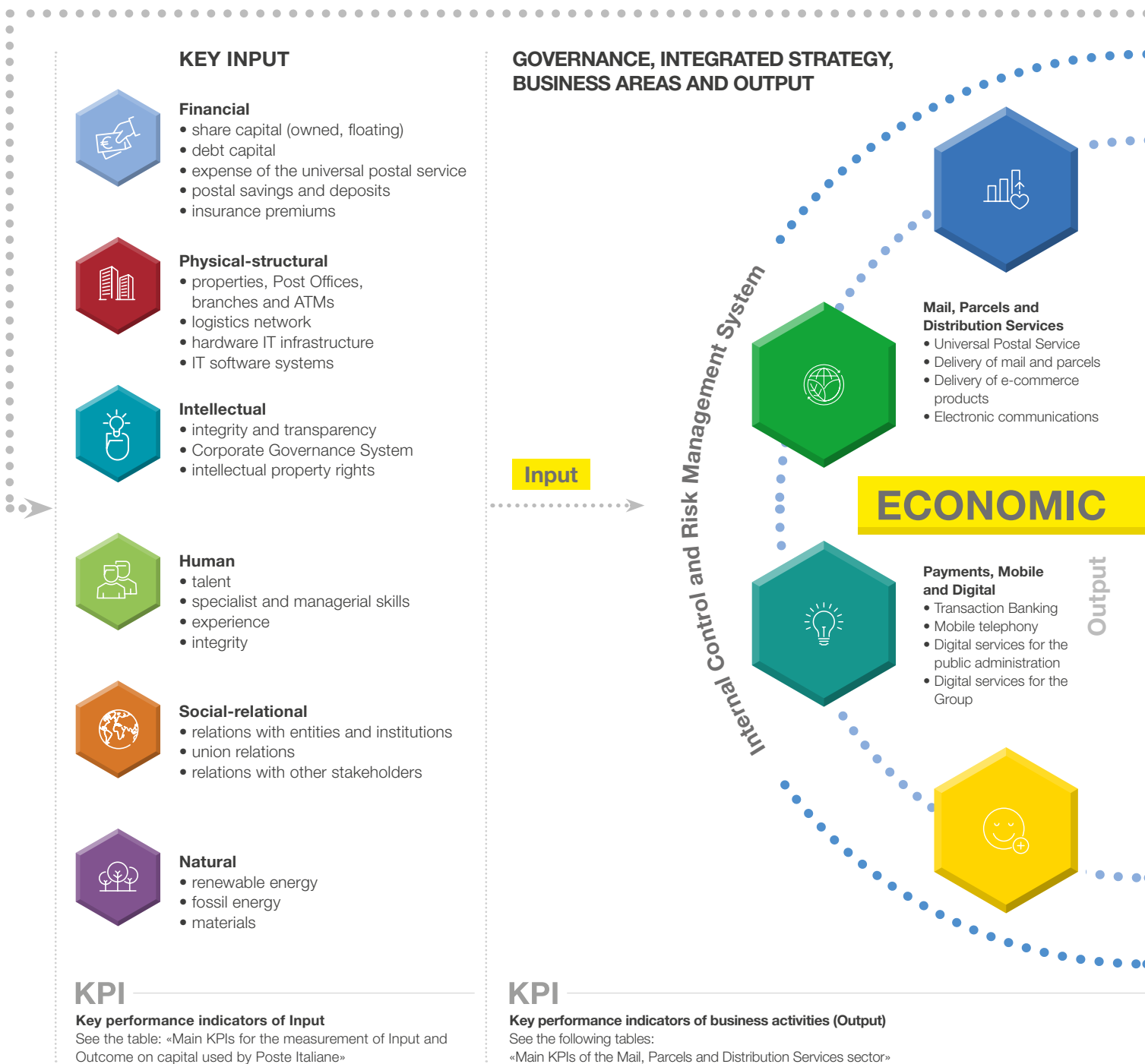
# Poste Italiane's business model



The Deliver 2022 Strategic Plan has implemented a business renewal programme based on the centrality of new consumer needs and will allow full capitalisation of the unique strengths of the Poste Italiane network, which boasts over 12,809 Post Offices located throughout the territory.

The Plan is based on the need to respond proactively to the continuous evolution of the market and to seize - and possibly anticipate - new business opportunities. The pursuit of long-term value creation for the Company, customers and the community makes it necessary to evolve the operating structure, update skills and invest in new technologies.

## The value creation process in Poste Italiane



The Company's value creation process over time is based on a characteristic business model, typical of an integrated industrial group, organised into Strategic Business Units specialised by industry that share the Group's multi-channel distribution network and unitary governance.

Also with a view to circular economy, this model is based on the use of financial, physical-structural, intellectual, human, social-relational and natural capital which, together with a governance and a Strategic Plan integrated with an ESG perspective, allow Poste Italiane to offer products and services on the market (output) and create impacts (outcome) that are economic, environmental and social and attributable to the United Nations Sustainable Development Goals (SDGs).




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



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

Poste Italiane's business is based on capital characterised by heterogeneity that has its own identity and certain qualities. This makes it possible both to specifically describe them and to measure them through performance indicators: the table below shows the peculiarities of each capital by referring to the paragraphs of this document where a more detailed description is provided.

### Main KPIs for the measurement of Input and Outcome on capital used by Poste Italiane

Capital	Description	Measurement indicators	References to sections in the Annual Report
 <p><b>Financial</b></p>	Sources of financing and ways of using financial resources	<p><b>INPUT:</b></p> <ul style="list-style-type: none"> <li>▪ Business continuity plan resources</li> <li>▪ Equity and liabilities</li> </ul> <p><b>OUTCOME:</b></p> <ul style="list-style-type: none"> <li>▪ GRI 201-1 Economic value generated, distributed and retained</li> <li>▪ FS 11 Percentage of assets subject to positive and negative environmental or social screening regarding social/environmental aspects</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consolidated financial position and cash flow</li> <li>▪ Integration of ESG factors into investment policies</li> <li>▪ Integration of ESG factors into insurance policies</li> <li>▪ Indicators tables</li> </ul>
 <p><b>Physical-structural</b></p>	Structures, equipment and infrastructure that have an impact on efficiency and effectiveness	<p><b>INPUT:</b></p> <ul style="list-style-type: none"> <li>▪ Corporate fleet data</li> <li>▪ Air transport fleet data</li> <li>▪ GRI 102-7 Organisational scale of the organisation</li> </ul> <p><b>OUTCOME:</b></p> <ul style="list-style-type: none"> <li>▪ Digital services in numbers</li> <li>▪ Number of contacts handled</li> <li>▪ GRI 305 Emissions</li> <li>▪ GRI 306 Effluents and Waste</li> <li>▪ GRI 305-4 Intensity of GHG emissions related to real estate facilities</li> <li>▪ Wastewater reporting</li> <li>▪ Dematerialisation of procedures and corresponding transactions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Environmental impacts of real estate facilities</li> <li>▪ Environmental impacts of logistics</li> <li>▪ Innovation and digitisation of products, services and processes</li> <li>▪ Indicators tables</li> </ul>
 <p><b>Intellectual</b></p>	Intellectual property, procedural/organisational system, reputation	<p><b>INPUT:</b></p> <ul style="list-style-type: none"> <li>▪ Business continuity plan resources</li> <li>▪ GRI 205-1 Companies assessed for risks related to corruption and percentage of operations audited for risks related to corruption</li> <li>▪ Specific training on procedures and policies of anti-corruption</li> </ul> <p><b>OUTCOME:</b></p> <ul style="list-style-type: none"> <li>▪ GRI 205-3 Reports managed by the Whistleblowing Committee</li> <li>▪ GRI 418 Customer Privacy</li> <li>▪ IT security and cybersecurity breaches</li> <li>▪ Number of customers involved in IT security breaches</li> <li>▪ Cases of bribery and corruption and corrective actions</li> <li>▪ Anti-competitive practices</li> </ul>	<ul style="list-style-type: none"> <li>▪ Work with transparency and integrity</li> <li>▪ Cybersecurity, IT Security and Privacy</li> <li>▪ Innovation and digitisation of products, services and processes</li> <li>▪ Indicators tables</li> </ul>



### Human

Staff knowledge and skills

#### INPUT:

- GRI 102-8 Number of personnel by contract type and gender
- GRI 401 Employment
- GRI 404 Training and Education
- GRI 405 Diversity and Equal Opportunity
- GRI 412 Evaluation of respect of human rights
- Number of participants in development programmes
- Average hours of training for employees by gender and category
- Training programmes and career development

#### OUTCOME:

- Workforce trends (employee turnover)
- GRI 403-2 Type of injury, injury rate, lost day rate, occupational disease rate, absentee rate and work-related fatalities at the Group
- Employees trained on Health and Safety issues
- Diversity
- Number of cases of non-compliance with labour standards
- Number of disputes with employees

- Work with transparency and integrity
- Protection of human rights
- Equal career development opportunities
- Occupational health and safety
- Staff training and development
- Staff welfare and wellbeing
- Indicators tables



### Social-relational

Partnerships and stakeholder engagement

#### INPUT:

- Suppliers with an ISO 14001 or EMAS certified environmental management system
- GRI 402 Labour/Management Relations
- GRI 203-1 Corporate giving and/or corporate citizenship initiatives
- Existing tenders that incorporate specific social criteria

#### OUTCOME:

- Number of contacts handled
- Customer satisfaction
- GRI 203 Indirect economic impacts
- The quality of the Universal Postal Service
- Customer experience in Post Offices
- Customer complaints by type
- Monthly complaints
- Settlements
- New customers in the categories most at risk of financial exclusion as a percentage of total new acquisitions
- FS14 ATMs for inclusion
- FS14 Post offices for cultural integration

- Protection of human rights
- Support for the socio-economic development of local communities
- Dialogue and transparency in relations with the authorities
- Relations with social partners
- Financial inclusion
- Quality and customer experience
- Legality and incorporation of ESG criteria within the procurement processes
- Indicators tables



### Natural

Natural resources and ecosystem services

#### INPUT:





























- GRI 301 Materials
- GRI 302 Energy
- GRI 303 Water
- Total cost of energy purchased for real estate facilities
- Existing tenders that incorporate specific environmental criteria

#### OUTCOME:


- GRI 305 Emissions
- GRI 306 Effluents and Waste
- GRI 305-4 Intensity of GHG emissions related to real estate facilities
- Wastewater reporting
- Weight of electricity consumption relating to real estate facilities by type of business





















- Legality and incorporation of ESG criteria within the procurement processes
- Environmental impacts of real estate facilities
- Environmental impacts of logistics
- Indicators tables

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 8 pillars relating to the 18 material topics.

Strategic Pillar	Relevant Topic	SDG	Key Measurement Indicators	Capitals Impacted		
 <b>INTEGRITY AND TRANSPARENCY</b>	Integrity and transparency		<ul style="list-style-type: none"> <li>▪ GRI 205 Anti-corruption</li> </ul>	  		
	Legality and incorporation of ESG criteria within the procurement processes			<ul style="list-style-type: none"> <li>▪ Existing tenders that incorporate specific environmental criteria</li> </ul>	 	
					<ul style="list-style-type: none"> <li>▪ Existing tenders that incorporate specific social criteria</li> </ul>	  
						<ul style="list-style-type: none"> <li>▪ GRI 301 Materials</li> </ul>
	 <b>PEOPLE DEVELOPMENT</b>	Staff training and development		<ul style="list-style-type: none"> <li>▪ GRI 404 Training</li> </ul>	 	
		Staff welfare and wellbeing	 	<ul style="list-style-type: none"> <li>▪ GRI 102 General Standards</li> <li>▪ GRI 401 Employment</li> </ul>		
Relations with social partners			<ul style="list-style-type: none"> <li>▪ GRI 402 Relations between employees and management</li> </ul>			
Occupational health and safety		 	<ul style="list-style-type: none"> <li>▪ GRI 403 Occupational Health and Safety</li> </ul>			
 <b>DIVERSITY AND INCLUSION</b>		Protection of human rights	 	<ul style="list-style-type: none"> <li>▪ GRI 405 Diversity and Equal Opportunity</li> <li>▪ GRI 412 Evaluation of respect of human rights</li> </ul>		
	Equal career development opportunities		<ul style="list-style-type: none"> <li>▪ GRI 404 Training and Education</li> </ul>			



Strategic Pillar	Relevant Topic	SDG	Key Measurement Indicators	Capitals Impacted
 <b>SUPPORTING LOCAL COMMUNITIES AND THE COUNTRY AS A WHOLE</b>	Support for the socio-economic development of local communities	   	<ul style="list-style-type: none"> <li>GRI 203 Indirect economic impacts</li> </ul>	
	Dialogue and transparency in relations with the authorities		<ul style="list-style-type: none"> <li>Monetary contributions related to activities with the ability to influence public policies</li> </ul>	
	Financial inclusion		<ul style="list-style-type: none"> <li>New customers in the categories most at risk of financial exclusion as a percentage of total new acquisitions</li> </ul>	 
 <b>CUSTOMER EXPERIENCE</b>	Quality and customer experience		<ul style="list-style-type: none"> <li>Quality of universal service</li> <li>Customer experience in Post Offices</li> <li>Customer complaints by type</li> <li>Customer satisfaction</li> <li>Settlements</li> </ul>	  
	Cybersecurity, IT security and privacy		<ul style="list-style-type: none"> <li>GRI 418 Customer Privacy</li> </ul>	  
 <b>INNOVATION</b>	Innovation and digitisation of products, services and processes	 	<ul style="list-style-type: none"> <li>Number of digital services offered</li> <li>Number of digital transactions</li> </ul>	  

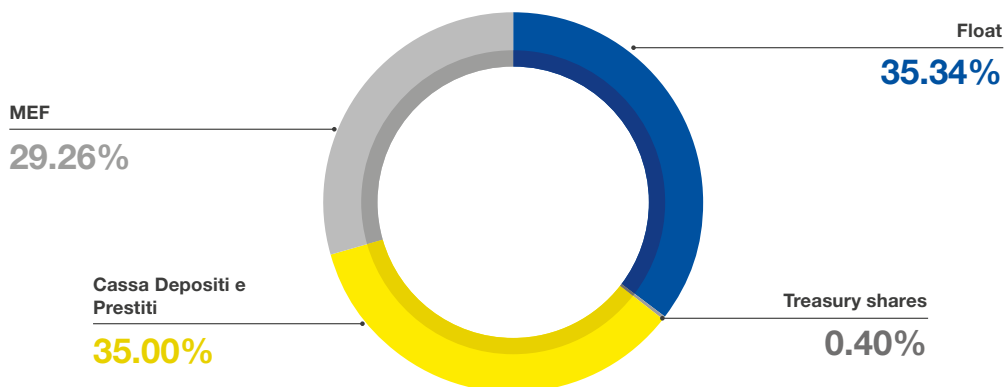
Strategic Pillar	Relevant Topic	SDG	Key Measurement Indicators	Capitals Impacted
 <b>DECARBONISATION OF REAL ESTATE FACILITIES AND LOGISTICS</b>	Environmental impacts of logistics	    	<ul style="list-style-type: none"> <li>▪ GRI 302 Energy</li> <li>▪ GRI 305 Emissions</li> </ul>	 
		   	<ul style="list-style-type: none"> <li>▪ GRI 302 Energy</li> </ul>	
	Environmental impacts of real estate facilities	  	<ul style="list-style-type: none"> <li>▪ GRI 303 Water and wastewater</li> <li>▪ GRI 306 Wastewater and waste</li> </ul>	 
		   	<ul style="list-style-type: none"> <li>▪ GRI 305 Emissions</li> </ul>	
 <b>SUSTAINABLE FINANCE</b>	Integration of ESG factors into investment policies	 	<ul style="list-style-type: none"> <li>▪ FS11 Percentage of assets subject to ESG valuation</li> </ul>	  
	Integration of ESG factors into insurance policies			

The chapter on Performance indicates the objectives to be achieved, with an indication of the state of implementation of the targets set. In addition, for each pillar, the different types of capital that contribute to the achievement of certain SDGs (outcome) are highlighted.

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## 4. Governance

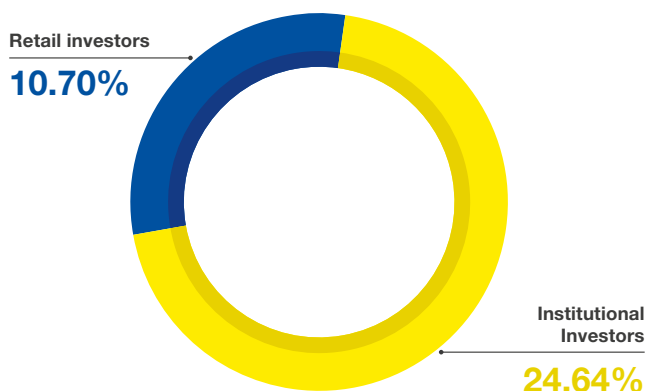
### Shareholder structure



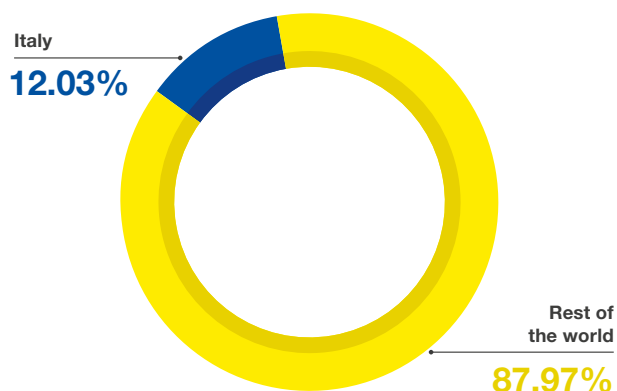
Poste Italiane has issued shares listed on the Mercato Telematico Azionario (the MTA, an electronic stock exchange) organised and managed by Borsa Italiana SpA as of 27 October 2015. At 31 December 2019, the Company is 29.3% owned by the Ministry of the Economy and Finance (MEF) and 35% owned by Cassa Depositi e Prestiti SpA (CDP), also controlled by the MEF. The remaining shares are held by institutional and retail investors.

In the period between 4 February and 29 March 2019, Poste Italiane purchased 5,257,965 treasury shares (0.4026% of the share capital) at an average price of €7.608, making a total cost of approximately €40 million. This initiative is aimed at creating a stock of securities partly to service any future staff incentive plans. The purchases were made as 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 and following authorisation resolved by the Shareholders' Meeting of 29 May 2018.

Floating equity profile



Geographical breakdown Institutional investors



On 5 November 2019, the Board of Directors of Poste Italiane, in light of the Parent Company's performance and financial position in the first half of 2019, the outlook for operations and in line with prevailing practice, decided to advance part of the ordinary dividend for 2019 as an interim dividend. To this end, the Company has prepared a Report and Financial Statements pursuant to article 2433 *bis* of the Italian Civil Code, which show that the Company's financial position, results of operations and cash flows allow such distribution. The opinion of the independent auditors was obtained on these documents.

The interim dividend of €0.154 per share, gross of any legal withholding taxes, was made with effect from 20 November 2019, with ex-dividend date of coupon no. 5 coinciding with 18 November 2019 and record date (i.e. the date on which the dividend was entitled to be paid) coinciding with 19 November 2019.

Based on the number of shares outstanding at 5 November 2019, which amounted to 1,300,852,035, the total amount of the advance payment was €200 million.

# Management and Supervisory Bodies

## BOARD OF DIRECTORS<sup>1</sup>

### 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 AUDITORS<sup>3</sup>

### Chairman

Mauro Lonardo

### Statutory auditors

Luigi Borrè

Anna Rosa Adiutori

### Alternate auditors

Alberto De Nigro

Maria Francesca Talamonti

Antonio Santi

## SUPERVISORY BOARD<sup>4</sup>

### Chairman

Carlo Longari

### Members

Paolo Casati<sup>5</sup>

Massimo Lauro

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

Francesco Petronio<sup>6</sup>

## INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA<sup>7</sup>

## CONTROL, RISK AND SUSTAINABILITY COMMITTEE<sup>2</sup>

Antonella Guglielmetti

(Chairwoman)

Giovanni Azzone

Francesca Isgrò

Roberto Rossi

## REMUNERATION COMMITTEE<sup>2</sup>

Carlo Cerami

(Chairman)

Giovanni Azzone

Roberto Rossi

## APPOINTMENTS AND CORPORATE GOVERNANCE COMMITTEE<sup>2</sup>

Roberto Rao

(Chairman)

Antonella Guglielmetti

Mimi Kung

## RELATED PARTY AND CONNECTED PARTY COMMITTEE<sup>2</sup>

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. Committee members were appointed by the Board of Directors' meeting of 28 April 2017.
3. The Board of Statutory Auditors was elected by the Ordinary General Meeting of 28 May 2019 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 2021.
4. The Supervisory Board was appointed by the Board of Directors' meeting of 30 July 2019 for a three-year term and will remain in office until 30 July 2022.
5. The only internal member, Head of Poste Italiane SpA's Internal Auditing.
6. Starting 1 January 2020, the Court of Auditors assigned the appointment to Piergiorgio Della Ventura.
7. Company appointed to perform the statutory external auditing of the accounts for FYs 2011-2019. The Ordinary General Meeting of 28 May 2019 resolved to appoint Deloitte & Touche SpA to audit the Poste Italiane Group for the years 2020-2028.

The Corporate Governance structure reflects the provisions of Legislative Decree no. 58, 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 (BancoPosta RFC), the legislation applicable to electronic money institutions as regards the activities carried out by Poste Italiane in implementation of the agreements entered into with PostePay – the ring-fenced EMI, and the recommendations of the Corporate Governance Code for listed companies endorsed by Borsa Italiana in force as of 31 December 2019.

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.

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 and resolve regarding 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 11 times in 2019. 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 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 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** has 3 standing members and 3 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 35 times during the year.

The **Supervisory Board** 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.

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 **statutory audit** is currently entrusted to the independent auditors PricewaterhouseCoopers SpA, whose engagement expires on the date of approval of these financial statements for the year ending 31 December 2019. Following the public tender to appoint a single Group auditor, the Ordinary General Meeting of 28 May 2019 resolved to appoint Deloitte & Touche SpA to audit the Poste Italiane Group for the years 2020-2028.

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 in the Report on Operations of BancoPosta RFC to which reference is made.

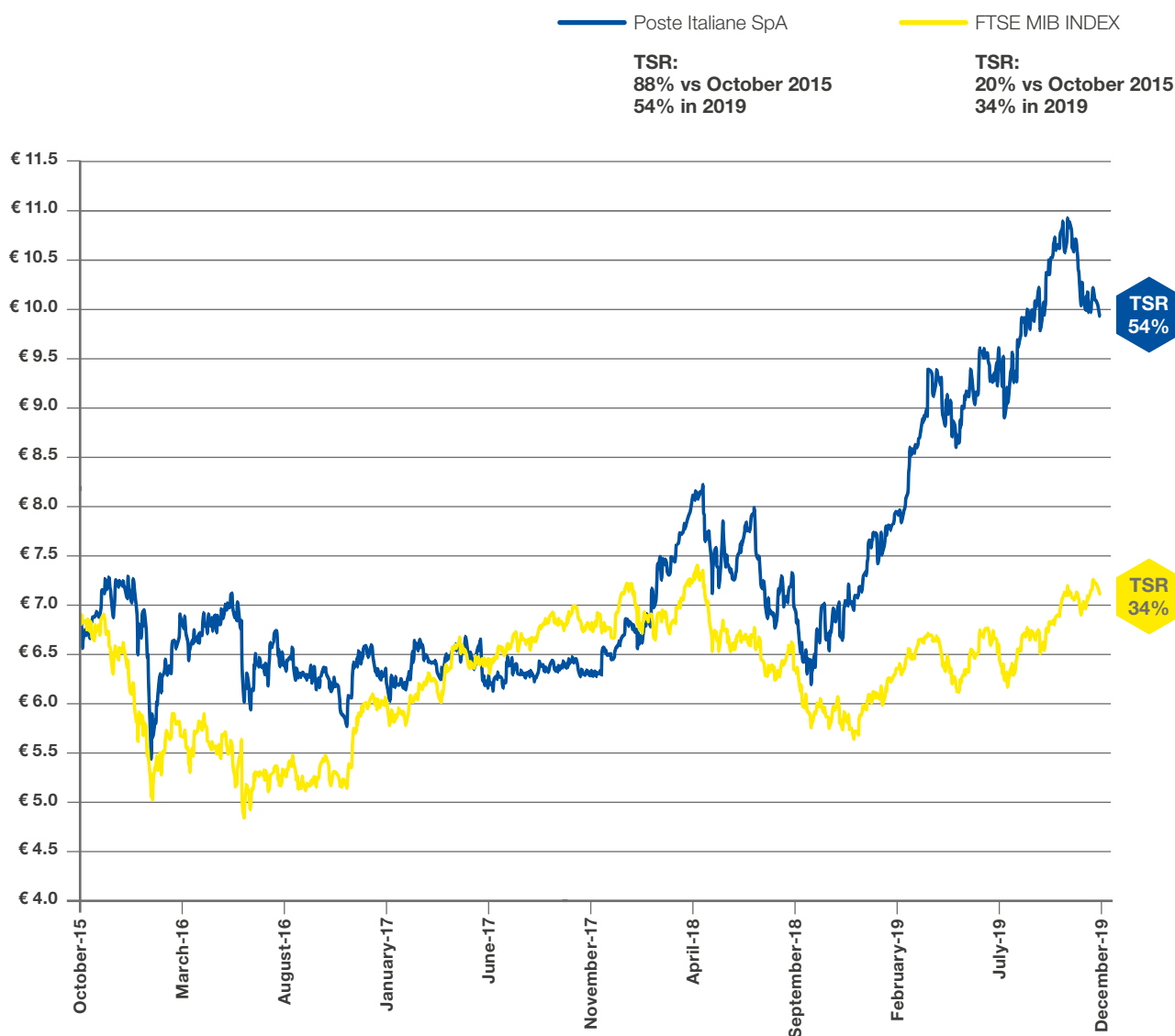
Following the receipt of clearance from the Bank of Italy, the General Meeting of Poste Italiane held on 29 May 2018 approved the proposed removal of the assets, liabilities and contractual rights attributable to the card payments and payment services business unit from the ring-fence that applies to BancoPosta RFC. On 1 October 2018, this business unit was transferred to the subsidiary PostePay SpA, in assets earmarked for monetics and payment services, in order to enable the latter to operate as an Electronic Money Institution (EMI).

## 5. Performance

### Performance of Poste Italiane shares

In 2019, the Poste Italiane share price rose by 45% from €6.970 at the beginning of the year to €10.12 in December, reaching a peak of €11.205 in November. Performance for the year measured in terms of Total Shareholder Return<sup>5</sup> was +54%, compared to +34% recorded by the FTSEMIB<sup>6</sup> in the same period.

From the date of listing on the stock exchange (27 October 2015) to the end of 2019, Poste's share price increased by 50% (while the FTSEMIB index rose by 5%), guaranteeing an overall return for shareholders (TSR) of +88% while the main Italian stock exchange index recorded +20%.



5. The Total Shareholder Return (TSR) measures the total annual return for an investor and is calculated by adding the increase in the share price over a determinate period of time to the impact of dividends per share paid in the same period.

6. The FTSE MIB INDEX (Financial Times Stock Exchange Milan Stock Exchange Index) is the most significant stock index of the Italian Stock Exchange.

## Macroeconomic environment

In 2019, global economic growth decelerated as a result of slowing activity in both advanced and emerging economies. US duties and countervailing measures activated by the countries involved, Middle East geopolitical tensions and the slowdown in the Chinese economy have negatively affected international prospects. In the final phase of the year, there were some signs of easing and substantial stability in international trade. However, the risk factors continued to weigh heavily, as evidenced by the forecasts released in November 2019 by the Organisation for Economic Cooperation and Development (OECD) which, in confirming the estimates of world growth in 2019 at +2.9%<sup>7</sup>, showed a decline for those of 2020.

Signs of easing came in December 2019, when it was announced that the signing of the Phase 1 agreement of the US-China negotiations would take place, as it did on 15 January 2020; moreover, trade talks between the US and the EU were suspended until the US elections and the outcome of the UK elections, while making Brexit inevitable, reduced fears of an impact on the economy under the agreed terms and timing of implementation.

The moderation in world growth was reflected in the lack of dynamism in oil consumption (and prices), also due to a supply which, thanks to the US contribution, continued to increase. The price of Brent oil therefore remained in the second half of 2019 at around 65 dollars/barrel, insensitive to the numerous risk factors (oil attack in Saudi Arabia, Libyan crisis, US embargo on Iranian exports) that emerged in the same period.

The expansive phase of the economic cycle in the **USA** has been going on for eleven years, although it decelerated in 2019 accompanied by the Federal Reserve's (FED) monetary policy, which reduced the policy rate by 25 basis points (bps) three times in the year. In the third quarter of 2019, according to final data from the US Department of Commerce, Gross Domestic Product (GDP) increased by 2.1%.

The American economy was driven by the trend in household consumption, linked both to the reduction in the unemployment rate (3.6% in October 2019) and the improvement in real wages. As regards trade, in the period January-September 2019, the stabilisation of import flows, partly due to the effects of the increase in duties, was more than offset by difficulties in export growth due to the weakness of world trade, with the effect of a worsening of the trade balance, compared to the same months in 2018.

The **Chinese economy** remained on a trajectory of gradual slowdown that brought the trend GDP growth rate in the third quarter of 2019 to 6.0%, the lowest value since 1992. However, at the end of the year, there were reassuring signs: the leading indicators for manufacturing and services industry in December 2019 were above the expansion threshold, export orders remained strong and business confidence increased. In addition, in early 2020, the Chinese central bank announced the eighth reduction in the minimum reserve ratio from 2018 to further support the economy. The spread, in January 2020, of the coronavirus epidemic, still unresolved, risks having negative effects not only on the 2020 GDP of the country but also on the growth of the world economy, as the virus began to spread in other countries, reaching Italy in February 2020.

The **United Kingdom** is officially out of the European Union, initiating a transitional period which should end, unless postponed, on 31 December 2020, during which time trade relations between the EU and the UK will, in any event, remain substantially unchanged. Real GDP growth showed some volatility during 2019, largely reflecting the uncertainties that have weighed on the investment decisions of households and businesses over the past two years. The change in GDP on an annual basis was 1.1%.

In the **Eurozone**, the different cyclical phase between the manufacturing and service sectors continued<sup>8</sup>: the decline in industrial production was matched by greater dynamism of services. However, in the last few months of 2019, the confidence of industrial enterprises indicated a phase of substantial stagnation. In the third quarter of 2019, the GDP of the Eurozone increased modestly (+0.2% as in the second quarter of 2019<sup>9</sup>), supported by private consumption expenditure while the contribution from net exports, in a context of weak world trade, was slightly negative. The Eurozone Economic Outlook has estimated that economic growth in the Eurozone will continue at a moderate pace.

Private consumption could continue to support growth, given favourable labour market conditions. In December 2019, the Governing Council of the European Central Bank (ECB) confirmed the accommodative monetary policy stance introduced three months earlier.

7. OECD Economic outlook, world GDP - November 2019.

8. ISTAT - Eurozone economic outlook - 8 January 2020.

9. Eurostat, GDP Eurozone - 5 December 2019.

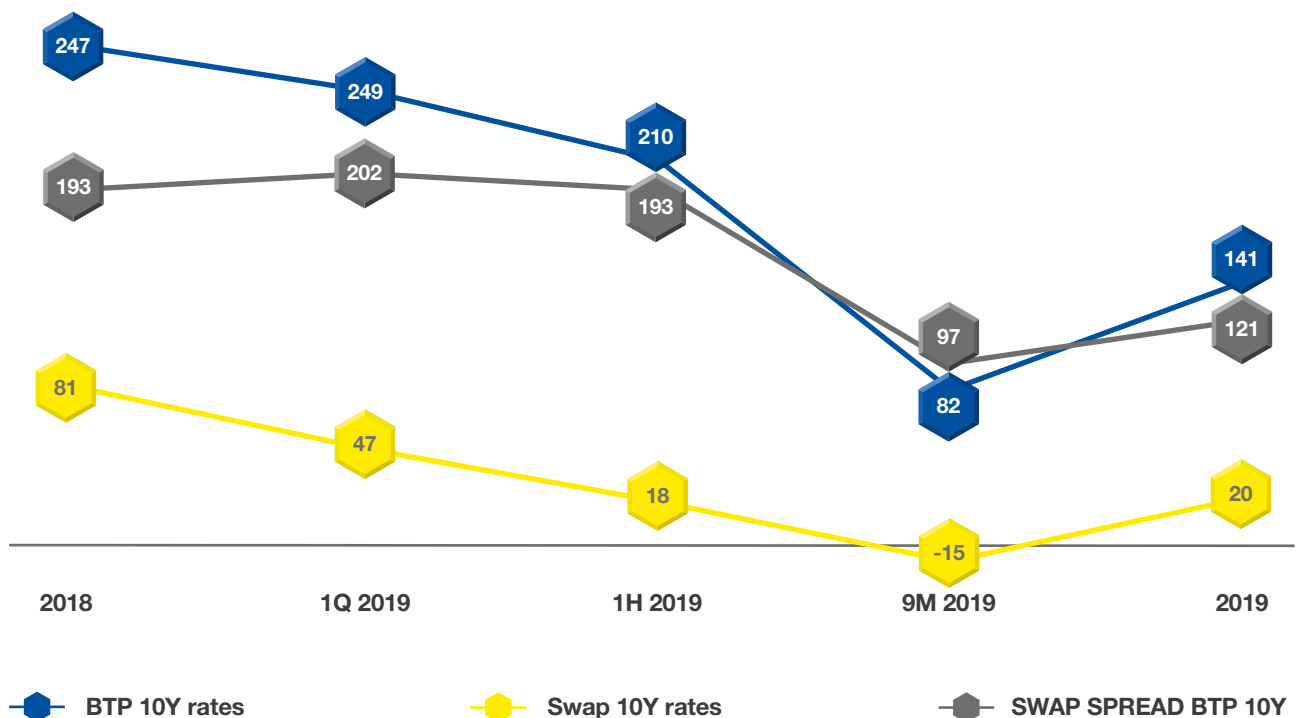


The **Italian economy** continued to show signs of weakness after emerging from the technical recession in the first quarter of 2019. In particular, in the fourth quarter of 2019, GDP decreased by 0.3% compared to the previous quarter. The drop in demand in Europe, particularly in Germany, the first outlet market for Made in Italy, has had negative effects on many production sectors. The economic information for the last few months of 2019 confirmed the overall scenario of stagnation. Despite a decline in industrial activity, thanks to the revision of ISTAT data, GDP is expected to increase by 0.2% in 2019. The support of domestic consumption, despite the growth in disposable income, the improvement in employment and the citizens' income, did not give the expected results as households were affected by the climate of uncertainty that blocked purchasing decisions and fostered the propensity to save.

On average in 2019, Italian prices were about half those of the main European partners<sup>10</sup>. In a context of general price moderation that affected the entire system, it was only at the end of the year that consumer inflation rose in Italy, mainly reflecting the reversal of the trend in energy goods. In December 2019, the Harmonised Index of Consumer Prices (HICP) showed a trend rate of +0.5% year-on-year, three-tenths of a point above the previous month.

The budget law for the three-year period 2020-2022 approved by Parliament in December 2019 was considered modestly expansive for 2020, offering GDP support of 0.1%, due to an increase in expenditure that will be partially financed by higher taxes. The manoeuvre includes a four-year public investment plan dedicated to the implementation of sustainable investments and, in part, to the implementation of measures to reduce emissions (Green New Deal)<sup>11</sup>. There are also interventions in favour of employees and families that should provide consumption support.

In February 2020, the cases of coronavirus contagion in Italy generated negative repercussions on financial markets and have the characteristics to create an unfavourable impact on the Italian economy by reducing the 2020 growth estimates that the International Monetary Fund in the World Economic Outlook of January 2020 had confirmed to +0.5% and could settle around 0.2%, as stated by the Governor of the Bank of Italy at the G20 meeting of 23 February 2020.



10. ISTAT, Consumer Prices - 7 January 2020.

11. FASI, Manoeuvre 2020: plans for the Green New Deal - 24 December 2019.

# Group operating results

## Consolidated operating results

On the basis of the strategic guidelines contained in the Deliver 2022 Plan, the Group's economic performance is affected by certain phenomena, including provisions for voluntary redundancy incentives aimed at accelerating the transformation plan for Mail, Parcels and Distribution and gains on the securities portfolio. In order to provide the market with a further representation of the business that does not include these components (analytically represented in the Appendix), an adjusted view has been introduced.

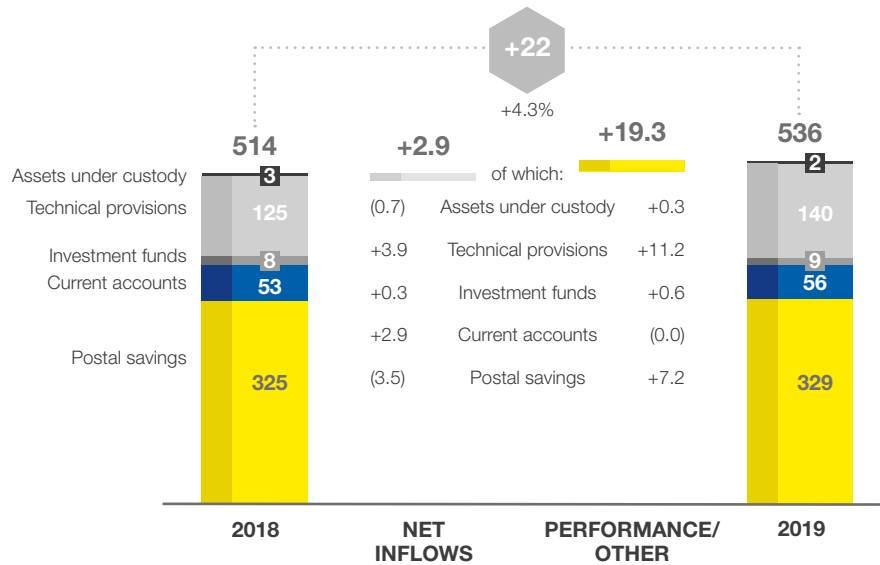
(€m)	2019	2018	CHANGES	
<b>EXTERNAL REVENUE</b>	<b>11,038</b>	<b>10,864</b>	<b>+174</b>	<b>+1.6%</b>
<i>Adjusted external revenue</i>	<i>10,659</i>	<i>10,332</i>	<i>+327</i>	<i>+3.2%</i>
<b>TOTAL COSTS</b>	<b>9,264</b>	<b>9,366</b>	<b>(101)</b>	<b>-1.1%</b>
<i>Adjusted total costs</i>	<i>8,894</i>	<i>8,659</i>	<i>+235</i>	<i>+2.7%</i>
<b>EBIT</b>	<b>1,774</b>	<b>1,499</b>	<b>+275</b>	<b>+18.4%</b>
<i>Adjusted EBIT</i>	<i>1,765</i>	<i>1,673</i>	<i>+92</i>	<i>+5.5%</i>
<b>EBIT margin %</b>	<b>16.1%</b>	<b>13.8%</b>		
<i>Adjusted EBIT Margin %</i>	<i>16.6%</i>	<i>16.2%</i>		
<b>NET PROFIT</b>	<b>1,342</b>	<b>1,399</b>	<b>(56)</b>	<b>-4.0%</b>
<i>Adjusted net profit</i>	<i>1,258</i>	<i>1,172</i>	<i>+86</i>	<i>+7.3%</i>
<b>NET EARNINGS PER SHARE</b>	<b>1.03</b>	<b>1.07</b>	<b>(0.04)</b>	<b>-4%</b>
<b>CAPEX</b>	<b>734</b>	<b>538</b>	<b>+195</b>	<b>+36%</b>
<i>% of revenue</i>	<i>6.6%</i>	<i>5.0%</i>		

The Group's total revenue amounted to €11 billion and grew by €174 million compared to 2018 (+1.6%) due to the positive contribution of the Insurance Services Strategic Business Unit, which contributed to the formation of revenue with €1,669 million, marking an increase of €199 million (+13.5% on 2018) mainly due to the growth in financial assets in the Life business and higher premiums in the P&C business, as well as the Payments, Mobile and Digital Strategic Business Unit, which recorded an increase of €71 million in revenue (+12.1%) from €592 million in 2018 to €664 million, and the Financial Services Strategic Business Unit, which recorded revenue of €5,213 million (-€8 million compared to 2018).

Adjusted revenue<sup>12</sup> also show growth of €327 million (+3.2%) compared to last year, mainly thanks to the positive contribution of the Insurance Services Strategic Business Unit (+€199 million) and Financial Services one (+€145 million).

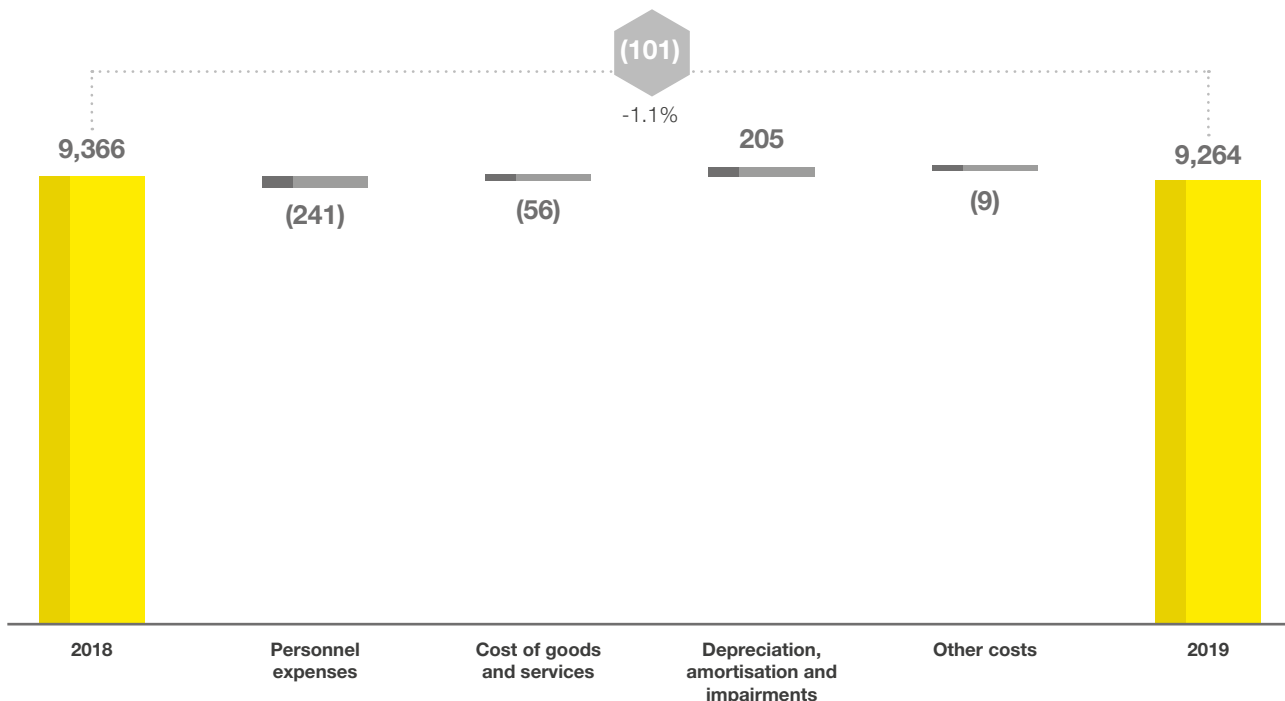
12. Adjusted revenue items: gains on securities (€404 million in 2018, €353 million in 2019), Anima gain (€120 million in 2018), gain on fair value measurement of Visa shares (€9 million in 2018, €25 million in 2019), gain on sale of Visa shares (€1 million in 2019).

## TOTAL FINANCIAL ASSETS (€bn)



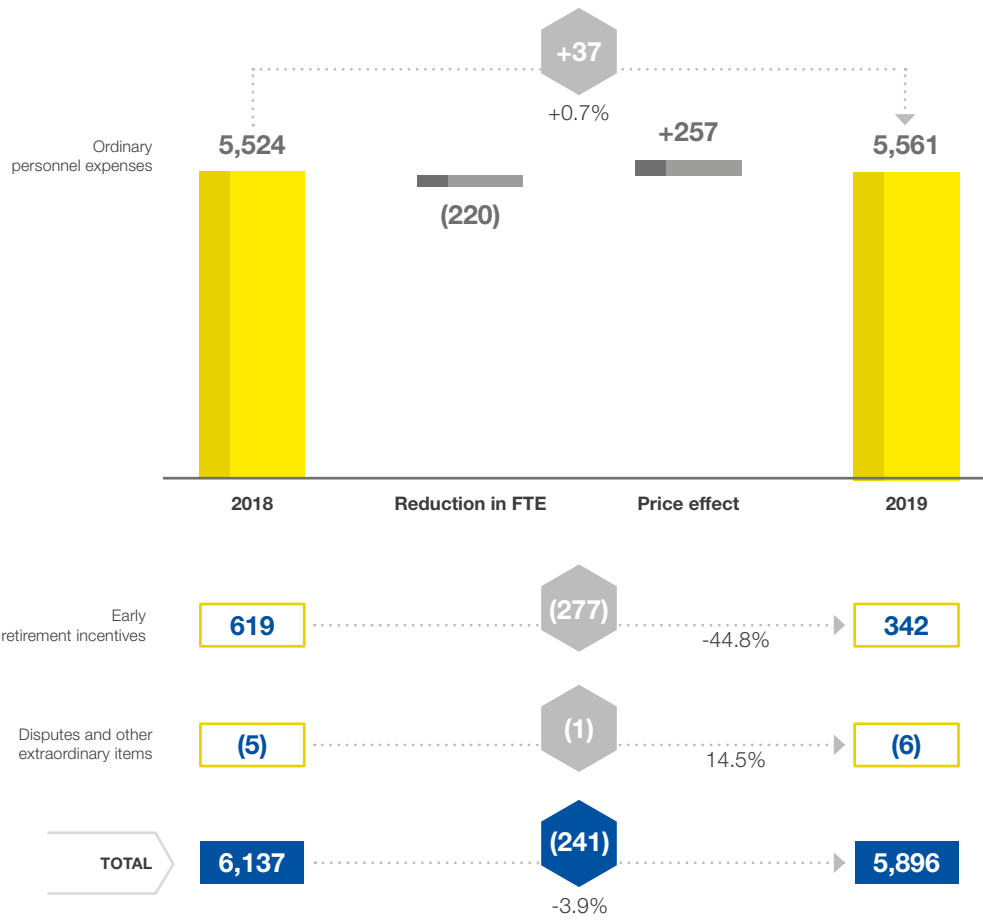
Total financial assets amount to €536 billion, an increase of €22 billion compared with 31 December 2018. This is linked to the positive performance of current account deposits up €2.9 billion and the strong performance of the insurance business, mainly due to the effects of fair value measurement and also thanks to the contribution from multi-class products.

## TOTAL COSTS (€m)

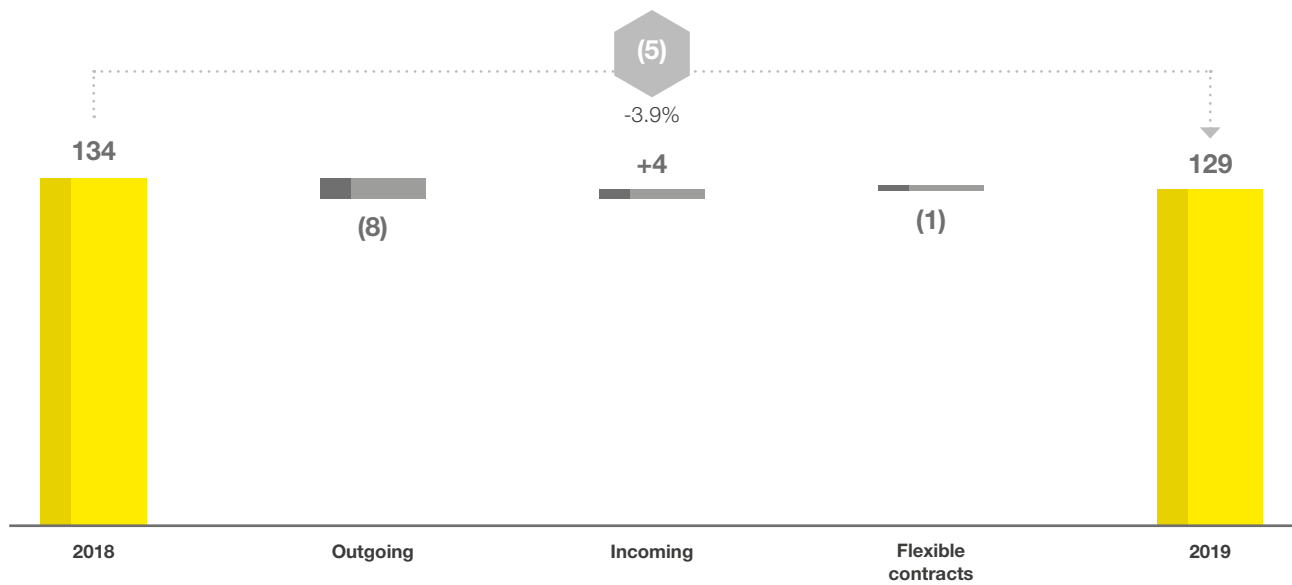


Total costs amounted to €9.3 billion and decreased by €101 million compared to 2018, attributable to lower personnel expenses, which fell from 6.1 billion in 2018 to 5.9 billion in 2019 (-€241 million, -3.9%) and lower other operating costs, which amounted to €2.6 billion and decreased by €65 million compared to 2018 (-€56 million in costs for goods and services and -€9 million in other costs). Depreciation, amortisation and impairment increased by €205 million, from €570 million in 2018 to €774 million in 2019, and were affected by the application of the new IFRS 16 accounting standard from 1 January 2019, as shown in detail in Other costs.

**PERSONNEL EXPENSES (€m)**



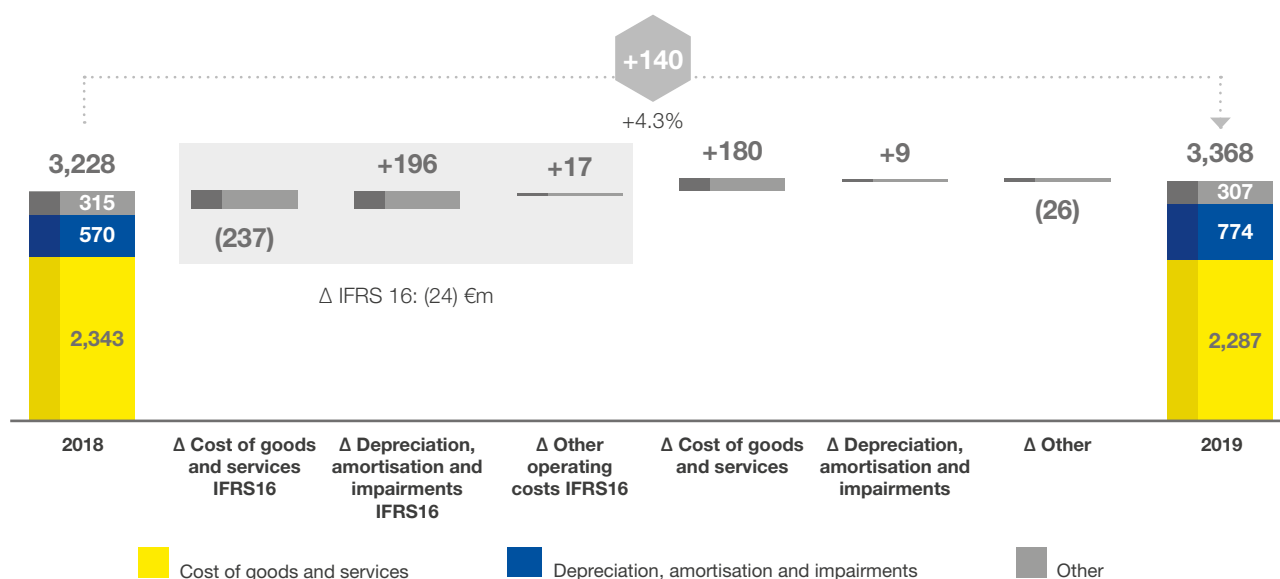
**WORKFORCE (average full time equivalent in thousands)**



As mentioned above, the personnel expenses decreased by €241 million compared to 2018 due to the reduction in costs for early retirement incentives, which fell from €619 million in 2018 to €342 million, in relation to both the lower per capita cost achieved also as a result of the introduction of the “Quota 100” pension scheme (governed by Decree Law 28 January 2019, no. 4), and higher recoveries of personnel costs mainly due to changes in estimates made in previous years.

The ordinary component of the personnel expenses, which rose from €5,524 million in 2018 to €5,561 million (+0.7%), reflects the reduction in the average number of staff employed (more than 5 thousand FTE less than 2018), which almost entirely offset the increase in the cost per capita linked to the effect of the latest contract renewal (2016-2018 National Collective Labour Contract), as well as the recognition of an all-inclusive amount to cover the entire year 2019 established by an agreement with the labour unions signed on 18 February 2020. The evolution of the workforce is consistent with the provisions of the Deliver 2022 strategic plan and is the result of efficiency initiatives implemented by the Company mainly with regard to the Mail, Parcels and Distribution Business Unit.

## OTHER COSTS (€m)



Other costs are up from €3.2 billion in 2018 to €3.4 billion in 2019 (+€140 million). This primarily reflects a rise in variable costs linked to growth of the monetics and parcels businesses.

Consolidated EBIT grew to €1,774 million, or 18.4% (+€275 million) compared with 2018, reflecting the positive contribution of all of the SBUs in which the Group operates: Insurance Services Strategic Business Unit (+€140 million, +16.1%), Payments, Mobile and Digital Strategic Business Unit (+€38 million, +18.6%), Financial Services Strategic Business Unit (+€15 million, +1.7%) and Mail, Parcels and Distribution Strategic Business Unit (+€83 million, +19.3% from a negative EBIT in 2018 of €430 million to a negative EBIT of €347 million).

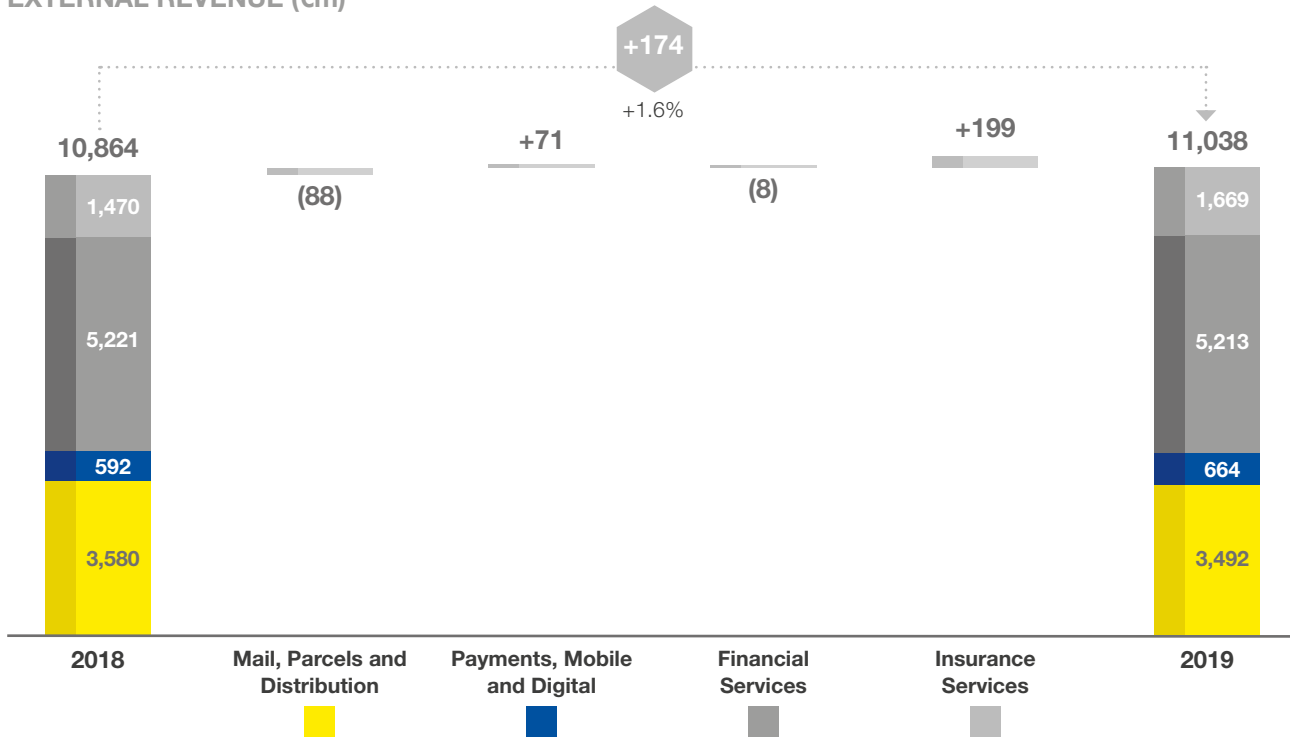
During the year, finance income of €99 million (€8 million in charges in 2018) was realised, of which €61 million related to the revaluation of the investment in SIA SpA already held by FSIA Investimenti following the acquisition of sole control (step up acquisition); €27 million in income from the exercise of purchase options on 7.934% of the SIA shares held by UniCredit and Intesa SanPaolo; €11 million in the share of the investee company's results net of amortisation of intangible assets identified during the purchase price allocation and €1 million in negative items recognised directly against equity.

Income tax expense of €530 million, a significant increase compared to 2018 (€92 million) that benefited 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 Decree Law 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%.

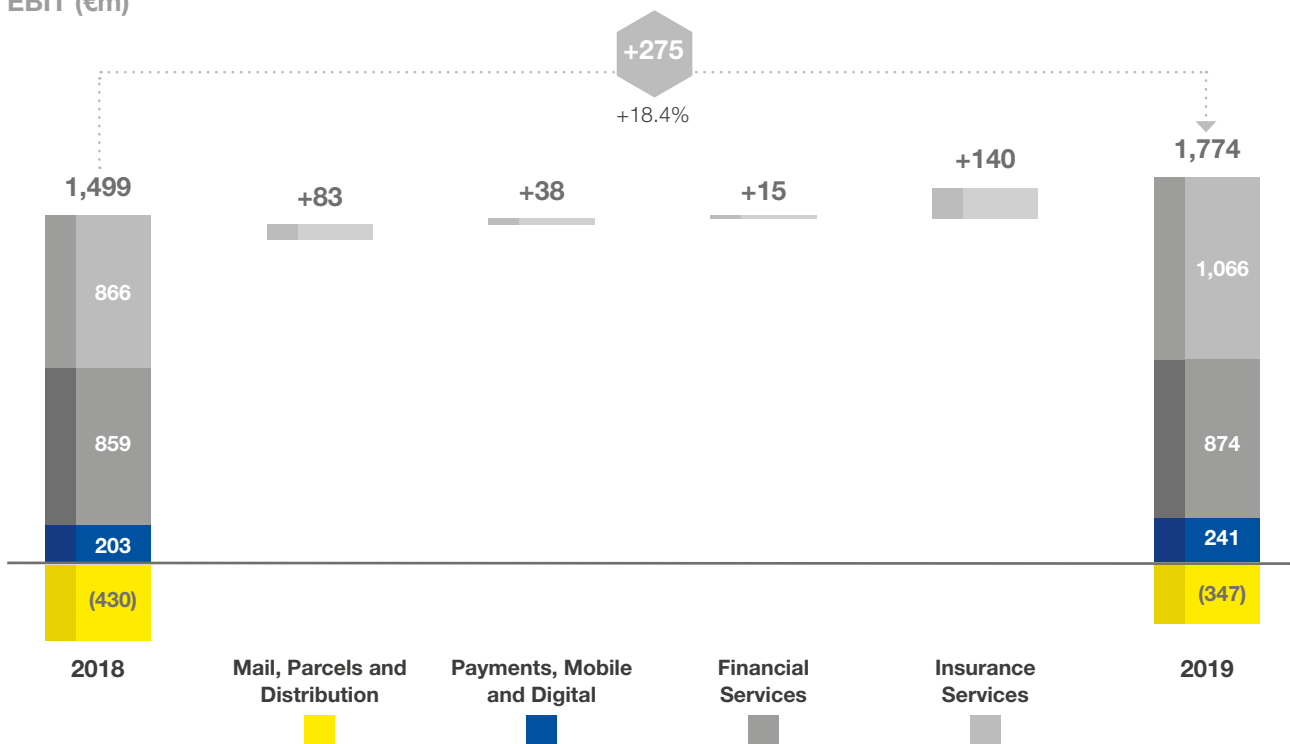
# Summary of operating results by Strategic Business Unit

The main economic results by Strategic Business Unit are shown below

## EXTERNAL REVENUE (€m)



## EBIT (€m)



# Mail, Parcels and Distribution Strategic Business Unit

## Market context

The postal services market is going through a phase of radical change, primarily linked to the digital transformation, which has influenced the volume of letters and parcels in circulation. The ongoing decline in traditional mail (CAGR 2014-2018 of approximately -6% in the period), which is being replaced with digital forms of communication (e-mail, instant messaging, etc.) is accompanied by a significant increase in the volume of parcels sent, linked to the growth in e-commerce. In Italy, the percentage of retail purchases made online rose from 4% in 2015 to 7% in 2019<sup>13</sup>, and growth remains compared with the double-digit growth rates registered in the main European countries. Poste Italiane is now one of the leading operators in the sector with a market share (B2C) from 30% in 2017 to 35%<sup>14</sup> in 2019.

## Regulatory environment

The Contratto di Programma (Service Contract) regulates relations between the Ministry for Economic Development and Poste Italiane SpA regarding provision of the Universal Postal Service. Until 31 December 2019, the 2015-2019 Contratto di Programma took effect. On 30 December 2019, the Parties signed the new Contract for the years 2020-2024. The procedure for the approval by the European Commission of the sums due to the Company to partially cover the universal service cost is underway.

Italian Communications Authority (AGCom) Resolution **214/19/CONS** regarding "Assessment of the net cost of the universal postal service for 2015 and 2016" was published on 2 July 2019. In addition to acknowledging that the Universal Postal Service cost is unfair and therefore worthy of compensation, the Resolution quantified the cost of providing the Universal Postal Service in 2015 and 2016, respectively, as €389 million and €356 million, compared with compensation of €329 million and €262 million provided for in the Contratto di Programma already collected by the Company. With the same Resolution, AGCOM also decided not to set up the Compensation Fund for those years with the consequent impossibility for Poste Italiane to recover the differences between the quantification of the cost and the state contributions. Therefore, in October 2019, the Company notified an appeal to the Lazio Regional Administrative Court against the above Resolution. Lastly, with Resolution **215/19/CONS** also on 2 July 2019, the Authority announced that it had initiated an assessment of the net cost for 2017 and 2018.

Regarding state contributions for the editorial tariff concessions applied by the Company, on 22 July 2019, following the notification made by the Italian authorities in relation to the period 2017-2019, the European Commission approved, under EU state aid rules, public service compensation to Poste Italiane for a maximum amount of €171.74 million.

The Budget Law 2020 (Law no. 160 of 27 December 2019) redefined the appropriations for the reimbursement of publishing subsidies, providing for a value of €53.1 million for 2020, €53.2 million for 2021 and €52.5 million for 2022.

Decree Law 162 of 30 December 2019 - as converted by Law no. 8 of 28 February 2020 - lastly ordered that reimbursements of publishing tariff subsidies to Poste Italiane continue "for a duration equal to that of the universal postal service" (i.e. until April 2026). The application of the regulation is subject to approval by the European Commission.

In 2019, AGCom defined the new regulatory framework for judicial acts and offences regarding the Highway Code in line with the legal provisions of 2018 and 2019 (market liberalisation, digitisation).

13. Source: Data Osservatorio eCommerce B2C - Politecnico Milano.

14. Internal processing based on Cerved Databank data, Netcomm 2019.

## Evolution of the regulatory scenario

In September 2019 and at the end of the parcel delivery services market analysis conducted among operators with the aim of defining the relevant markets for regulatory purposes and examining the effects of the growth of e-commerce, AGCom published Resolution **350/19/CONS** in which it proposed to increase the level of regulatory oversight of the conditions for the provision of services by intervening in the current national regulatory framework with appropriate procedures to amend the existing rules on the transparency of the technical and economic conditions of offers, as well as the requirements and obligations of licence holders, so that they are in line with and adapted to development in the sector.

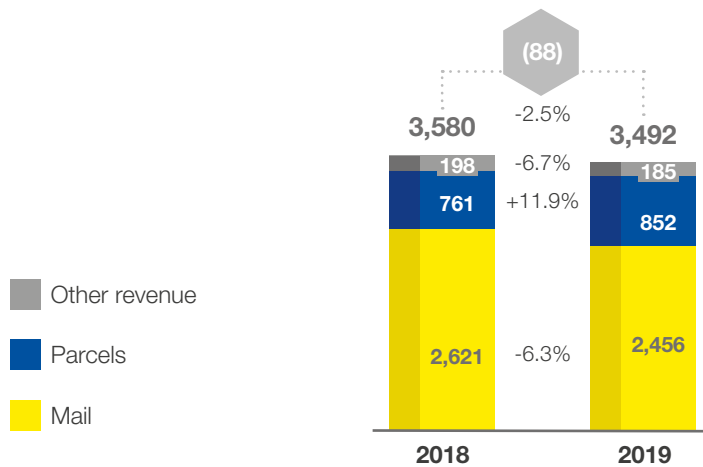
In October 2019, AGCom launched an analysis of the mail services market and the maximum tariffs for universal postal services with the aim of updating the tariff system for universal services in light of the changing competitive environment and new user requirements. Participants have provided the regulator with the information requested, with a view to preparing a document to be submitted for consultation in the coming months.

## Mail, Parcels and Distribution SBU profit or loss

MAIL, PARCELS AND DISTRIBUTION (€m)	2019	2018	Changes	
External revenue	3,492	3,580	(88)	-2.5%
Revenue from other sectors	4,723	4,630	93	+2.0%
<b>Total revenue</b>	<b>8,215</b>	<b>8,210</b>	<b>5</b>	<b>+0.1%</b>
<b>Total adjusted revenue</b>	<b>7,950</b>	<b>7,903</b>	<b>+47</b>	<b>+0.6%</b>
Costs	8,491	8,574	(83)	-1.0%
Costs vs other sectors	72	67	5	+6.7%
<b>Total costs</b>	<b>8,562</b>	<b>8,641</b>	<b>(79)</b>	<b>-0.9%</b>
<b>Adjusted total costs</b>	<b>8,222</b>	<b>8,000</b>	<b>+223</b>	<b>+2.8%</b>
<b>EBIT</b>	<b>(347)</b>	<b>(430)</b>	<b>83</b>	<b>+19.3%</b>
<b>Adjusted EBIT</b>	<b>(272)</b>	<b>(96)</b>	<b>(176)</b>	<b>-182.9%</b>
<b>EBIT margin %</b>	<b>-4.2%</b>	<b>-5.2%</b>		
<b>NET RESULT</b>	<b>(306)</b>	<b>(372)</b>	<b>66</b>	<b>+17.7%</b>
<b>Main KPIs</b>	<b>2019</b>	<b>2018</b>	<b>Changes</b>	
<b>Corrispondenza e pacchi</b>				
Revenue/FTE (€m)	64	62	2	3.4%
Parcels that can be delivered as standard mail (volumes in m)	51.6	44.5	7.0	15.8%
<i>Joint Delivery Model: project progress</i>	100%	50%		
Number of Delivery Offices	1,543	1,793	(250)	-13.9%
New PuntoPoste Network (number of lockers and alternative collection points)	6,288	417	5,871	1407.9%
<b>Distribution</b>				
Number of Post Offices	12,809	12,812	(3)	0.0%
Number of customers (m)	35.0	34.9	0.1	0.4%
Rooms dedicated to consultancy	6,725	6,509	216	3.3%
Postamat ATM network	7,727	7,282	445	6.1%

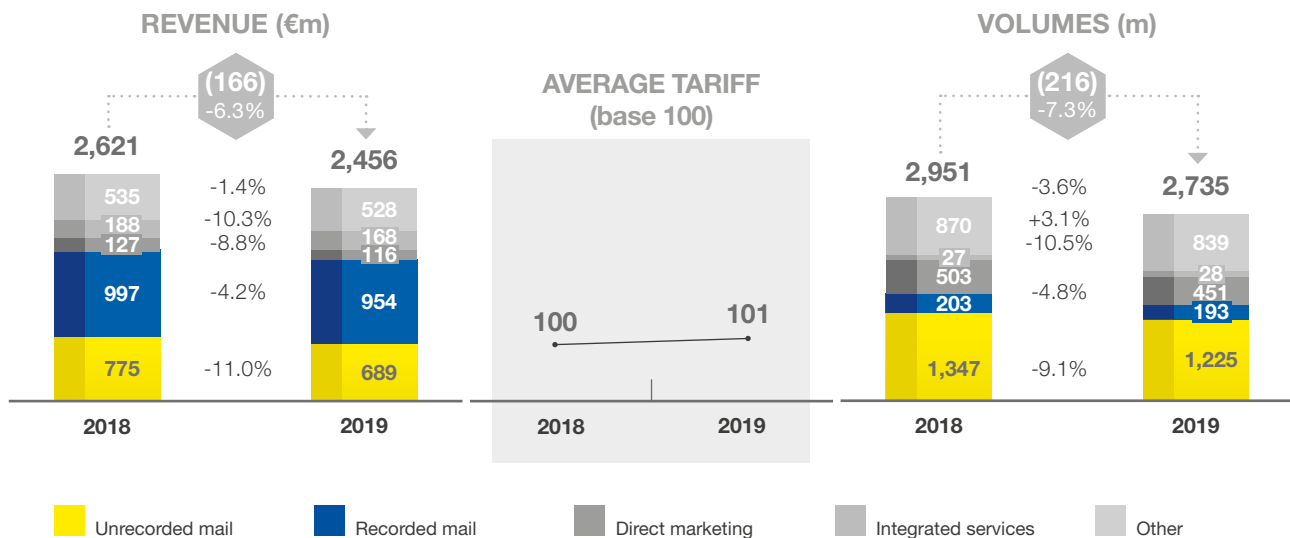


## EXTERNAL REVENUE (€m)



External revenue is down from €3,580 million in 2018 to €3,492 million, reflecting lower revenue from traditional letter post (-€166 million), largely offset by the performance of parcels segment revenue (+€91 million, +11.9% compared to 2018), which grew in the B2C segment driven by the expansion of e-commerce.

## Performance of Mail



**Unrecorded Mail:** standard mail service with mailbox delivery.

**Recorded Mail:** delivery to the person with proof of delivery and tracking for retail and business customers. This category includes in particular: registered mail, insured mail and judicial acts.

**Direct Marketing:** Service for the sending by companies and Public Administrations of communications with advertising, promotional or informative content.

**Integrated services:** Integrated and customised offers for specific customer segments, in particular Public Administration, large companies and professional firms. The most relevant integrated service is the Integrated Notification Service, for the management of the entire process of notification of administrative and judicial acts (e.g. violations of the Highway Code).

**Other:** services for publishers, multi-channel services, printing, document management, other basic services. This item also includes tariff subsidies relating to external revenue earned on products and services discounted in accordance with the law and the Universal Postal Service Compensation (also includes compensation relating to ordinary parcels).

The performance of the Group's Mail services saw volumes and revenue decrease by 7% (216 million fewer items) and 6% (down €166 million), respectively, compared with 2018. This essentially reflects the structural decline in demand for traditional postal services as a result of the digitalisation of the economy.

The decline in volumes of Unrecorded Mail (123 million fewer items, or 9% less than in 2018) led to a fall in revenue of €86 million (-11%). This reflects the replacement of paper-based mail by electronic mail.

In the Recorded Mail segment, the lower volumes of items sent from Post Offices and of inbound international mail were partially offset by tariff increases applied as of 1 July 2018, which therefore partially mitigated the decline in revenue (-€42 million or -4%).

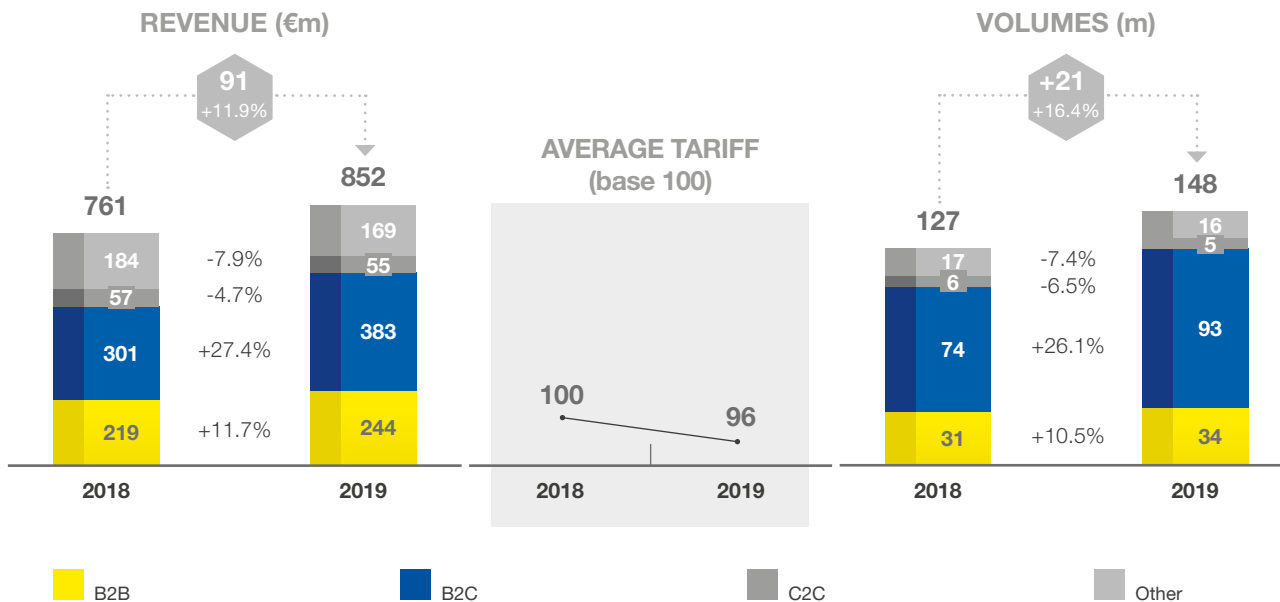
Direct Marketing saw a 11% slowdown in volumes (53 million fewer items), which generated a 9% fall in revenue (down €11 million).

The volumes of Integrated Services grew by 3% compared to 2018 (+1 million items) thanks to the good performance of the Notifier and the sending of electoral certificates to Italians living abroad for the European elections held in May 2019. However, this growth is not reflected in revenue, which fell by 10% (-€19 million) due to the shift in demand from medium-high to medium-low tariff products.

Other revenue that includes, among other things, revenue from the Printing services provided by the subsidiary, Postel, is down 4% in volume terms (31 million fewer shipments) compared with 2018, due to a decline in the market for printing services. The corresponding revenue also includes the tariff supplements on the publishing service (€59 million in 2019 and €61 million in 2018).

The compensation covering the cost of the Universal Service for 2019, as provided for in the current Contratto di Programma (Service Contract) for 2015-2019, amounts to €262 million, in line with the figure registered in the same period in 2018.

## Performance of Parcels



**B2B:** acronym for Business to Business. Company to company shipping services. Offer that focuses on quality and reliability, with delivery options with defined delivery times, multi and partial parcel shipments, simple and affordable tariffs.

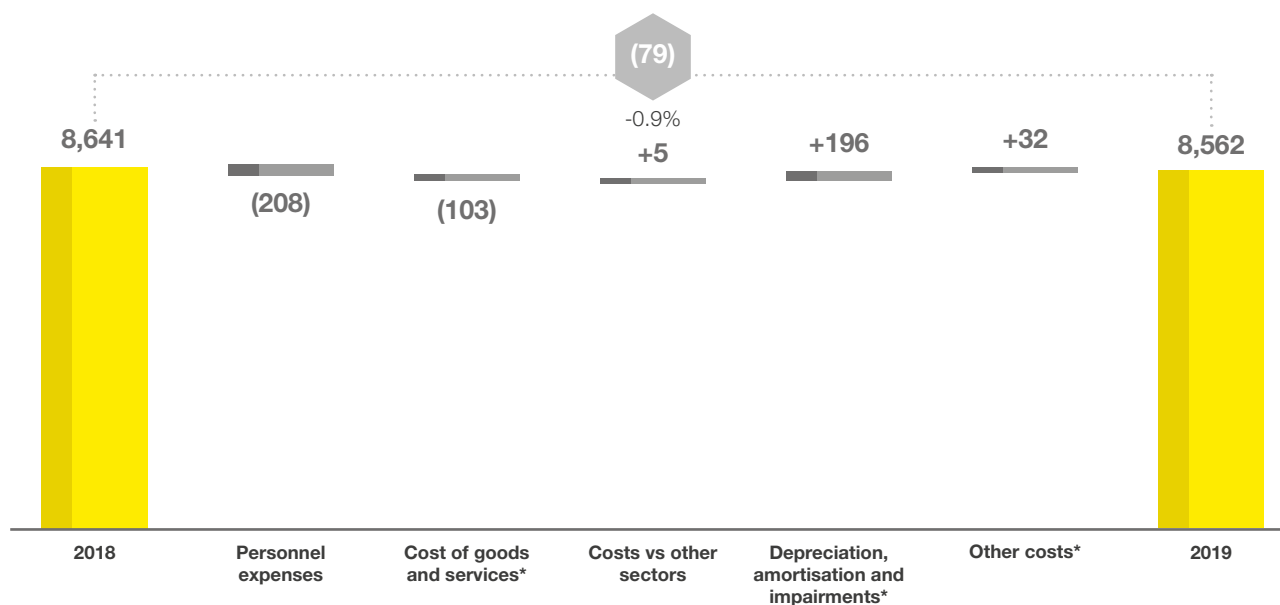
**B2C:** acronym for Business to Consumer. A modular offer created for e-commerce with a choice of accessory services.

**C2C:** acronym for Consumer to Consumer. Services for shipments from private user to private user. Basic offer focused on ease of access (Post Office network and website).

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

The performance of the Parcels segment confirms the growth in volumes and revenue of 16% (+21 million more items) and 12% (+€91 million), respectively, compared with the previous year. This is essentially due to the expansion of Poste Italiane's presence in the B2C segment driven by the e-commerce market, which generated revenue of €383 million, an increase of +27% compared with 2018, on 93 million items shipped (+26%) thus managing to maintain growth in the unit tariff, even in a highly competitive market. The B2B segment also grew strongly (+3 million more parcels, up +10%, equivalent to revenue of +€26 million, up +12%).

## TOTAL COSTS (€m)



\* The change between the two years suffers the effect of the new accounting standard IFRS 16, applied starting 1 January 2019.

Amortisation, depreciation and impairments totalled €8,562 million, a decrease of 1% (-€79 million) compared to 2018, due mainly to a reduction in the personnel expenses, which decreased to €5,782 million (-€208 million), mainly due to lower cost for retirement, which reflects both a reduction in the cost per capita that resulted from the introduction of the "Quota 100" pension plan and higher recoveries of personnel costs, due mainly to changes in estimates made in previous years. The ordinary component of the personnel expenses increased from €62 million (+1.1%) in relation to the increase in the cost per capita linked to the effect of the latest contract renewal (2016-2018 National Collective Labour Contract), and the recognition of an all-inclusive amount to cover the entire year 2019 established by an agreement with the labour unions signed on 18 February 2020. This increase is partially offset by the benefit of the reduction in average employees during the period (over 4 thousand FTE less than in 2018). The evolution of the workforce is consistent with the provisions of the Deliver 2022 strategic plan and is the result of efficiency initiatives implemented by the Company mainly with regard to the Mail, Parcels and Distribution Business Unit.

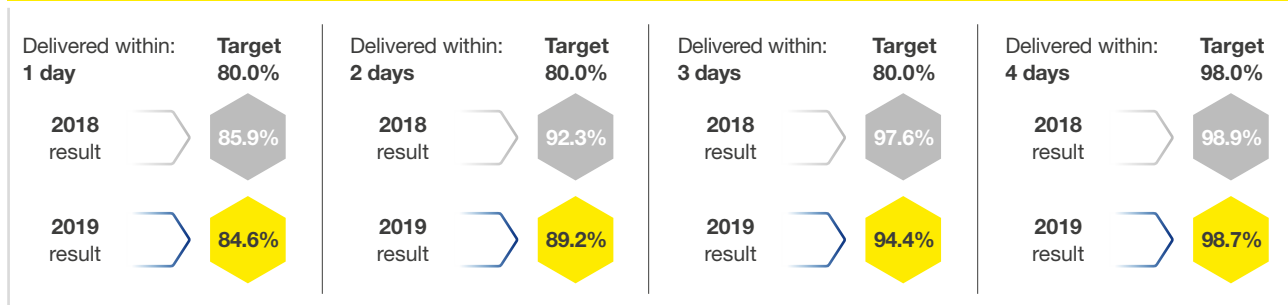
In light of as represented, the Mail, Parcels and Distribution Strategic Business Unit reports negative EBIT of €347 million, an improvement of €83 million compared with EBIT in the previous year (-€430 million).

## Quality of the Universal Postal Service

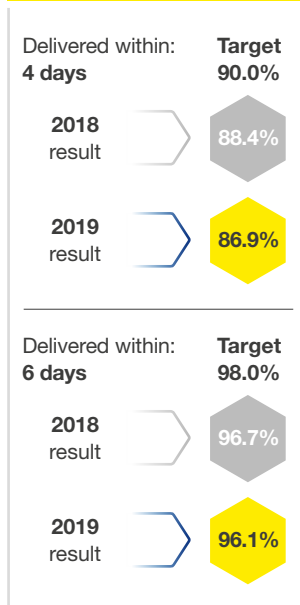
The quality results achieved for the Universal Service, whose objectives are defined by AGCom, are shown below. The regulator verifies compliance with the objectives and publishes the results annually. The quality of the Universal Postal Service in 2019 is substantially in line with the objectives. Over the last year and a half, the postal network has undergone a profound reorganisation that has evolved its processes and operating logic. This transformation has had limited, physiological effects on specific KPIs, regarding which the Group has undertaken specific improvement initiatives.

### Quality of the Universal Postal service

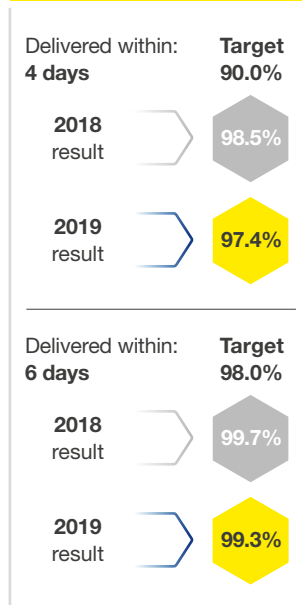
#### Posta 1 Priority



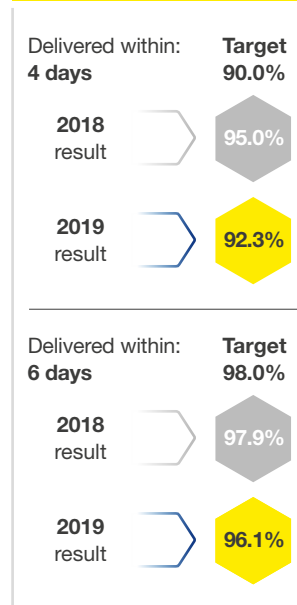
#### Posta 4 Ordinary\*



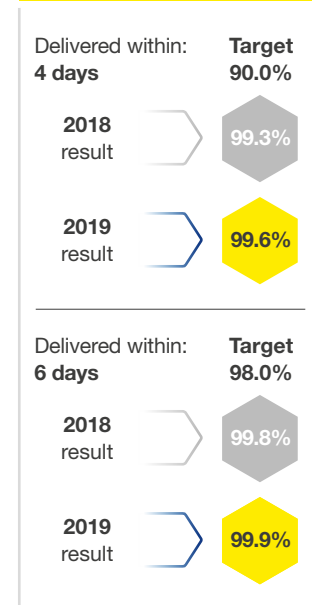
#### Bulk mail



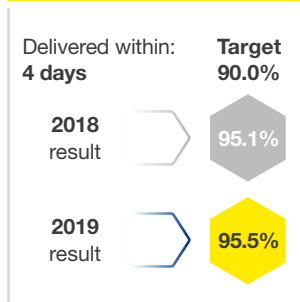
#### Registered mail



#### Insured mail



#### Standard delivery mail



\* 2019 figures not yet available. In order to allow for comparison of the two periods, for both years, the results have been stated at November.

## Operating review

The Group continues to reorganise its transport, sorting, delivery and customer experience activities, in line with the long-term objectives outlined in the Deliver 2022 Plan, such as increasing efficiency, flexibility and quality in order to seize the opportunities arising from the development of e-commerce.

### Performance of parcels

With reference to transport, the development of air connections is continuing to favour, in line with market demand, the delivery of parcels within 24 hours throughout Italy, in particular Sicily and Sardinia. There are currently 7 air routes in operation, the last of which was introduced in July by the Brescia Airport Hub in Palermo.

As part of the long-haul road transport optimisation programme launched in 2019, collaboration was started with the German digital carrier *sennder GmbH*, one of the most innovative and technologically advanced start-ups in the sector. On 12 February 2020, this led to the acquisition of a 75% stake in *sennder Italia srl* with the aim of increasing vehicle saturation and reducing road transport costs. The partnership with *sennder GmbH* will enable Poste Italiane to offer itself as a transport operator, both in the Italian and foreign markets, benefiting from economies of scale and technological optimisation. This will allow to create a full-tracked and full-digital operating model, in line with the needs of e-commerce.

Work continued on the renewal of the company's fleet with the addition of approximately 1,700 new two-wheeled vehicles and approximately 360 new electric three-wheeled vehicles.

With reference to sorting activities and the automation of production processes, in July, the largest parcel sorting plant currently installed in Italy was inaugurated at the Bologna freight terminal. The hub is equipped with three integrated automation systems for sorting the different types of parcels, with a total daily processing capacity of 250,000 units, equal to about 40% of Poste's production capacity, as well as advanced technologies for safety and energy saving.

As far as the delivery area is concerned, the Joint Delivery model is active on 100% of the national territory and, thanks to its flexibility, a new day parcel delivery service has been introduced in the main Italian cities.

The development of the potential of the partnership with Amazon is in line with Poste Italiane's strategy of expanding the logistics segment in connection with online purchases. This is also connected with expansion of the PuntoPoste network for collecting online purchases and sending returns. To date, this consists of over 6 thousand alternative collection points, mainly tobacconists and lockers, which are in addition to Post Offices.

In June, a partnership was also established with Zalando to manage the returns of customers in Italy making purchases via the online platform, who are able to return products received via the Post Offices or the PuntoPoste network. To date, the Poste Group has been entrusted with more than 1 million return shipments (around 35% returned through the drop-off point).

Moreover, in line with the evolution of the market and the needs of e-Shoppers, the Group has undertaken a strategic programme based on collaboration with innovative start-ups specialized in last mile logistics for the development of innovative and technologically advanced delivery services, such as the "Scheduled Delivery" service that allows e-Shoppers to request delivery on the desired day and in a specific time slot among those available. The service, offered in partnership with Milkman, has been active on an experimental basis since July in the city of Milan and since October, also in the cities of Rome and Turin.

Also with a view to improving the customer experience, the new range of "Poste Delivery" parcels has been launched, both front-end and online, which reinforces the features of completeness, simplicity and convenience of the service, providing various shipping options and customisation possibilities.

Lastly, a partnership has been developed with the Municipality of Genoa and with a local start-up to find new solutions for more eco-friendly deliveries within the city centre (the Metropolitan Logistics project).

## Performance of mail

Six new Mixed Mail systems for mail sorting and a new system for sorting small parcels were installed and 34 automated systems (Automated Guided Vehicles) were introduced for the internal handling of loads.

## Other

On 8 March 2019, a Framework Agreement was signed with the labour unions regarding plans for the reorganisation of Logistics activities, central and local staff departments and the Post Office network. In the following months, further agreements were tagged on to the Framework Agreement, setting out the initiatives to be implemented during the first and second halves of 2019.

In regards to Logistics, the Group plans to invest €150 million in automation over the life of the plan and in implementing a lean production system to reduce the number of full-time equivalents (FTEs) by about 1,600 across the various operational sites and internal departments.

Personnel leaving central and local staff departments involved over 650 FTEs in 2019 on a voluntary basis in the form of voluntary retirement schemes, redeployment initiatives and the conversion of full-time to part-time contracts.

Plans to streamline the Post Office network will involve 1,400 FTEs, following the geographical reorganisation that took place in 2018 and the projects implemented in 2019.

In particular, the Parties have agreed the criteria to be applied in redeploying surplus personnel in order to strengthen front-end roles, whilst also offering the option of voluntary early retirement.

The above agreements also envisage the following initiatives that will have a positive impact on employment in 2019: the offer of permanent contracts to 4,452 (3,546 FTEs) staff formerly employed on fixed-term contracts, including 2,640 full-time and 1,812 part-time staff, the proposed conversion of 1,490 staff from part-time to full-time contracts, proposed voluntary redeployment to other parts of the country for 914 people, the recruitment of 900 specialists, the recruitment of 720 new part-time personnel (360 FTEs) for operational sites and Post Offices and the transfer of 520 delivery staff to front-end roles within the Post Office network.

# Payments, Mobile and Digital Strategic Business Unit

## Market context

In the **payment card** market, based on the latest available figures<sup>15</sup>, total nine-month transactions in 2019 amounted to €186 billion (+12% compared to the same period in 2018). Transactions are growing at a high rate (+18% compared to 2018), although with a reduction in the average value per transaction for each type of card. Debit cards account for more than 50% of total market transactions (€96 billion). However, prepaid cards continue to show the most significant growth rates (+22% of transactions, +17% of transactions compared to the same period in 2018). The number of payment cards increased (+2.7% compared to December 2018).

According to the latest available figures<sup>16</sup>, **mobile** market penetration, in terms of total mobile lines, stands at approximately 172.8% of the population, with MVNOs (Mobile Virtual Network Operator)<sup>17</sup> accounting for 15.1%. The total number of lines at 30 September 2019 amounts to 104.1 million, including 23.5 million Machine to Machine (M2M) SIM cards<sup>18</sup>. PosteMobile, with a total market share of approximately 4.2%, accounts for around 47.5% of the total customers of mobile virtual network operators.

With reference to the **Digital**<sup>19</sup> market in Italy, almost 50 million people access online and 35 million people are present and active on social channels, showing an increase compared to 2018 also in terms of time spent online (about 6 hours connected to the internet every day, and 1 hour and 57 minutes on social channels, an increase compared to the figure recorded in 2018, which had stopped at 1 hour and 51 minutes). As far as new technologies are concerned, the use of mobile voice assistants or dedicated devices (from 30% to 35%) has increased by 5 percentage points compared to last year, while it is not new that the use of smartphones has reached (almost) saturation levels: 98% of social users connecting from mobile devices.

Positive signs also on the e-commerce front: in fact, indicators increased by 1-2 percentage points compared to 2018 with respect to pre-purchase online searches (from 86% to 87%) and the actual purchase of products from any device (from 75% to 77%).

## Regulatory environment

With reference to the regulatory areas with an impact on the activities of Patrimonio Destinato IMEL (EMI RFC), reference should be made to BancoPosta's regulatory framework for cross-cutting issues of Transparency and PSD2<sup>20</sup>. The other main regulatory updates during the year are set out below.

## Monetics

First, with the Order of 23 July 2019, the Bank of Italy updated the "Supervisory Provisions for Payment Institutions and Electronic Money Institutions" by amending, in implementation of the PSD2 and its implementing provisions, the previous Order of 17 May 2016.

In particular, with the new provisions the Authority has: (i) enriched and supplemented with detailed information the content of the Bank of Italy's programme of activities to be submitted to the Bank of Italy and updated in accordance with the new requirements introduced by the PSD2; (ii) extended the application, with certain specifications, of the definition of "own funds" - introduced for banks and investment firms by the CRR "Capital Requirements Regulation" - to IP and EMI; (iii) Provided

15. Internal processing and estimates on Bank of Italy data (supervisory reporting flows).

16. AGCom Communications Observatory no. 4/2019.

17. MVNO (Mobile Virtual Network Operators) are virtual operators that do not have their own network infrastructure, but use that of a traditional operator to provide telephony services to their customers.

18. Machine to Machine (M2M) is a technology capable of connecting different devices (machines) to each other, allowing the exchange of data and information. The feature of M2M SIMs is that they are dedicated to data traffic.

19. Source: <https://wearesocial.com/it/blog/2020/01/report-digital-2020-i-dati-global>.

20. PSD2 - Payment Services Directive 2 is the new European Directive (2015/2366/EU) on payment services.

that Paying Institutions and EMI should have government policies and procedures for the management of the security of the provision of payment and e-money services, systems for the prevention and monitoring of security incidents and fraud, and procedures for the storage, monitoring, traceability and limitation of access to sensitive payment data; (iv) updated and integrated the content of the information that Italian institutions provide to the Bank of Italy if they intend to operate abroad; (v) introduced detailed provisions to regulate the provision of the new payment services provided by the PSD2, i.e. the payment order initiation service (PIS) and the account information service (vi) aligned the Supervisory Provisions with the new rules on the protection of customer funds provided by the TUB (Consolidated Law on Banking).

In addition, with reference to the anti-money laundering area, the Bank of Italy published:

- on 27 March 2019, the new “Provisions regarding internal organisation, procedures and controls to prevent the use of intermediaries for the purposes of money laundering and the financing of terrorism”. The measure, which implements the provisions regarding organisation, procedures and internal controls contained in Legislative Decree no. 231/2007, as amended by the Anti-Money Laundering Directive, is applicable from 1 June 2019, with certain exceptions in force since 1 January 2020, including: (i) the requirement for corporate bodies to define and approve a sound policy that specifies the choices the party concerned has made regarding the organisational structure, procedures and internal controls, adequate verification and data storage); (ii) the requirement for the parent company to set up a common database); and (iii) the requirement to carry out a self-assessment of money laundering risks.
- On 30 July 2019, the new “Customer due diligence provisions for combating money laundering and financing of terrorism”. This measure also implements the provisions contained in Legislative Decree no. 231/2007, as amended by the Anti-Money Laundering Directive, as well as the Joint Guidelines of the European Supervisory Authorities (ESAs) issued on 26 June 2017 on simplified and strengthened measures of adequate customer due diligence and on the factors that must be taken into account when assessing the risks of money laundering and financing of terrorism associated with individual ongoing relationships and occasional transactions. The new regulatory requirements have been in force since 1 January 2020. In relation to customers acquired before the entry into force of the Provisions for which the regulations in force under Legislative Decree no. 90/2017 established forms of exemption from the obligations of adequate due diligence, the Bank of Italy expects that any missing data and identification documents will be collected during the first useful contact, and in any case no later than 30 June 2020.

With regard to telecommunications, in January 2019, the Italian Communications Authority (AGCom) published Resolution 599/18/CONS, which concludes the regulator’s latest review of the termination services market<sup>21</sup> for voice calls on individual mobile networks. The regulator has identified twelve relevant markets, one for each operator, including PosteMobile, having significant market power regarding the termination of voice calls on their mobile networks. The rate set for operators for the period 2018-2021 was obtained by revising the cost model previously adopted by the regulator in Resolution 60/11/CONS. The rate for 2019 has been reduced by 8% compared with the previous year, with additional progressive annual reductions until 2021 and symmetrical rates for all notified operators.

At EU level, by 31 December 2020 the Commission must adopt a delegated act supplementing the directive establishing the European Electronic Communications Code, defining a single maximum termination rate for voice calls on mobile and fixed networks within the European Union.

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21. In order to ensure that subscribers to different fixed and mobile network operators are able to communicate with each other, networks must be interconnected and operators must therefore enter into interconnection contracts regarding the provision of one or more services.



## Payments, Mobile and Digital SBU profit or loss

Payments, Mobile and Digital (€m)	2019	2018	Changes	
External revenue	664	592	+71	+12.1%
Revenue from other sectors	375	360	+16	+4.3%
<b>Total revenue</b>	<b>1,039</b>	<b>952</b>	<b>+87</b>	<b>+9.1%</b>
Costs	380	359	+21	+5.9%
Costs vs other sectors	418	390	+28	+7.2%
<b>Total costs</b>	<b>798</b>	<b>749</b>	<b>+49</b>	<b>+6.6%</b>
<b>EBIT</b>	<b>241</b>	<b>203</b>	<b>+38</b>	<b>+18.6%</b>
<b>EBIT margin %</b>	<b>23.2%</b>	<b>21.4%</b>		
<b>NET PROFIT</b>	<b>272</b>	<b>153</b>	<b>+119</b>	<b>+77.4%</b>

Main KPIs	2019	2018	Δ	
<b>E-Money</b>				
Total value of card transactions (€m)*	33,062	27,032	6,030	22.3%
Number of cards (m)**	28.7	26.2	2.5	9.5%
of which Postepay cards (m)	21.5	19.0	2.5	13.1%
of which Postepay Evolution cards (m)***	7.2	6.3	1.0	15.3%
Number of card transactions (m)*	1,439	1,101	338	30.7%
of which number of e-commerce transactions (m)*	250	202	48	23.9%
<b>TLC</b>				
SIM PosteMobile landlines and mobile telephones (stock in thousands)	4,416	4,082	333.4	8.2%
<b>Digital</b>				
Customers registered on Poste Italiane's digital channels (websites and apps) (m)	20.8	17.6	3.2	18.1%
Daily users (website and apps) (m)****	2.0	1.5	0.5	36.5%
Number of digital - consumer transactions (m)	57.1	47.9	9.2	19.1%
App downloads (m)	30.8	21.6	9.2	42.5%
Postepay Digital e-Wallets (m)	5.4	2.8	2.6	91.2%
Digital identities (number in m)	4.1	2.6	1.5	59.9%

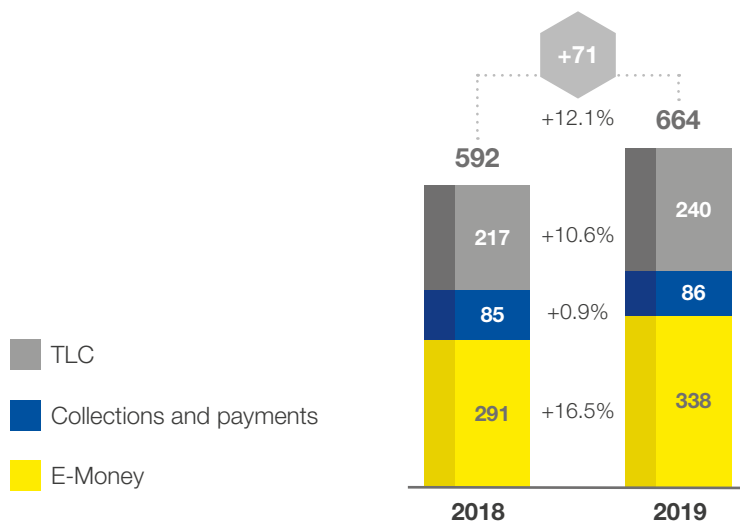
\* Transactions relative to payments made by Postamat and PostePay.

\*\* Includes Postepay cards and debit cards.

\*\*\* Including business customers.

\*\*\*\* Average monthly values during reference period.

## EXTERNAL REVENUE (€m)



**Collections and payments:** tax payment service through acceptance of the F23 and F24 models; funds transfer for money transfer abroad via Moneygram and Western Union, post giro transfers and direct debit made by Postepay Evolution.

**Monetics:** prepaid cards (top-ups, payments, withdrawals, fees, issuance), debit cards (Postamat interchange fees on card transactions); Acquiring services (fees on transactions, fees and services) related to the provision of POS (mobile, physical, virtual) for the acceptance of card payments (debit, credit, prepaid).

**TLC:** mobile phones (traffic revenue, VAS value-added services, products) and fixed line (PosteMobile Casa offer).

Total revenue amounted to €1,039 million (+9.0%) and benefited, as anticipated, from the positive performance of the Monetics segment, which increased by 16.5% from €290.6 million in 2018 to €338.4 million (+€47.8 million), due to the growth in card stock and operations in terms of higher payments, number of withdrawals and average top-ups, as well as the Mobile segment which recorded a 10.6% increase from €216.8 million in 2018 to €239.7 million (+€22.9 million).

At December 2019, there are approximately 21.5 million Postepay cards in circulation (19 million at 31 December 2018), including 7.2 million Postepay Evolution retail, an increase of over 15% compared with 6.3 million at 31 December 2018, partly thanks to the integrated offering with Postepay Connect. Existing Postamat cards, amounting to 7.2 million, remain substantially unchanged compared to last year.

In 2019, Postepay cards developed total payment transactions of about €17.4 billion (€12.9 billion in December 2018, +34.6%) while Postamat card transactions amounted to €15.7 billion (€14.1 billion in 2018 +11.1%).

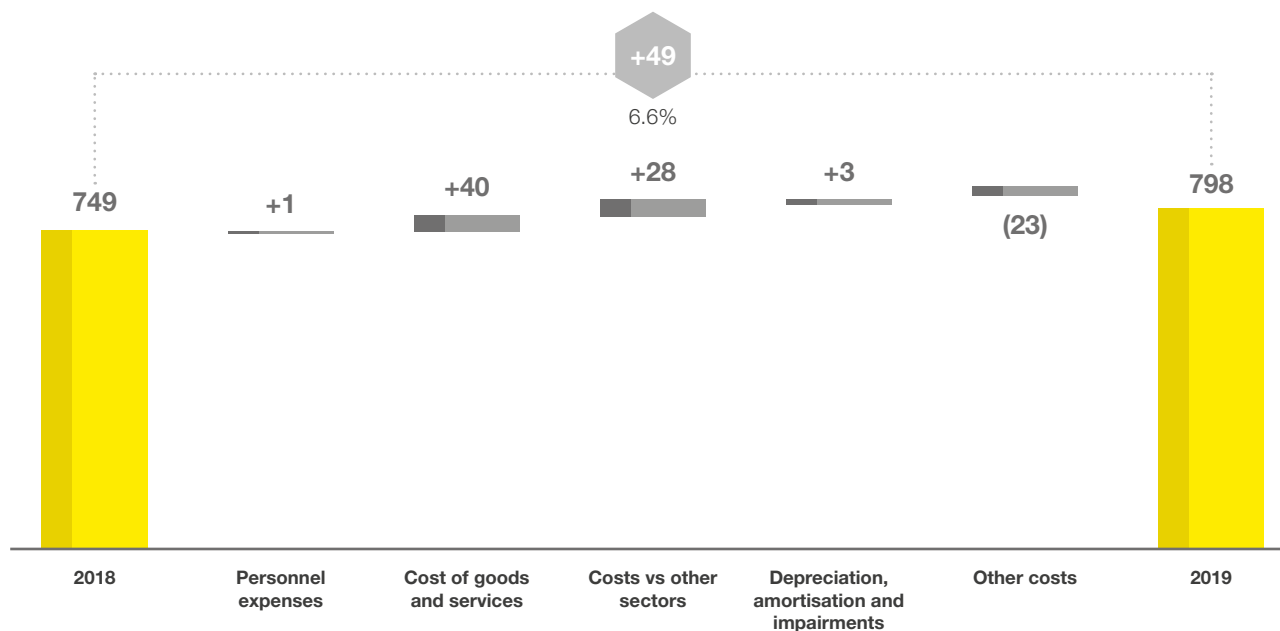
The growth in transactions, together with the increase in the number of POS activated, also generated an increase in commissions from acquiring services from €7.5 million to €11.2 million (+49.5%).

Revenue from Collections and Payments amounted to €85.7 million, up slightly from €84.9 million in 2018, mainly due to the improved performance of transfers from Postepay Evolution and international fund transfers.

As mentioned above, the performance of the Telecommunications business also improved compared to the previous year (€239.7 million, +10.6%), essentially due to the increase in Fixed Line revenue due to the strong growth in the customer base (from 118 thousand lines in December 2018 to 200 thousand in December 2019, +70%). Revenue in the Mobile segment also grew, thanks to an increase in lines from 4 million in December 2018 to 4.2 million in December 2019 (+6%).

The main indicators of digital channels show continued growth in their use by Poste Italiane's customers. The number of consumer customers registered to digital channels (web and app) have reached 20.8 million, also thanks to the increase in SPID-enabled<sup>22</sup> PostelD digital identities to 4.1 million. Users who visit Poste Italiane's digital properties every day, both web and mobile, have reached almost 2 million visitors, with a higher growth on the App channel. The transactions carried out by customers on digital channels have exceeded 57 million, of which more than 65% are carried out through apps, while in terms of value of transactions, web and mobile channels are equivalent. Since September, with the introduction of the new access factors required by Strong Customer Authentication, there has been a significant growth in downloads and app usage that has led to 30.8 million apps downloaded and 5.4 million wallets.

### TOTAL COSTS (€m)



Total costs, including amortisation, depreciation and impairments, amounted to €797.8 million, an increase of 6.6% compared with 2018 due to business growth. In particular, variable traffic costs related to fixed-mobile telecommunications services and those related to card operations<sup>23</sup> increased from €193.6 million in 2018 to €229.9 million in 2019.

The costs incurred on the services provided by Poste Italiane's other segments to the card payments and payment services business grew by 7.2% from €389.8 million in 2018 to €417.8 million in 2019, and mainly include distribution, information system management, back office, anti-money laundering activities, as well as postal services.

In light of the results described, the Payments, Mobile and Digital Strategic Business Unit reports EBIT of €241 million, an increase of 19% compared with the same period of the previous year.

During the year, finance income of €99 million (€4 million in 2018) was realised, of which €61 million related to the revaluation of the investment in SIA SpA already held by FSIA Investimenti following the acquisition of sole control (step up acquisition); €27 million in income from the exercise of purchase options on 7.934% of the SIA shares held by UniCredit and Intesa SanPaolo; €11 million in the share of the investee company's results net of amortisation of intangible assets identified during the purchase price allocation and €1 million in negative items recognised directly against equity.

After income tax expense for the year (€68 million compared to €55 million in 2018), the segment's net profit amounts to €272 million, up 77.4% on 2018.

22. SPID, Public Digital Identity System, is the system that allows access to all the online services of the Public Administration and private members, with a single Digital Identity (username and password) that can be used from computers, tablets and smartphones.

23. These are the commission expenses to the circuits and the costs incurred for the complete management of the authorisation and transaction verification processes.

## Operating review

In line with the strategic guidelines of the Group's Business Plan, actions have been launched to start up the largest Italian ecosystem of payment services.

### Monetics

In particular, in addition to Postepay Connect, the offer that combines the card Postepay Evolution and the PosteMobile SIM - with annual charge, the version that provides for monthly payment of the price plan included in the offering has been marketed since January 2019. All customers can therefore manage payment and telephone services quickly and intuitively thanks to the Postepay App; transfer data free of charge in real time from a PosteMobile Connect SIM card to another PosteMobile Connect SIM card (G2G); transfer money between two Postepay accounts (p2p); and purchase extra data using the Postepay App with the cost debited automatically to a Postepay Evolution card. In October 2019, in order to make the Connect range increasingly flexible and suitable for all customers' spending and consumption needs, an additional tariff plan with six-monthly renewal was introduced.

In 2019, PostePay joined the temporary grouping of Poste Italiane and Postel, which, in implementation of the service entrusted to it pursuant to article 81, of Decree Law 112/2008 regarding the Carta Acquisti (Social Card), and in compliance with Decree Law 4/2019, issued and is managing the payment cards needed to benefit from the Citizens' Income and the Citizens' Pension. The process of issuing Cards to eligible beneficiaries began in April 2019 and at 31 December 2019, approximately 1,072 thousand cards are currently being managed.

In December 2019, the new Postepay 2.0 App was released which, in addition to aggregating in a single ecosystem a series of payment services, has completely new graphics and innovative services such as: automatic and recurring top-ups of Postepay, international fund transfer in partnership with Western Union, integration of mobility services previously managed in Postepay + App for the purchase of parking, fuel and tickets and contactless payment with Google Pay also for Postepay Standard cards as well as Evolution.

In the Acquiring area, in December, a pilot initiative was launched on about one hundred operators to collect cash through a new QR code acceptance method called Postepay Code. The functionality in the Postepay app allows scanning QR codes directly into the app so as to return the payment option on screen and then proceed with the transaction. The new service also allows small merchants to collect payments arranged by the customer directly from their Postepay app, without the need to have a physical card acceptance device, the so-called Pos.

### Collections and Payments

With regards to collections, activities in 2019 were aimed at repositioning the collections offering both in terms of digitalisation and compliance with the Digital Italy Agency (AgID)<sup>24</sup> standards for payments to Public Administration entities. In this regard, in December 2019, Postepay SpA joined the PagoPA system; its membership as a new-generation Payment Services Provider (PSP), i.e. a financial intermediary for payments made via the internet channel, with a view to PSD2 and alongside Poste, is aimed at intercepting all spontaneous payments to the PA via digital solutions.

### Telecommunications

With regard to telephony services, PosteMobile Casa has expanded its range of fixed-line telephony services with two new plans: PosteMobile Casa Facile to meet the needs of all customers who use their landline phone mainly to make calls to domestic landline numbers and want to limit their home phone charges and "PosteMobile Casa Internet", launched at the end of September with the aim of expanding the addressable market and aimed at all customers who use the Internet from home.

24. AGID - Agency for Digital Italy is the technical agency of the Presidency of the Council of Ministers that has the task of ensuring the achievement of the objectives of the Italian Digital Agenda and contributing to the dissemination of the use of information and communication technologies, promoting innovation and economic growth.

# Financial Services Strategic Business Unit

## Market context

### Financial markets

During 2019, long-term government bond yields and sovereign spreads declined significantly, both in the Eurozone and the US, reaching a low in August 2019 and then recovering in the final months of the year. This trend was influenced by trade tensions between the USA and China and the risk of a no-deal BREXIT that caused a sharp drop in yields in August 2019. Subsequent interventions by the FED and the ECB, which cut rates in September 2019 and subsequently increased the amount of liquidity injected into the market, allowed rates to stabilise, albeit at lower levels than in the first part of 2019. Particularly important was the intervention of the FED, which began buying short-term US government bonds for \$60 billion a month and the reopening of Quantitative Easing (QE) by the ECB at a lower rate of €20 billion a month.

The aforementioned downward movement therefore started in the USA, where the ten-year rate went from 2.7% in December 2018 to 1.92% in December 2019 (1.66% in September 2019). The yield on Italian ten-year government bonds closed 2019 at 1.41%, up from 0.82% at the end of September 2019. This increase was due to both the rise in risk-free rates and a rise in the spread. In fact, the 10-year German Bund fell from 0.24% at the end of 2018 to -0.57% in September 2019 and then closed the year at -0.18%, while the spread of the Multi-year Treasury Bond (BTP) fell from 250 bps at the end of 2018 to 139 bps in September 2019 and then closed 2019 at 160 bps.

Equity markets performed positively in the first part of 2019 with moments of correction in the summer, and then continued to grow in the last quarter, thanks to the support of central banks, benefiting from the easing of trade tensions between China and the USA. In 2019, the Eurostoxx 50 Index gained about 25% while Dow Jones rose by 23%<sup>25</sup>.

Corporate bond spreads in the Eurozone have decreased. Overall, the spread on the bonds of non-financial investment grade companies in the Eurozone stood at around 80 bps at 31 December 2019, a decrease of around 20 bps compared to the end of 2018. The debt spreads of the financial sector also decreased, with the differential with respect to the risk-free rate falling by about 35 bps to about 80 bps.

Below is a table that represents the precise returns expressed in percentage terms at the end of the period for BTPs government bonds and interest rate swaps<sup>26</sup>.

	2018	1H 2019	9M 2019	2019
<b>BTP 10Y</b>	2.74	2.10	0.82	1.41
<b>SWAP 10Y</b>	0.81	0.18	(0.15)	0.20
<b>BTP 15Y</b>	3.03	2.55	1.37	1.89
<b>SWAP 15Y</b>	1.17	0.49	0.07	0.46
<b>BTP 30Y</b>	3.53	3.09	1.91	2.47
<b>SWAP 30Y</b>	1.38	0.72	0.22	0.63

25. Bloomberg data, performance in local currency.

26. Source: Bloomberg.

## Spread BTP Vs BUND 10 yrs



## Banking system

On the basis of estimates provided by the Italian Banking Association (ABI)<sup>27</sup>, in December 2019, customer deposits of the total number of banks in Italy, represented by deposits to resident customers and bonds, rose by 4.8% annually to approximately €1,814 billion (+€87 billion compared to the beginning of the year).

This trend reflected a significant increase in deposits from resident customers (in current accounts, certificates of deposit and repurchase agreements), amounting to approximately €121 billion (+5.6% year-on-year), accompanied by the substantial stability of bond deposits, which fell by approximately €34 billion. In December 2019, the average cost of bank funding (which includes deposits, bonds and repos from households and non-financial corporations) was around 0.58%. Bank loans remained stable during 2019: at the end of December 2019, total loans to residents (Private Sector and Public Administration) in Italy - excluding interbank lending - amounted to around €1,681 billion, with the marginal contribution of loans to households (+0.3% on an annual basis).

## Asset Management

The latest quarterly Assogestioni data available<sup>28</sup> show at 31 December 2019, total assets amounting to approximately €2,306 billion, compared to €2,018 billion at the end of December 2018 (+14.3%). With regard to Portfolio Management (Retail and Institutional), assets totalled approximately €1,171 billion, up compared to the end of December 2018 (€1,004 billion, +16.7%). On the other hand, with regard to collective asset management (open-end and closed-end mutual funds), customer assets rose from €1,015 billion at the end of December 2018 to approximately €1,135 billion at the end of December 2019 (+11.9%). With regard to open-ended mutual funds alone, assets amounted to approximately €1,071 billion, compared to approximately €955 billion at the end of December 2018 (+12.1% essentially attributable to performance). In terms of inflows, the asset management industry recorded a total positive balance of €76.7 billion in 2019, compared with 9.7 billion last year, also partly as a result of Poste Italiane Group operations.

27. ABI Monthly Outlook - January 2020.

28. Source: Assogestioni, Quarterly Asset Management Map - 4th quarter 2019.

## Regulatory environment

From 1 January 2019, the Guidelines regarding fraud data reporting requirements pursuant to the Payment Services Directive 2 (PSD2) have been applied, with payment service providers (PSPs) required to report detailed statistical data regarding frauds linked to the various forms of payment to their respective supervisory authorities, as well as the aggregated data the latter are required to share with the European Banking Authority (EBA) and the ECB.

The Guidelines regarding strong customer authentication and standards for communications between PSPs and third parties also came into effect from 1 January 2019. In particular, PSPs may introduce a specific interface allowing third parties to access online payment accounts or adopt a solution supplied by an external provider. Poste Italiane has opted for the latter solution which, moreover, allows it to request the Bank of Italy to grant an exemption from the application of a contingency mechanism to be used if the interface is unavailable or suffers disruption. BancoPosta submitted its request for exemption to the Bank of Italy on 14 March 2019, which was accepted by the Authority by order of 4 September 2019. With reference to the obligation for PSPs to adopt strong authentication systems to allow customers to make online arrangements, in August 2019, the Bank of Italy granted an extension for card payments compared to the deadline of 14 September 2019 originally foreseen for the entry into force of the PSD2. The EBA, in its opinion of 16 October 2019, set 31 December 2020 as the deadline for this extension and the Bank of Italy, in a communication of 12 December 2019, asked the PSPs to communicate by 31 January 2020 their intention to make use of the extension and, if so, to provide a series of separate information according to the activity carried out (e.g. migration plans, customer communications initiatives, etc.). Poste Italiane has prepared and sent a document with the feedback to be provided to the Supervisory Authority within the prescribed time limits.

The “Final Report on EBA Draft Guidelines on outsourcing arrangements” was published on 25 February 2019. This aims to standardise the guidelines for outsourcing arrangements, which intermediaries must comply with by 31 December 2021. These Guidelines have already been applied in the “Regulation governing BancoPosta RFC’s contracting out and outsourcing process”, annexed to “BancoPosta’s Organisational and Operational Regulation”, approved by the Board of Directors at the meeting of 31 January 2019.

Poste Italiane has also complied with the new provisions regarding “Transparency of banking and financial transactions and services. Fairness in dealings between intermediaries and customers”, which form an integral part of the general regulations governing organisational requirements and internal control systems, strengthening the organisational measures and controls that intermediaries (producers and the distributors of third-party products) are required to adopt in order to process, distribute, monitor and (if necessary) modify the products offered to customers. The requirements introduced by the new provisions have been applied in the “Product Governance guidelines” annexed to “BancoPosta’s Organisational and Operational Regulation” referred to above. Also, with regard to transparency requirements, further changes to the practical guidance for customers, consumer credit and consumer mortgages have been introduced in relation to the use of benchmarks and repayment methods. In July 2019, Bank of Italy Provision no. 156 was published, which makes some amendments to the above mentioned Implementing Provisions of the PAD (Payment Account Directive), concerning payment accounts offered to consumers. The amendments in force since 1 January 2020 concern, inter alia, pre-contractual and periodic information documents. In particular, two new documents to be provided to customers have been introduced, drawn up in accordance with the standard, non-modifiable models contained in the EU Commission Regulations: the Fee Information Document (FID) and the Statement of fees (SOF). Poste Italiane has completed the necessary adjustment activities.

The ESMA Guidelines issued on 6 November 2018 came into effect on 8 March 2019. The guidelines have clarified the application of certain aspects linked to the suitability requirements provided for in the MiFID II Directive, with adoption of the guidelines reflected in the process involved in customer profiling and in assessing the suitability of products.

On 11 April 2019, the CONSOB announced that it intends to comply with the ESMA Guidelines in force since 30 April 2019 regarding “Guidelines on internalised settlement reporting under article 9 of the Central Securities Depository Regulation (CSDR)”. EU Regulation 909/2014 (the CSDR) is the first European regulation governing the activities of central securities depositories (CSDs) and, among other things, defines settlement internalisers as entities (for example, banks) that execute transfer orders on their own account or on behalf of customers without using a system managed by a central counterparty. In order to monitor these transfers, which are also carried out by Poste Italiane, settlement internalisers must report specific aggregated data on internalised transactions to the CONSOB on a quarterly basis. The first report was submitted on 24 July 2019 and concerned internalized transactions in the second quarter of 2019. In this regard, Poste Italiane has, as permitted by the CONSOB, chosen to delegate the filing of such reports to an external provider.

On 23 September 2019, CONSOB published a consultation document amending the Intermediaries Regulation (Resolution no. 20307) in order to implement the Insurance Distribution Directive (IDD) which, in force in Italian law since 1 October 2018, introduced the rules of conduct applicable to the distribution of insurance investment products or IBIP (Insurance Based Investment Products), which will come into force on 1 April 2020.

In addition, on the same date, IVASS published for consultation the draft Regulation containing provisions on Product Oversight Governance (POG) whose entry into force is set for 31 March 2020. These provisions require companies and intermediaries that manufacture and distribute insurance products to adopt specific processes for the design, review, monitoring, verification and distribution of each new insurance product, before it is distributed to customers, or of an existing insurance product, before the adoption of a significant change. On 5 December 2019, a new Bank of Italy Regulation was published which, together with the CONSOB Intermediaries Regulation, completes the regulatory package for the implementation of the “MiFID2/MiFIR” with a view to allocating responsibilities between the Bank of Italy and CONSOB as defined by the Consolidated Law on Finance (TUF) and replaces, for the areas of competence, the “Joint Bank of Italy and CONSOB Regulation” however without introducing substantial amendments.

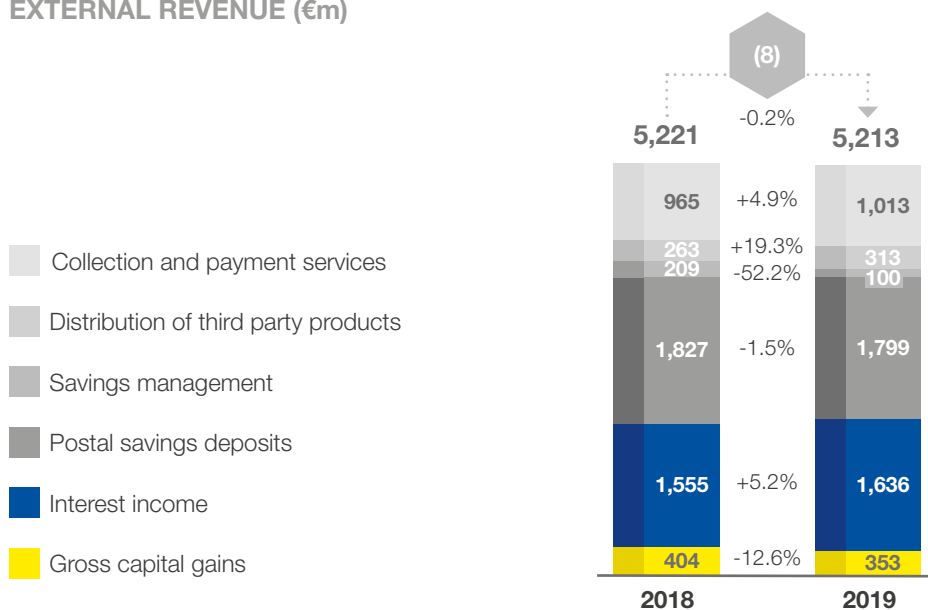
## Financial Services SBU profit or loss

Financial Services (€m)	2019	2018	Changes	
External revenue	5,213	5,221	(8)	-0.2%
Revenue from other sectors	712	649	+63	+9.7%
<b>Total revenue</b>	<b>5,926</b>	<b>5,871</b>	<b>+55</b>	<b>+0.9%</b>
<b>Total adjusted revenue</b>	<b>5,547</b>	<b>5,338</b>	<b>+209</b>	<b>+3.9%</b>
Costs	229	294	(64)	-21.9%
Costs vs other sectors	4,822	4,718	+105	+2.2%
<b>Total costs</b>	<b>5,052</b>	<b>5,011</b>	<b>+40</b>	<b>+0.8%</b>
<b>Adjusted total costs</b>	<b>4,757</b>	<b>4,640</b>	<b>+117</b>	<b>+2.5%</b>
<b>EBIT</b>	<b>874</b>	<b>859</b>	<b>+15</b>	<b>+1.7%</b>
<b>Adjusted EBIT</b>	<b>790</b>	<b>698</b>	<b>+92</b>	<b>+13.1%</b>
<b>EBIT margin %</b>	<b>14.8%</b>	<b>14.6%</b>		
<b>NET PROFIT</b>	<b>640</b>	<b>617</b>	<b>+23</b>	<b>+3.7%</b>

Main KPIs	2019	2018	Δ	
Total financial assets (€bn)	536	514	22	4.3%
Net inflows (€m)	2,950	1,568	1,381	88.1%
Latent capital gains/losses (€m)	1,115	(1,687)	2,802	166.1%
Net capital gains (€m)	339	379	(40)	-10.5%
Current accounts (average deposits for the period in €bn)	61.9	58.7	3.2	5.4%
Investment portfolio return	2.57%	2.62%		
Postal savings (average deposits in €bn)	310.4	307.6	2.8	0.9%
Borrowings (disbursed in €m)	3,583	3,143	440.0	14.0%



## EXTERNAL REVENUE (€m)



**Distribution of third-party products:** Placement and distribution of products issued by third-party partners (financing, mortgages, loans, credit cards, etc.)

**Collection and payment services:** Bulletins, collections and payments PP.AA., transfer of funds and ancillary services for current accounts.

**Asset management:** Collective asset management through mutual funds and management of individual portfolios relating to institutional mandates attributable to the Group.

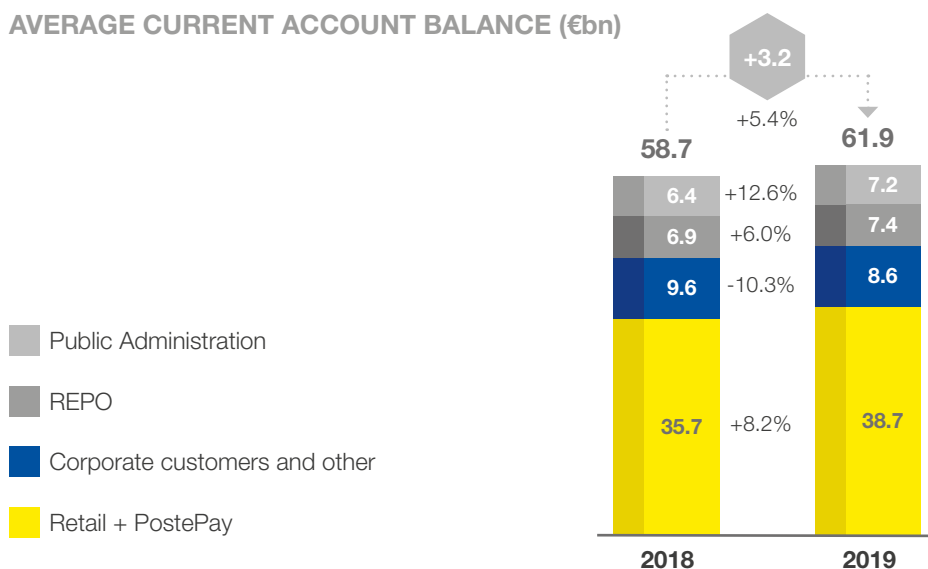
**Postal savings deposits:** Savings deposits through Interest-bearing Postal Certificates and Postal Savings Books issued by Cassa Depositi e Prestiti.

**Interest income:** Income from investment of liquidity revenue via postal current account deposits.

**Gross Gains:** Gains from the sale of securities in the BancoPosta Portfolio.

External revenue amounted to €5,213 million, substantially in line with the previous year (-0.2%), which however benefited from the effects of the non-recurring transaction carried out, for €120 million in the asset management sector, following agreements between Poste Italiane and Anima Holding to strengthen the partnership in this sector.

## AVERAGE CURRENT ACCOUNT BALANCE (€bn)



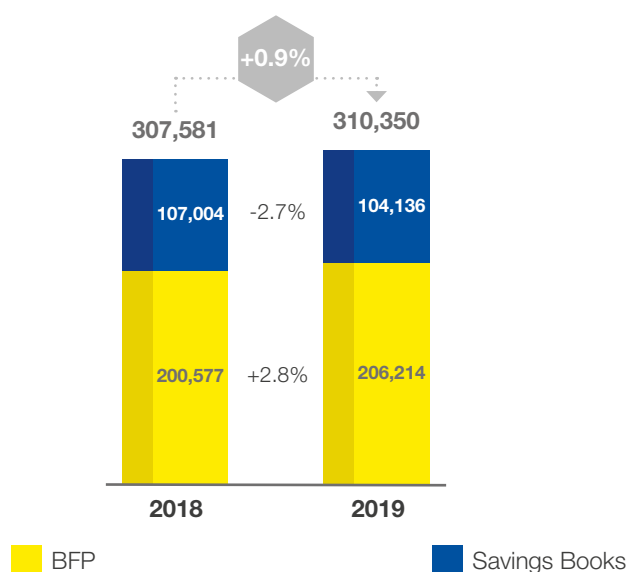
At 31 December 2019, the average current account balance increased from €58.7 billion to €61.9 billion. This increase of €3,2 billion is attributable primarily to retail/PostePay customers (€3 billion), as well as to the public administration and REPO transactions.

In detail, operations for the year showed an increase in Interest income, which rose from €1,555 million in 2018 to €1,636 million in 2019 (+5.2%) in relation to current accounts deposits, as well as the Distribution of third-party products, which increased by €51 million (+19.3%) due to higher volumes disbursed and higher up front on retail loans, in particular on Personal loans and Salary loans.

Revenue from collection and payment services also made a positive contribution, up 4.9% from €965 million in 2018 to €1,013 million in 2019, primarily due to higher income related to transitional current accounts within BancoPosta RFC, which offset the decline in volumes on slips.

## POSTAL SAVINGS

(Average stock €m)

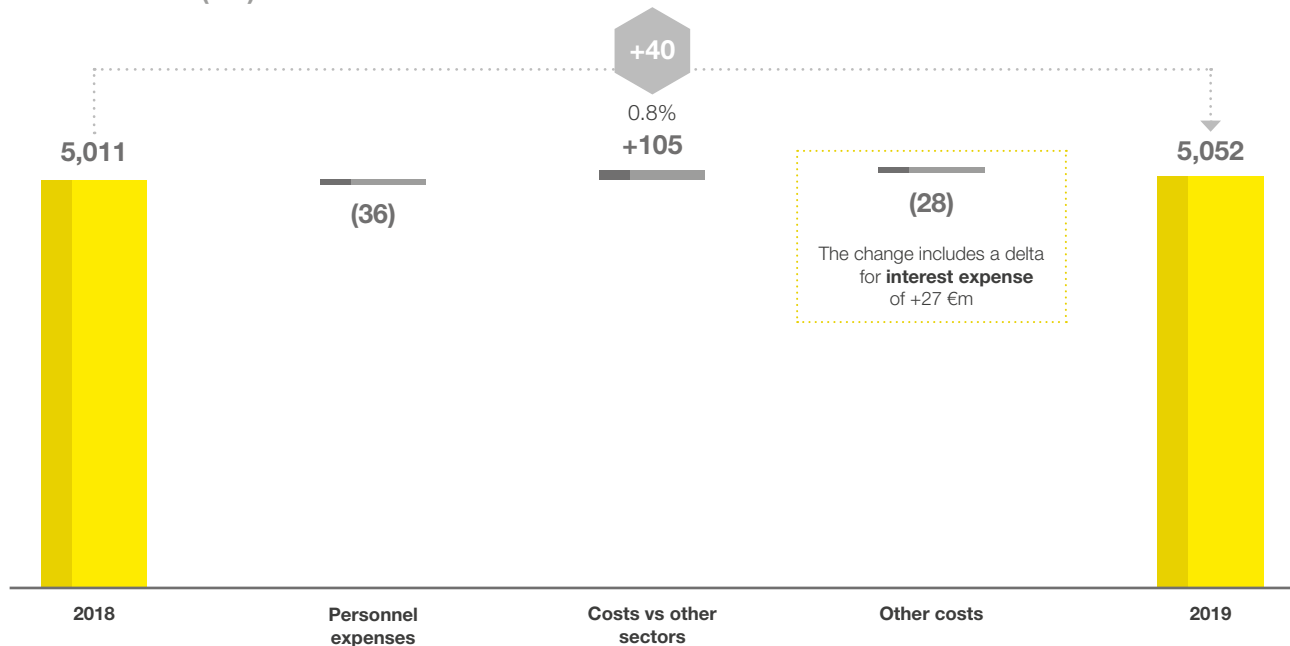


figures in €m	2018	2019	Var.	Var. %
Postal savings net deposits	(4,780)	(3,454)	1,326	27.7%

Postal Savings generated revenue of €1,799 million, substantially in line with the previous year's figure (€1,827 million in 2018).

The year 2019 saw postal savings net deposits of -€3.5 billion, an increase of more than €1.3 billion on the previous year due to the positive contribution of interest-bearing postal certificates (BFP). In fact, thanks to a range of products always in line with the market context and the issue of dedicated certificates, which have found a largely positive response from savers, BFP Net Deposits were positive by €0.5 billion (+€2.5 billion compared to 2018). Thanks to the result of Net Deposits above expectations and the capitalisation of interest on BFP, the average total balance for the year increased by approximately €2.8 billion (+0.9%) compared to the previous year.

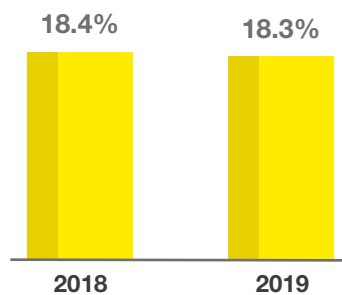
## TOTAL COSTS (€m)



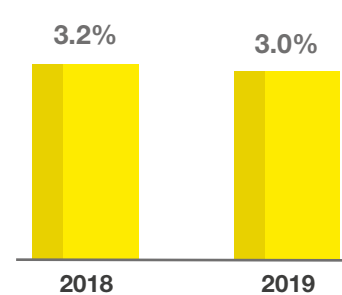
Total costs amounted to €5,052 million, an increase of €40 million (+0.8%) compared to the previous year, mainly due to intra-sector fees related to the Operating Guidelines, which also take account of the organisational changes that took place from 1 October 2018, which led to the transfer of BancoPosta's resources and activities to other structures.

In light of the results illustrated, the Financial Services sector generated EBIT of €874 million in 2019, an increase of 1.7% compared with the previous year (€859 million). Taking into account Financial Management and Taxes, 2019 closed with a Net Profit of €640 million, up 3.7% (+€23 million) compared to €617 million in 2018.

## CET1 RATIO



## LEVERAGE RATIO



figures in €m	2018	2019
CET1 CAPITAL	2,286	2,388
TOTAL ASSETS	72,489	85,010
RWA - Risk Weighted Assets	12,415	13,020

With reference to BancoPosta RFC, following the positive development in revenue volumes and the change in the market scenario, the Leverage Ratio fell during the year to 3.0% at 31 December 2019, taking into account the increase in capital of part of the year's profits. The CET 1 ratio at 31 December 2019 was 18.3% compared to 18.4% at the end of 2018, confirming BancoPosta's capital strength.

## Operating review

### Securities *portfolio* management

The securities portfolio, in which deposits from private customers on postal current accounts with a nominal value of €52 billion are used, consists of €49 billion of Italian fixed-income government securities and €4 billion of debt securities issued by Cassa Depositi e Prestiti (guaranteed by the Italian government).

In 2019, financial management, in line with the provisions of the Deliver 2022 Plan, continued to implement the policy regarding the stabilisation of overall revenue and the investment of private customer current account deposits. The first months of 2019 were characterised by a market with particularly high yields, due to the spread that fluctuated between 260 bps at the beginning of 2019 and almost 290 bps at the end of May. Under these conditions, operations focused mainly on purchases of securities. In addition to the investments of the new private current account deposits, all maturing securities were renewed early and the 2019 investment requirements were completed.

In the second part of 2019, on the other hand, in a context of gradual decline in interest rates and a reduction in Italy's credit spread, the programme for the realisation of the 2019 gains was completed and the operations for the realisation of the 2020 gains were started, achieving, in this context, a large part of the above.

In the last months of 2019, in view of the favourable market conditions, a programme to increase the efficiency of the asset swap portfolio was launched. The strategy has provided for the replacement of asset swaps with ten-year maturity by asset swaps with longer maturity improving the interest income profile over the Deliver 2022 Plan.

In view of the low levels of interest rates, the Company has entered into new deposit repurchase agreements with terms between 1 and 5 years, thereby anticipating the renewal of a number of repurchase agreements in relation to structural funding of the portfolio.

Lastly, during the year, the Boards of Directors of CDP and Poste Italiane approved a committed line of credit for BancoPosta for a maximum of €5 billion, with a view to possible diversification of BancoPosta's sources of funding.

Also in line with the Deliver 2022 Plan, commercial initiatives continued in 2019 to focus on enhancing the offering of postal savings products, and developing the distribution of financial, consumer credit and corporate loan products and services.

### Postal Savings

With reference to Postal Savings, with the aim of improving the quality and efficiency of the offer to customers, the project aimed at providing 24-hour availability of the services available through ATM, APP and web channels was completed.

During 2019, the range of products was expanded through the placement of certain types of interest-bearing postal certificates (BFP) and the distribution of products dedicated to new liquidity. With the aim of facilitating the digital evolution of customers through a multi-channel approach, the development of online services continued and the "BancoPosta Digital Moneybox" was released.

### Current accounts

In the area of private current accounts, on 21 October 2019, the new BancoPosta option account was launched, which makes it possible to move from a single account logic to a differentiated offer by option, based on customer needs in line with the Group's positioning objectives. The new offer includes the possibility to choose between different account options (Start, for those who have basic transactional needs; Medium, for those who need frequent money transfers; Plus, for those who need to pay by credit card and Start Giovani, for customers under 30 years of age).

## Asset management

With regard to asset management, the distribution of new mutual investment funds has begun. This is the result of the partnership with Anima SGR and Eurizon Capital SGR, acting as delegated fund managers.

With regard to asset under custody, Poste Italiane participated in both the consortium for the placement of the new bond issued by Cassa Depositi e Prestiti (CDP) dedicated to retail customers and in the placement of the fifteenth issue of “BTP Italia”, a Ministry of the Economy and Finance (MEF) security indexed to Italian inflation.

## Distribution of third-party products

In terms of loans provided to private customers by external partners, a number of promotions were run for specific categories of customer, type of product or interest rate and/or purpose, supported by advertising campaigns that allowed relaunching the salary loans and mortgage products. In addition, also thanks to the expansion of partnerships, the new BancoPosta loan offer dedicated to young people was launched at the end of October 2019, alongside other Poste Italiane offers dedicated to the same target: BancoPosta Giovani account and Mutuo Giovani. Also in the context of the distribution of third-party products, with regard to the placement of shares in real estate funds during the period 2002-2005, Poste Italiane, in order to protect and maintain the Group's high reputation and operating capacity credentials based on trust and transparency, undertook a second window to join the Europa Immobiliare 1 fund protection initiative (from 23 May 2019 to 13 July 2019) and launched a voluntary protection initiative for customers who invested in the Obelisco Fund, which expired on 31 December 2018 and ended on 6 December 2019.

## Other activities

With reference to the Business and Public Administration segment, the marketing of the new Entity Treasury Service, provided in partnership with CDP and aimed at municipalities with less than 5,000 inhabitants, was successfully implemented and the range of products for business customers was further expanded.

In the Delegated Services area, in the first few months of 2019, the three-year agreement for the pension payment service in Italy on behalf of INPS and the non-pension benefits payment service was signed.

In the last quarter of 2019, Poste Italiane and the MEF began work on the renewal of the Agreement regulating Treasury services and the remuneration of other payment and collection services for state Public Administrations.

As part of the programme for the digital transformation and acceleration of Poste Italiane's service model, a partnership with Moneyfarm has been set up in order to offer an asset management placement service for Poste Italiane customers, accessible exclusively through a special area on the website [www.poste.it](http://www.poste.it).

## Other information

### Bank of Italy

On 23 May 2019, the Bank of Italy began inspections of specific Post Offices with the aim of verifying fulfilment of the obligations in terms of banking transparency. The inspections were concluded in the following month of July and the related Report has not been received yet. The inspections mentioned above, although territorial in nature, also concerned areas that can be traced back to the inspections carried out by the Authority in 2015 at the head office and mainly related to aspects such as the filing of contractual documentation, the management of unilateral amendment proposals to customers, as well as the handling of complaints and the application of economic conditions through the dedicated company system.

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.

On 20 June 2019, the Bank of Italy requested to ensure that the procedures used in handling complaints regarding Interest-bearing Postal Certificates were fit for purpose. The Bank also requested information on the fraudulent use of payment instruments. The Company carried out the appropriate investigations and provided feedback to the Authority on both issues on 30 September 2019, subject to approval, as requested by the Authority, by the Board of Directors and the Board of Statutory Auditors.

At the date of preparation of this Report, the Company does not believe it necessary to revisit its approach to disputes regarding Interest-bearing Postal Certificates and, as a result, the criteria to estimate the related provisions for risks and charges. Any changes to estimates may take place only following alterations to the procedures currently used. The amount set aside, determined on the basis of the historical series of operating losses, represents the best estimate of the charge required to settle the probable liabilities. Any changes to the aforesaid estimate may only be made after the Authority has agreed to changes to the practices currently adopted, taking into account the decisions that will be made by both the Financial Banking Arbitrator (ABF) and the Ordinary Judicial Authority (AGO).

## CONSOB

On 12 February 2019, the CONSOB requested clarification regarding the measures adopted to ensure compliance with the rules of conduct for dealing with customers with reference to: i) the provision of advice on insurance investment products; ii) obligations regarding Product Governance and the incentive scheme for network personnel in relation to the distribution of insurance investment products. The above information was provided in a specific response submitted to the regulator on 15 February 2019.

Later, on 18 April 2019, the CONSOB requested further clarification regarding the notes submitted by BancoPosta between September 2018 and February 2019 and the “Report on the conduct of investment services and activities” relating to: (i) concerns regarding compliance with the above legislation; (ii) aspects where there is a need for precise clarification in order to assess compliance with industry regulations; (iii) updates on matters for which information on initiatives in progress was previously provided. The above information was provided in a specific response submitted to the regulator on 03 June 2019.

On 23 May 2019, the CONSOB requested additional information on the closed-end real estate Fund, Obelisco, which matured on 31 December 2018, and any initiatives to be adopted by Poste Italiane in order to protect investors, similar to the action taken with regard to the closed-end real estate funds, IRS and Europa Immobiliare 1. The Company responded on 16 June 2019.

On 31 May 2019, CONSOB requested clarifications on the disclosure made to customers on the cost and expense statement, ex ante (pre-contractual information) and ex post (annual report), which was replied to on 1 July 2019 (for information ex ante) and 22 July 2019 (for information ex post). On 27 June 2019, CONSOB requested further clarifications regarding the measures adopted to ensure compliance with regulatory provisions with reference to the planned controls in terms of experience and knowledge of the sales network employees. The related reply was sent on 17 July 2019 and contains detailed information on the training course aimed at maintaining and updating knowledge and skills with the related final verification test, assessments carried out on the results of the final verification tests, an illustration of the results achieved by the new resources placed in the role for the year 2018 and 2019, as well as clarifications on the specialist supervision in support of the network.

On 7 August 2019 a request was received from the Authority concerning data and information relating to the provision of investment services in the regions of Emilia Romagna, Marche and Umbria and in the province of Pescara. The reply was sent by the Company on 18 September 2019 together with, as requested, the names of the employees who have taken over responsibility for the areas concerned since 2016.

With regard to the representation of the information relating to the Obelisco real estate fund in the statement of account of the Customer Securities Dossier and the comments made by Sagitta SGR on 5 August 2019, CONSOB informally requested some clarification from Poste Italiane. The reply was sent on 17 October 2019.

On 29 October 2019, CONSOB requested information on the correct fulfilment of transaction reporting obligations. The relevant reply was sent by the Company on 13 December 2019.

In January 2020, CONSOB launched an inspection of a general nature pursuant to article 6-ter, paragraph 1, of Legislative Decree 58 of 24 February 1998, aimed at ascertaining the state of adaptation to the new MiFID 2 legislation.

## ***Autorità Garante della Concorrenza e del Mercato (AGCM)***

On 9 March 2015, the Authority notified Poste Italiane SpA of an investigation of BancoPosta RFC for the alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the Libretto Smart product. On 21 December 2015, the AGCM notified Poste Italiane of its final ruling in which it deemed the Company's conduct unfair and imposed a fine of €0.54 million, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate. Poste Italiane lodged an appeal against this ruling before the Lazio Regional Administrative Court, which has adjourned the case until a hearing on the merits to be set.

On 8 October 2018, the AGCM notified Poste Italiane of the launch of investigation PS11215 – pursuant to art. 27, paragraph 3 of Legislative Decree 206/05 (the Consumer Code) and art. 6 of the Regulation for Investigations – with an accompanying request for information pursuant to art. 12, paragraph 1 of the above Regulation. The investigation is in response to complaints filed on 24 July 2018 by “Altroconsumo” and on 8 August 2018 by “Centro Tutela Consumatori e Utenti” (two consumers' associations). The Authority is primarily looking into an advertising campaign called “Buoni e libretti – Buono a sapersi”, promoting Interest-bearing Postal Certificates and Postal Savings Books via TV and press adverts. The investigation relates to the alleged violation of articles 21 and 22, paragraph 1 and 4 letter a) of the Consumer Code, as the effect of taxation was, in the Authority's view, not clearly indicated. On 29 October 2018, Poste Italiane replied to the request for information and, following the hearing held at the AGCM on 28 November 2018, sent the Authority the form for the presentation of commitments - pursuant to art. 27 paragraph 7 of the Consumer Code, art. 8 paragraph 7 of Legislative Decree 145/2007 and art. 9 of the aforementioned Regulation on investigation procedures - subsequently supplemented on 11 January 2019. On 1 April 2019, the Authority notified Poste Italiane that the investigation was closed and that it had accepted the commitments, which are now obligatory, without imposing a fine.

## ***IVASS - Istituto per la Vigilanza sulle Assicurazioni (the insurance regulator)***

On 13 November 2019, pursuant to art. 19, IVASS Regulation no. 40 of 2 August 2018, the Authority was notified of the assignment of responsibility for Poste Italiane SpA's insurance distribution activities to BancoPosta.

# Insurance Services Strategic Business Unit

## Market context

### Life business

Based on official data available at the end of December 2019<sup>29</sup>, the new business for life insurance policies (individual and collective) including the EU sample of EU companies amounted to €104 billion, up (+4.8%) compared to 2018. The business of Italian companies reached €90.1 billion, marking an increase of 5.4% compared to the previous year.

Analysing the figures by class of insurance, Class I premiums amounted to €62.6 billion at the end of December 2019, up 12.5% compared with the previous year. Class III products (in exclusive unit-linked form), on the other hand, recorded a 11.3% reduction in premiums to €23.7 billion compared with the corresponding period of 2018. Residual revenue of capitalisation products (€2.2 billion) was up slightly (+3%) compared to 2018. The trend in new premiums relating to long-term health policies (Branch IV) was positive with a volume that, although still limited (approximately €68 million), grew significantly (+37.8%) compared to the same period in 2018.

Single premiums continued to be the preferred form of payment for policyholders, representing 94% of total premiums written and 64% of policies by number.

With regard, finally, to the distribution channel, around 66% of new business was obtained through banks and Post Offices until December 2019, with premium revenue of about €60 billion, up slightly (+3.6%) compared with the same period of 2018.

### New Life individual and collective business by class\*

(updated to December 2019 in €m)

Premiums by class/product	Premiums YTD	% change 2019 vs 2018
Life - class I	62,577	12.5%
Linked - class III	23,736	-11.3%
Capitalisations - class V	2,206	3.0%
Other	1,589	68.7%
<b>Italian insurers - non-EU</b>	<b>90,108</b>	<b>5.4%</b>
<b>EU insurers**</b>	<b>13,861</b>	<b>1.2%</b>
<b>Total</b>	<b>103,969</b>	<b>4.8%</b>

\* Source: ANIA.

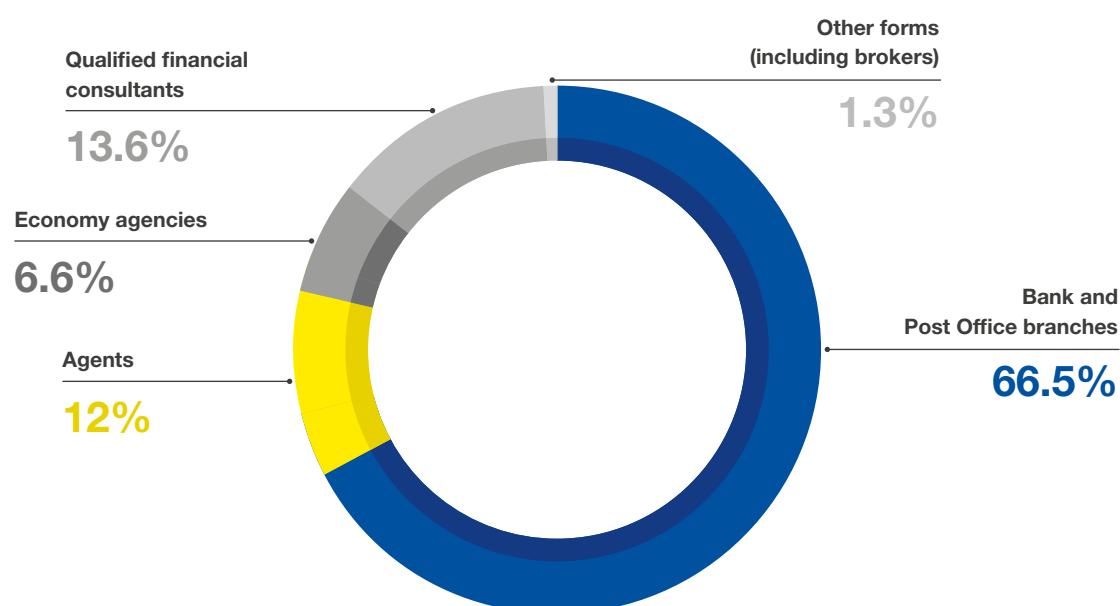
\*\* The term "EU insurers" refers to the Italian subsidiaries of undertakings with a registered office in an EU country operating under the right of establishment and freedom to provide services. The figures refer solely to undertakings taking part in the survey.

29. Source: ANIA Trends, new Life business (February 2020).



## New Life individual and collective business by distribution channel

(updated to December 2019 in €m)



Source: ANIA.

## P&C business

Total direct Italian premiums in the P&C insurance market, thus including policies sold by Italian and overseas undertakings, based on the available official data (source: ANIA) amounted to €27 billion at the end of the third quarter of 2019, up compared to the same period in 2018 (+3.3%). The performance was helped by both the growth in other P&C classes (+5.7%) with total volumes of €14.4 billion and more marginally the growth of premiums of the Auto sector, which recorded an increase of 0.6% compared to the third quarter of the previous year and volumes totalling €12.6 billion.

In terms of distribution channel, in relation to the premiums collected by Italian companies and representatives of non-EU companies, agents continue to lead the way with a market share of 74.1%, slightly down on the figure for the end of the third quarter of 2018 (75.7%). Brokers are the second largest P&C premium distribution channel, with a market share of 8.3%. The market share of bank and Post Office counters increased compared to the same period in 2018 at 7.9% (6.7% in the third quarter of 2018); this growth is attributable to the involvement in the marketing of premiums in the Credit and Monetary losses lines of business.

### Direct P&C premiums by class\*

(updated to September 2019 in €m)

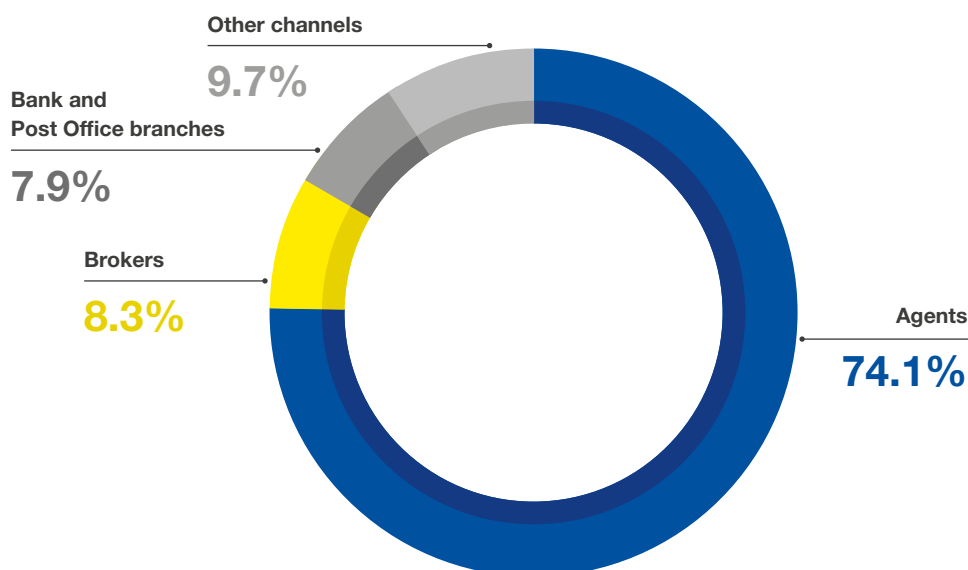
Premiums by class**	Premiums YTD	% change Q3 2019 vs Q3 2018
Total motor segment	12,621	0.6%
Other P&C classes	14,424	5.7%
<b>Total P&amp;C classes</b>	<b>27,045</b>	<b>3.3%</b>

\* Source: ANIA.

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

### Distribution of direct P&C premiums by distribution channel\*

(updated to September 2019 in €m)



Source: ANIA.

\* Italian insurers and non-EU insurer representatives operating as an establishment.

## Regulatory environment

### Consultation Paper on the Opinion of the 2020 Review of Solvency II

The EIOPA (European Insurance and Occupational Pensions Authority) launched the public consultation on 15 October 2019 on the technical opinion requested by the European Commission for the review of Solvency II planned for 2020.

The consultation covers all areas of Solvency II legislation, such as the modification of the calculation of the Volatility Adjustment - a mechanism provided for in Solvency II to contain the effects of market volatility - or the proposal to increase the calibration of the interest rate risk sub-module, e.g. in line with the existence of negative interest rates. The public consultation phase ended on 15 January 2020. EIOPA will issue an update of the Solvency II regulations, which will be implemented by IVASS regulations by the end of 2020.

### Measure IVASS no. 92 of 19 November 2019

The measure in question contains the amendments to IVASS Regulation no. 43 of 12 February 2019 implementing the provisions of the Decree of the Ministry of Economy and Finance of 15 July 2019, determined by the optional extension to 2019 of the provisions on the temporary suspension of losses in non-durable securities, already provided for by the previous Ministerial Decree (Decree Law no. 119 of 23 October 2018). The Poste Vita Group has decided not to make use of this option for 2019.

## Insurance services SBU profit or loss

Insurance Services (€m)	2019	2018	Changes	
<b>External revenue</b>	<b>1,669</b>	<b>1,470</b>	<b>199</b>	<b>+13.5%</b>
Revenue from other sectors	1	2	(1)	-63.7%
<b>Total revenue</b>	<b>1,670</b>	<b>1,472</b>	<b>197</b>	<b>+13.4%</b>
Costs	165	139	+26	+18.6%
Costs vs other sectors	499	467	+32	+6.8%
<b>Total costs</b>	<b>664</b>	<b>606</b>	<b>58</b>	<b>+9.5%</b>
<b>EBIT</b>	<b>1,006</b>	<b>866</b>	<b>140</b>	<b>+16.1%</b>
<b>EBIT margin %</b>	<b>60.2%</b>	<b>58.8%</b>		
<b>Net profit</b>	<b>737</b>	<b>1,001</b>	<b>(264)</b>	<b>-26.4%</b>

Main KPIs	31 December 2019	31 December 2018	Changes	
Net technical provisions Poste Vita Group (€m)	140.2	125.1	15.2	12.1%

Life	2019	2018	Changes	
Gross premium revenue - Life (€m)*	17,732	16,610	1,122.2	6.8%
<i>of which: Classes I-IV-V</i>	15,793	15,870	-76.6	-0.5%
<i>of which: Class III</i>	1,939	740	1,199	162.0%

P&C	2019	2018	Changes	
Gross premium revenue - P&C (€m)*	240	187	53.0	28.3%
Loss ratio**	32.7%	23.8%		
Expenses ratio (ANIA)***	28.9%	28.8%		
Combined ratio (ANIA)****	61.6%	52.5%		

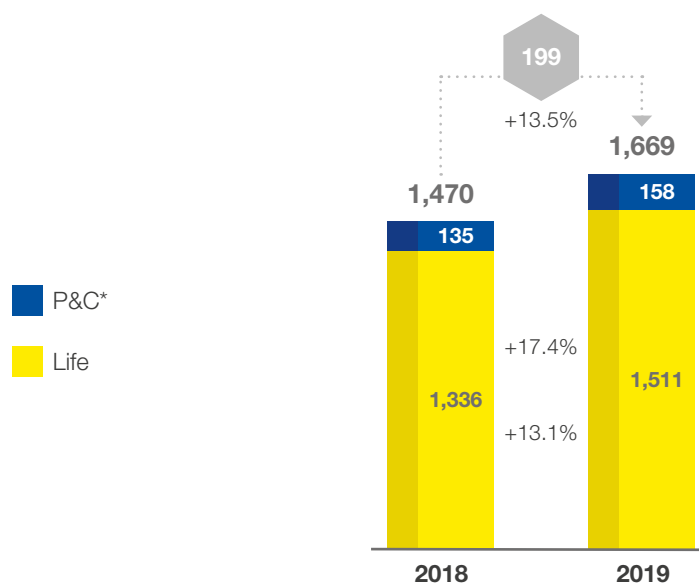
\* Includes gross premium revenue before the premium reserve and outward reinsurance premiums.

\*\* Corresponds to the ratio of the expenses from claim liquidation and gross premiums.

\*\*\* Corresponds to the ratio of operating costs + commission and gross premium revenue.

\*\*\*\* Equal to the sum of the Loss and Expenses ratio.

### EXTERNAL REVENUE (€m)



\* Includes Poste Welfare Servizi and other revenue.

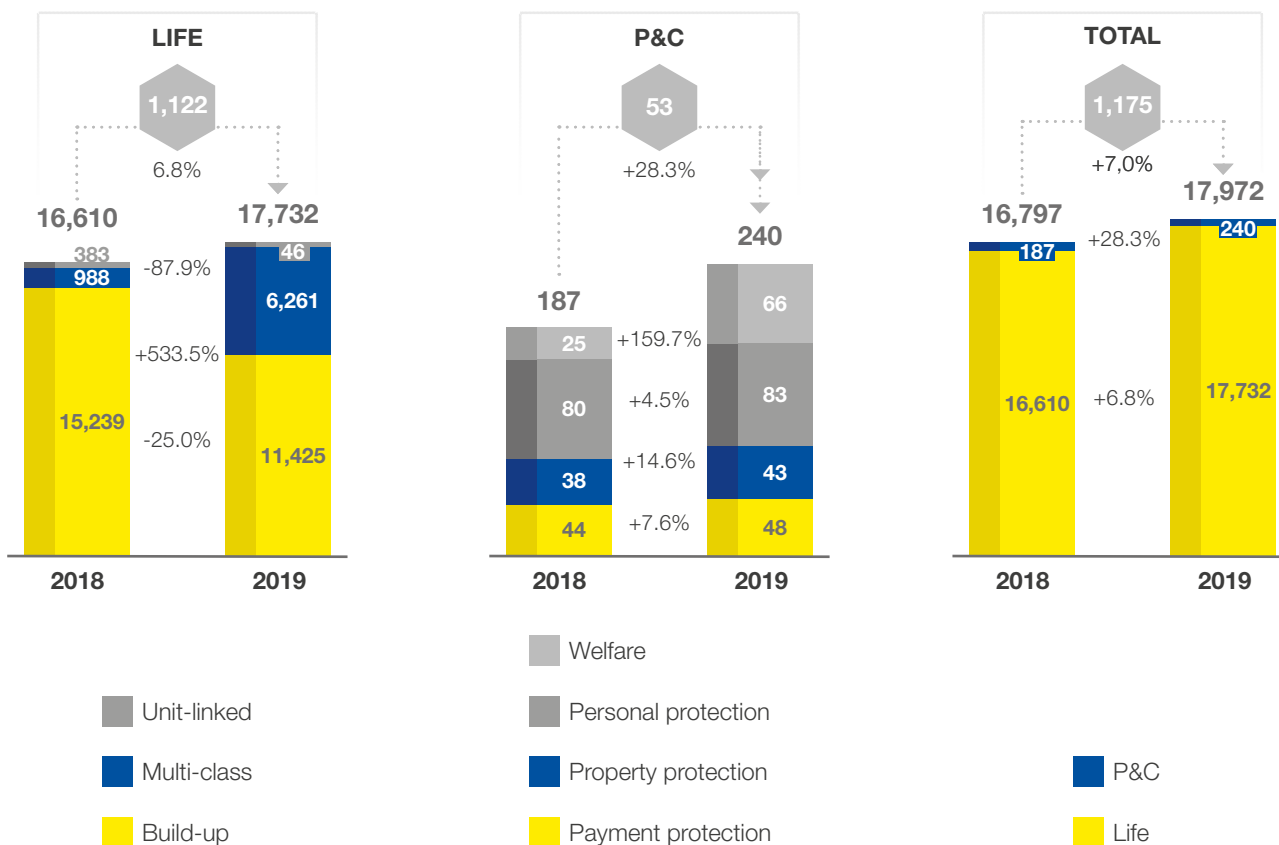
Total revenue is up from €1,472 million in 2018 to €1,670 million (+13.4%), essentially due to the performance of the Life business, which contributed €1,511 million, whilst the P&C business contributed €148 million, net of Poste Welfare and Services revenue and other revenue.

Life net revenue increased by 13.1% (+€175 million compared to 2018) mainly supported by the financial margin (+€120 million compared to the previous year), which benefited from the increase in average assets under management, and lower allocations on Other technical provisions of €34 million, due to the higher profitability of new products for which no further allocations are required and the improved profitability of protection products (+€12 million).

Net P&C revenue amounted to €148 million (up +19.7%), driven by growth across all lines of business (retail +8%; Employee Benefits +160%) and total gross premium revenue amounting to €240 million<sup>30</sup>, up 28% on the same period of 2018 (€187 million), which more than compensates for the slight worsening of technical profitability due to the growth of the Employee Benefits business (Combined Ratio 99%).

The performance of premium revenue for the Life and P&C business is shown below:

**GROSS PREMIUM REVENUE (€m)**

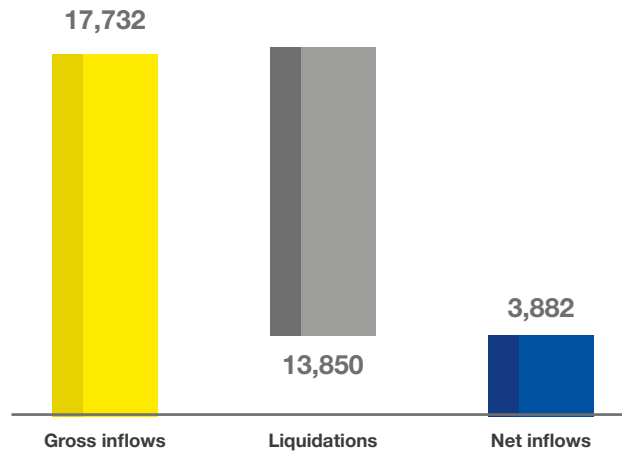


Gross revenue of the Life business amounted to €17.7 billion, up 7% compared to 2018, with a significant shift in favour of Multi-class products (+€5.3 billion compared to the previous year), resulting in an increase in Class III revenue (about +€1,200 million), whose impact on total gross revenue increased from 4.5% in 2018 to 10.9% in 2019.

The P&C business recorded gross premium revenue of €240 million, up 28% on the figure for 2018 (+€53 million), with growth across all lines of business: Welfare (+€41 million or +160%), property and personal protection (+€9 million or +8%) and payment protection (+€3 million or +8%).

<sup>30</sup>Gross premium revenue for the period amounts to €222 million.

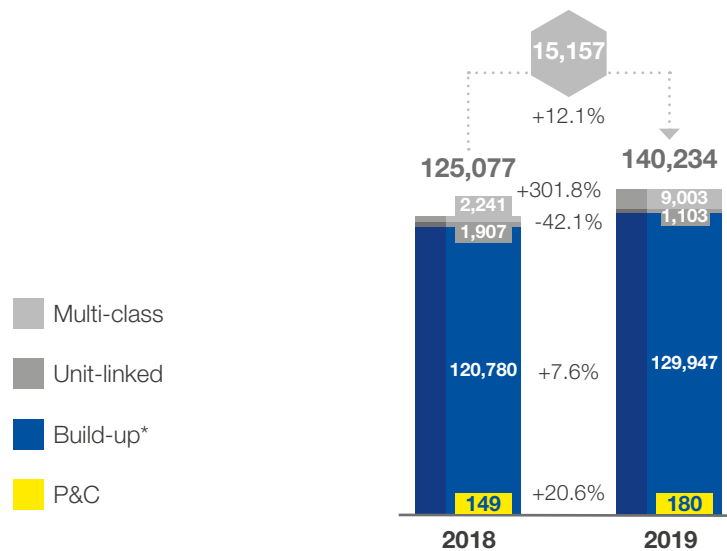
## LIFE PREMIUM REVENUE 2019 (€m)



The Life business generated net premium revenue of €3.9 billion, down compared with 2018 as a result of an increase in policy expirations (+€2.9 billion compared to the previous year).

The surrender rate recorded in 2019 was 2.85%, substantially in line with 2018 and below the market value which remains above 6%.

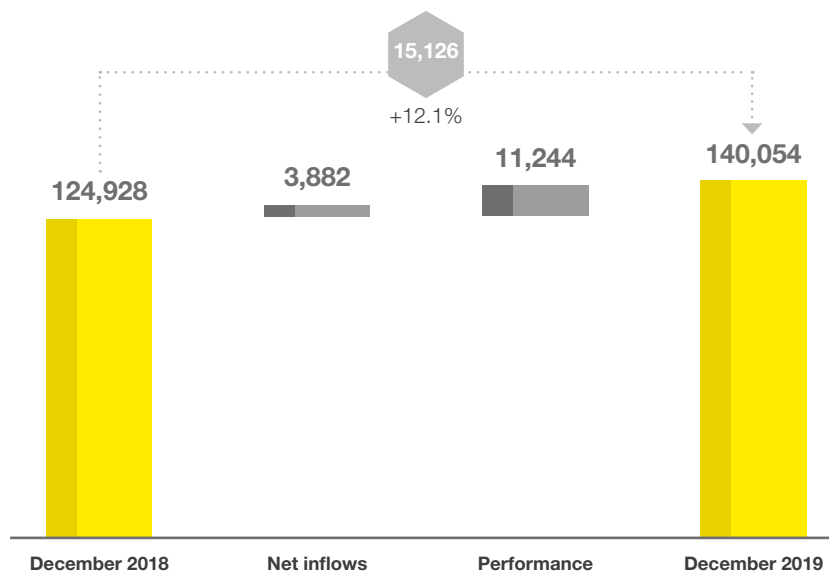
## NET TECHNICAL PROVISIONS (€m)



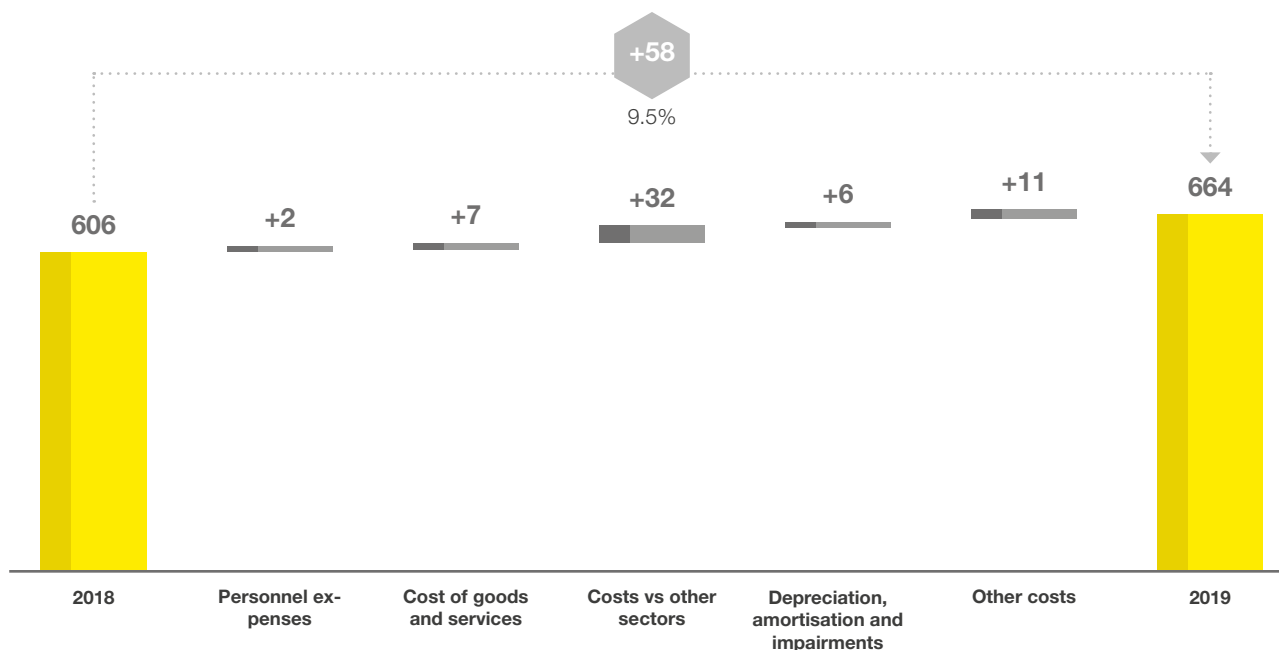
\* Includes Protection and Welfare.

Life business technical provisions amounted to €140.1 billion and increased by €15.1 billion compared to 31 December 2018 mainly due to higher mathematical provisions (+€5.6 billion) supported by positive net revenue (+€3.9 billion) and the performance of Deferred Policyholder Liabilities (+€9.6 billion), which includes changes in the fair value of financial instruments used to hedge policies issued; technical provisions for P&C business, net of the portion ceded to reinsurance, amounted to €180 million at the end of the period (€207 million gross of the portion ceded to reinsurance), up 21% from the figure recorded at the end of 2018 (€149 million; €183 million gross of the portion ceded to reinsurance).

### CHANGES IN TECHNICAL PROVISIONS FOR LIFE BUSINESS (€m)



### TOTAL COSTS (€m)



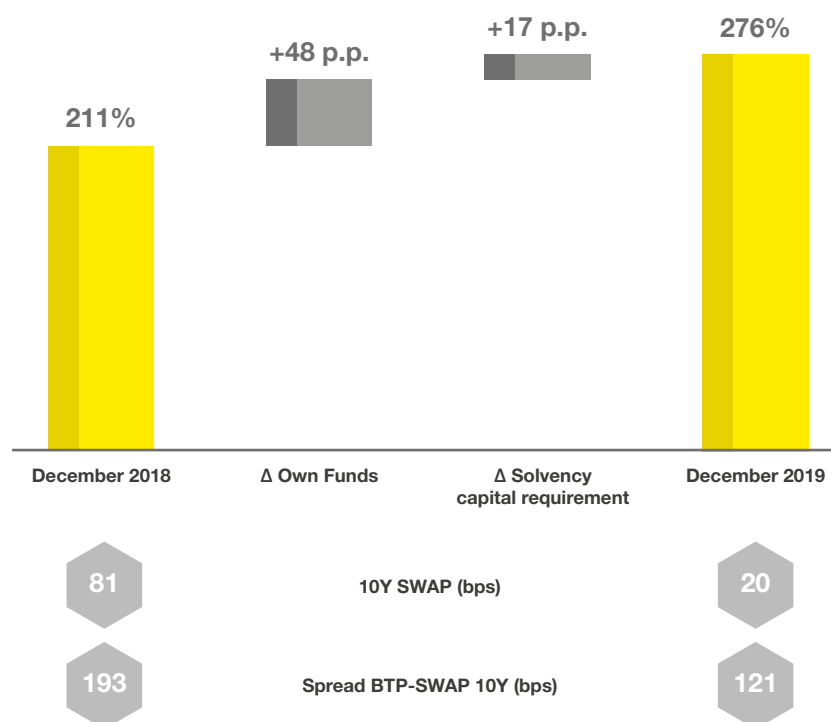
Total costs of €664 million are up €58 million compared with the figure for 2018. The increase is primarily due to the performance of inter-segment costs, essentially linked to fees paid for distribution, collection and maintenance services related to the growth in business.

In light of the results illustrated, the Insurance Services Strategic Business Unit generated EBIT of €1,006 million in 2019, an increase of 16% compared with the previous year (€866 million).

Financial management recorded net income of €30 million, down compared to 51 million in 2018 mainly due to the cost related to the Ancillary Funds, which was not present in the first 10 months of the previous year.

Taking into account the taxes for the period (€298 million), the Business Unit closed with a net profit of €737 million, down 26.4% compared to €1,001 million in the previous year, which however benefited from an extraordinary tax component of €385 million (net of this effect, net profit 2019 was up 16% compared to the previous year).

## SOLVENCY RATIO



The Insurance Group's Solvency Ratio at 31 December 2019 stood at 276%, up from 211% at December 2018 (+65 p.p.) mainly due to the evolution of the market scenario (positive effect on the Own Funds and Solvency Capital Requirement, respectively for €841 million and €231 million) and the increase in the Own Funds following IVASS's authorisation to use the Ancillary Own Funds in the calculation of the Available Capital.

It should also be noted that the Company introduced the use of transitional measures on technical provisions following the approval by the Supervisory Authority in August 2019. The application of these measures resulted in a decrease in the Solvency II technical provisions of €1,908 million before tax, resulting in an increase in eligible own funds of €1,320 million. This trend, having no impact on the value of the capital requirement, allowed the Solvency Ratio to increase by 36 percentage points to 312% at 31 December 2019.

## Operating review

The commercial offer was further enhanced with the launch of new multi-class products. In addition, in October 2019, a Class I product was launched for customers with a minimum insurance age of 80 years, in line with other Poste Italiane Group projects dedicated to senior customers.

With regard to the complementary pension provision, in July 2019, the Individual Pension Plan (PIP) was expanded with two new investment profiles, dynamic and guided, in addition to the guaranteed one.

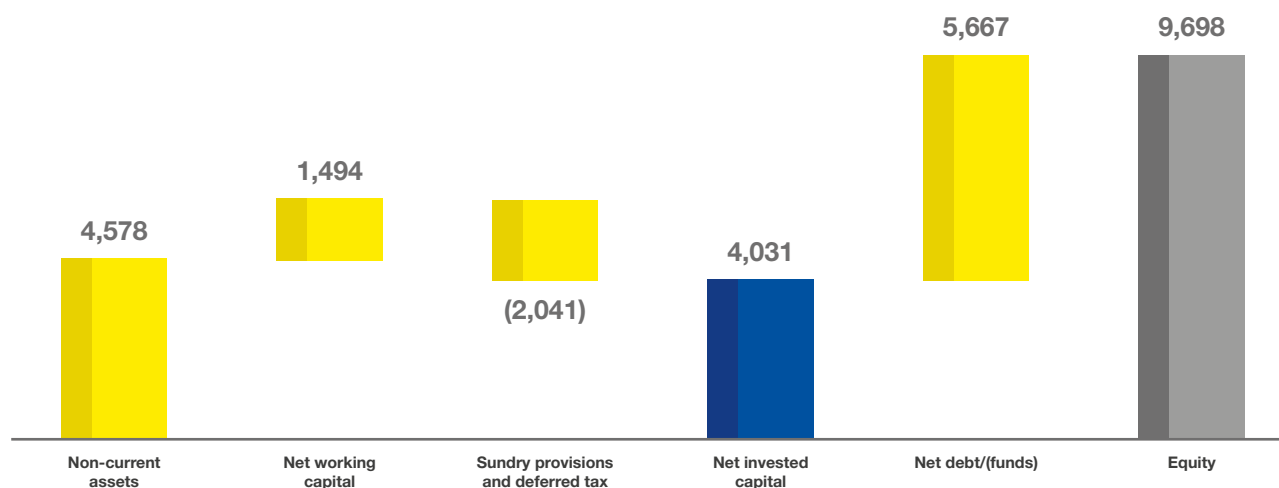
In the P&C segment, 2019 saw the refinement of the product range through the restyling of the "Accidents" and "Senior Accidents" offer and the launch of the new "Poste Salute" product.

## Group financial position and cash flow

€m	31 December 2019	31 December 2018	Changes	
NON-CURRENT ASSETS	4,578	3,035	+1,543	+51%
NET WORKING CAPITAL	1,494	1,737	(243)	-14%
GROSS INVESTED CAPITAL	6,072	4,772	+1,300	+27%
SUNDRY PROVISIONS AND OTHER ASSETS/LIABILITIES	(2,041)	(2,040)	(1)	+0%
NET INVESTED CAPITAL	4,031	2,732	+1,299	+48%
EQUITY	9,698	8,105	+1,593	+20%
<b>NET DEBT/(FUNDS)</b>	<b>(5,667)</b>	<b>(5,372)</b>	<b>(295)</b>	<b>+5%</b>
<i>Net cash position of the Mail, Parcels and Distribution SBU</i>	<i>815</i>	<i>(1,131)</i>	<i>+1,946</i>	<i>-172%</i>

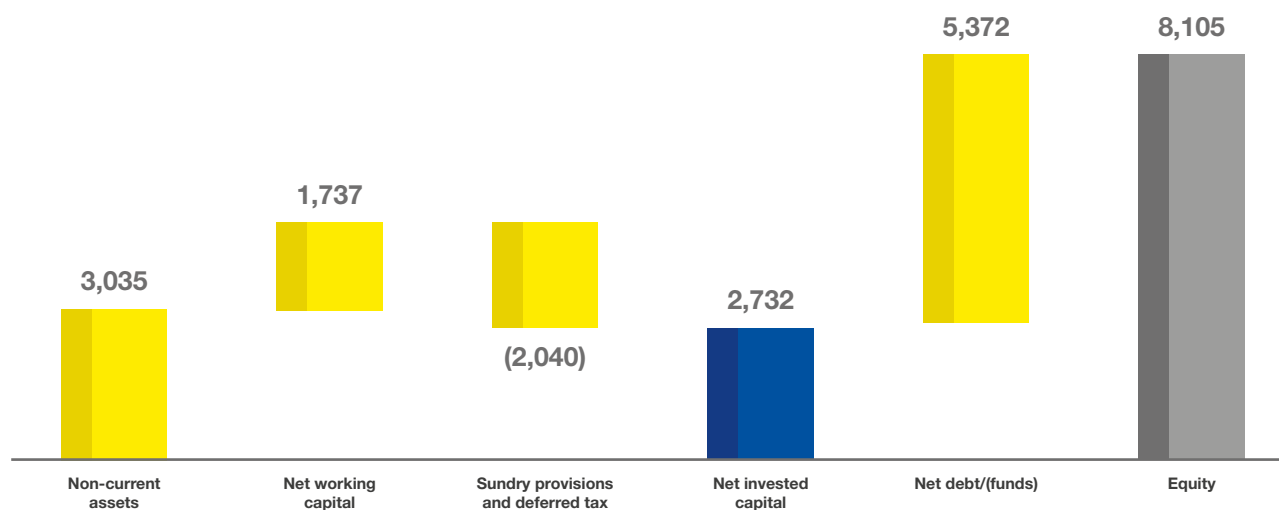
Figures in €m

31 December 2019



Figures in €m

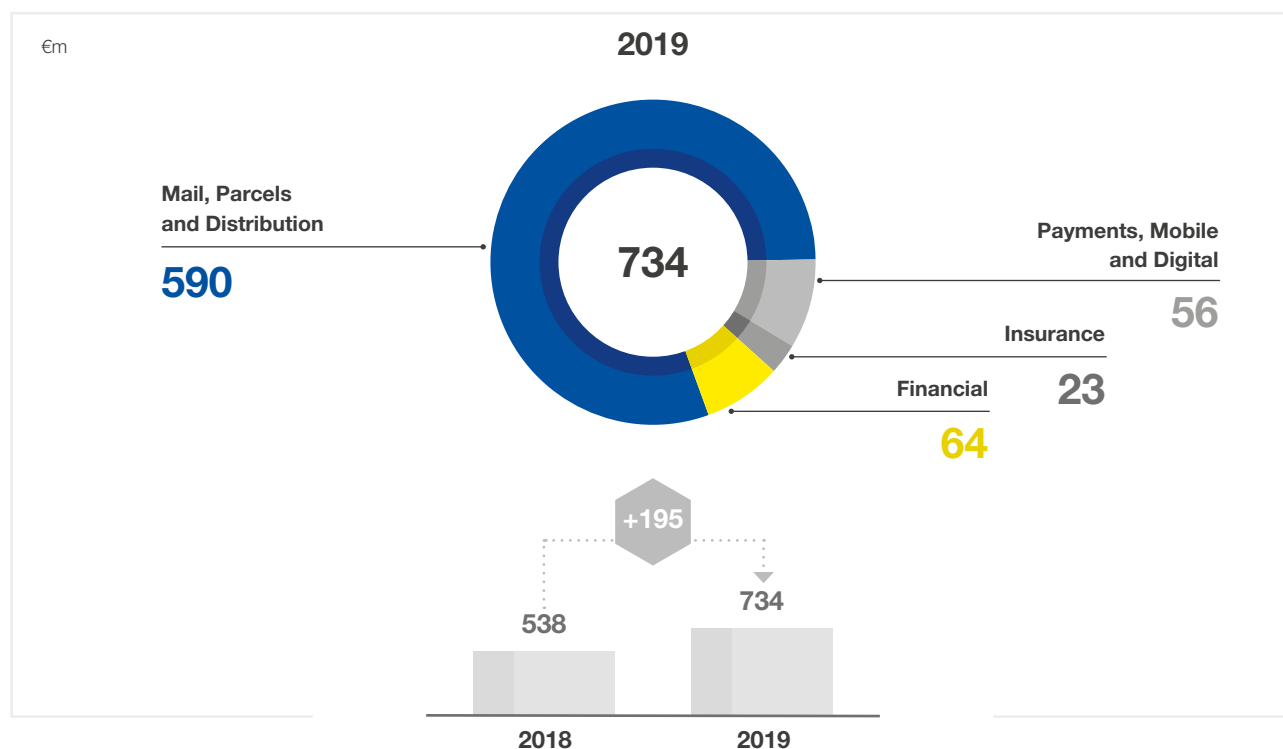
31 December 2018





The Poste Italiane Group's **non-current assets** amounted to €4,578 million at 31 December 2019, an increase of €1,543 million compared with the end of 2018. This primarily reflects first-time adoption, from 1 January 2019, of the new accounting standard, IFRS 16, resulting in the recognition of right-of-use assets of €1,254 million (which take into account €1,374 million of Assets, €102 million of acquisitions for new contracts and €222 million of amortisation). Investments of €734 million also contributed to the formation of non-current assets, partly offset by amortisation of €552 million.

Finally, the balance of the item includes investments accounted for using the equity method for a total of €617 million, up €120 million compared to 31 December 2018, mainly due to the adjustment of the carrying amount of FSIA Investimenti<sup>31</sup>, which at the end of 2019 was classified as an associate investment, in place of the previous joint control.



The **Group's investment amounted to €734 million** in 2019, an increase of 36% compared with 2018 (+€195 million).

In line with the investment programme for the period 2018-2022, designed to support delivery of the Strategic Plan, around 80% of the Group's investment (€590 million) focused on the transformation of the Mail, Parcels and Distribution Strategic Business Unit, in which the reorganisation of the transport, sorting and delivery activities continued. In particular, with reference to sorting activities and the automation of production processes, the largest parcel sorting plant currently installed in Italy at the Bologna freight terminal was inaugurated in July. The hub, which is the first step in a process of technological renewal of the parcel logistics network, is equipped with three integrated automation systems for sorting the different types of parcels, with a total daily processing capacity of 250,000 units, equal to about 40% of Poste's production capacity, as well as advanced technologies for safety and energy saving.

Six new Mixed Mail systems were installed for sorting mail at the Postal Sorting Centres in Turin, Bologna, Rome, Naples, Milan Peschiera Borromeo and Catania (8 systems installed since the start of the project), reducing the old sorting lines by 24%. This project, together with the introduction of Lean Production in the factories (the work organisation method that guarantees continuous improvement of production processes), has made it possible to achieve an 8% increase in productivity on sorting activities. In addition, a new system for the sorting of small parcels was installed at the Brescia postal sorting centre and 34 automated systems (Automated Guided Vehicles) were introduced for the internal handling of loads at 60% of the main sorting centres planned (to date Bologna, Turin, Fiumicino, Naples, Bari and Padua).

As far as the delivery area is concerned, the Joint Delivery model, introduced in April 2018, is active on 100% of the national territory and foresees the possibility to deliver small parcels through the network of letter carriers, introducing afternoon and weekend shifts.

31. Further information is provided in the Notes to Poste Italiane Financial Statements for the year ended 31 December 2019.

As part of the collaboration with Amazon that enhances the flexibility offered by Joint Delivery, a new same-day parcel delivery service has been introduced in the main Italian cities (Bari, Bologna, Florence, Milan, Naples, Padua, Rome, Turin, Verona, Genoa and Pescara).

The development of the potential of the partnership with Amazon is in line with Poste Italiane's strategy of expanding the logistics segment in connection with online purchases. This is also connected with expansion of the PuntoPoste network for collecting online purchases and sending returns. To date, this consists of over 6 thousand alternative collection points, mainly tobacconists and lockers, which are in addition to Post Offices.

Property investments mainly concerned the redevelopment of Post Offices, the creation of new spaces for commercial specialists, the removal of architectural barriers and the installation of Wi-Fi systems in Post Offices. With regard to the containment of environmental impacts, activities aimed at reducing electricity consumption continued through the replacement of old lamps with LED technology. Over 100,000 LED lamps were installed in 2019.

Work continued in 2019 to meet the needs of the ordinary management of safety in the workplace, in particular with the distribution of 16,000 seats and back office furniture at Post Offices, cybersecurity through threat prevention and countering cyber attacks, active and passive physical security through the installation of new video and remote surveillance systems in 1,730 Post Offices (for a total of over 4,000 new cameras) and the provision of security at about 950 sites throughout the country. The implementation of physical security measures at 11 postal delivery centres and 3 mail sorting centres (Milan Roserio, Verona and Brescia) was also completed, and work was completed on the implementation of security systems at 2 distribution centres in order to obtain certification according to the TAPA - FSR (Transported Asset Protection Association - Facility Security Requirements) standard.

With reference to the technological infrastructure, the transformation programme undertaken foresees an important evolution of applications, with the aim of simplifying the integration of Poste Italiane with the digital ecosystem and in this sense, the activities aimed at creating a single CRM for integrated customer management in all phases of sales and after-sales on the various channels have continued. The introduction of Robotic Process Automation technologies and the dematerialisation and digitisation of operating processes, modernisation of the technological infrastructure and consolidation of the Group's seven Data Centres also continued. In this regard, the design of the unique Disaster Recovery environment of Poste Italiane on the Turin Data Center and the Rome Campus, consisting of the two Data Centers "Congressi" and "Europa", to which the Disaster Recovery of some Group companies have migrated in order to maximise synergies and ensure an evolution consistent with the strategies of Poste Italiane, has been completed.

In the **Financial Services** Strategic Business Unit, total investment amounted to €64 million and regarded initiatives designed to expand the Wealth Management offering (Postal Savings, Life products and Funds) and those aimed at simplifying processes in compliance with sector regulations and improvement of the customer experience from a multi-channel perspective. In particular, in the Postal Savings segment, the main interventions concerned the expansion of 24-hour operations by customers and the integration of the online product sales process.

Investments in the **Payments, Mobile and Digital** Strategic Business Unit amounted to €56 million; as part of the Digital Transformation programme, the Postepay App has been enriched with new features and the Postepay Evolution and Postepay Evolution Business cards have been enabled for online payments through a service that allows users to store their cards, ensuring a higher level of security as only the token information, unique for each merchant, and not the card data is stored.

Finally, in line with the regulatory roadmap, on 12 September, the new Strong Customer Authentication solution was released on all digital channels (app and web), offering customers a more aware and secure user experience when authenticating and authorising payment transactions.

In the **Insurance** Services Strategic Business Unit, work continued on operational and infrastructural improvements to key business support systems for €23 million. In the Life business, investments were made in portfolio management systems, while in P&C, a new calculation platform was implemented, the latter preparatory to the Supervisory Authority's authorisation to use USPs (Unique Selling Proposition). The process of insourcing and revamping customer care using the Group's TPA (Third-Party Administration) also continued.

The flexible benefit telematic platform has been implemented to support the VIVI WELFARE initiative to allow employees, on a voluntary basis, to opt to use the remaining portions of their bonuses to cover the cost of goods and services with a social impact (e.g. the cost of schooling and children's education, care services for the aged and dependent family members, health and wellbeing, leisure and entertainment, education and training, local public transport, supplementary pensions and supplementary health benefits).

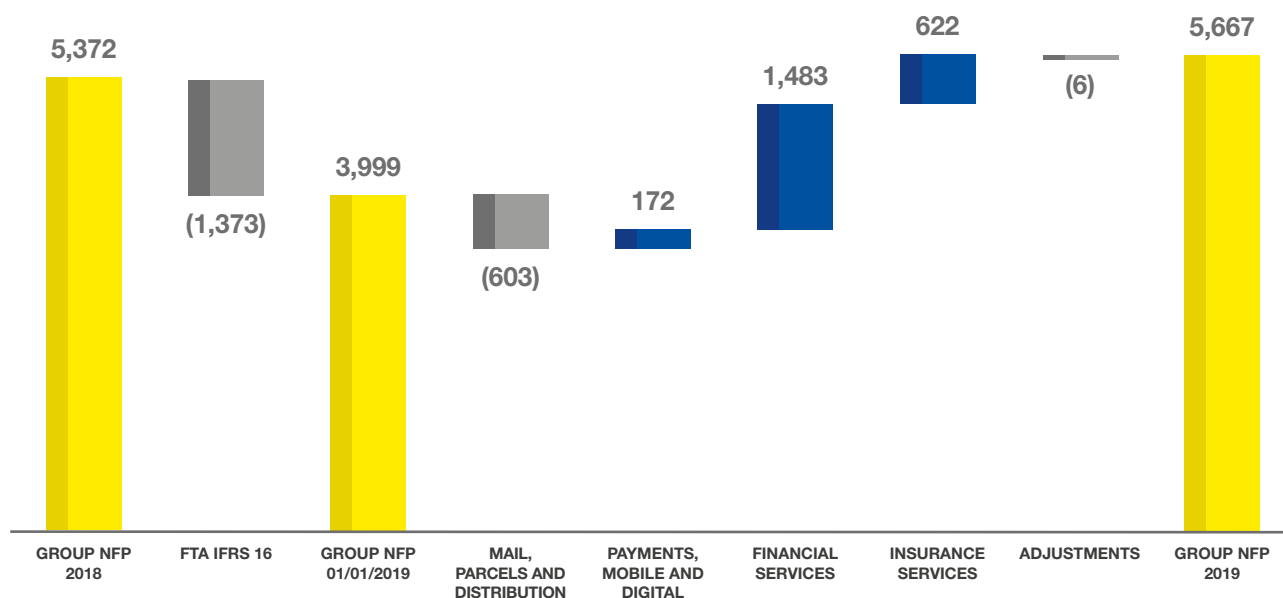
**Net working capital** amounted to €1,494 million at 31 December 2019, a decrease of €243 million compared with the end of 2018. This reflects an increase in net current tax liabilities for €327 million as a result of tax expense for the year.

**Provisions and other assets and liabilities** at 31 December 2019 amounted to €2,041 million, substantially in line with 31 December 2018. This item also includes the balance of Provisions for risks and charges of €1,218 million (€1,519 million at the end of December 2018) and includes provisions for early retirement incentives of €421 million (€447 million at 31 December 2018); this reflects the estimate of 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 2021. The balance also includes the provision for operational risks relating primarily to liabilities arising from BancoPosta's operations amounting to €241 million (€423 million at 31 December 2018) and the provision for disputes with third parties amounting to €313 million (€335 million at 31 December 2018).

**Equity** amounts to €9,698 million at 31 December 2019, an increase of €1,593 million compared with 31 December 2018. This change reflects primarily the net profit for the period of €1,342 million and an increase of €1,087 million in the fair value reserve, which reflects changes in the value of investments classified as FVTOCI. These changes were partially offset by the distribution of dividends totalling €774 million, including €574 million from 2018 profit and €200 million as an interim dividend scheduled for 2019, actuarial losses on the provision for employee termination benefits net of the tax effect of €50 million and the purchase of 5,257,965 treasury shares (equal to 0.4026% of the share capital) for a total of €40 million.

## GROUP NET DEBT/(FUNDS)

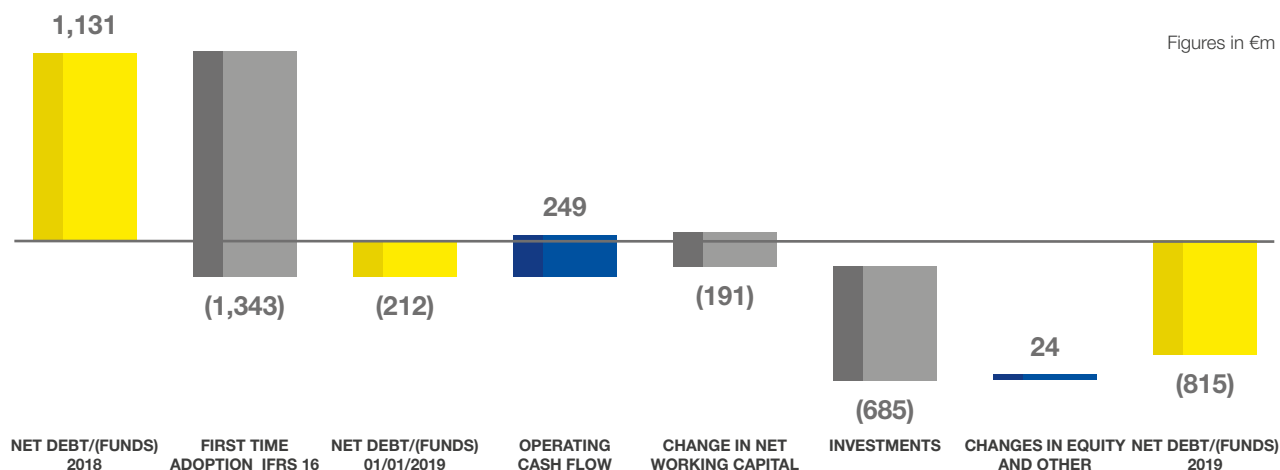
Figures in €m



The total **Net debt/(funds)** at 31 December 2019 showed a surplus of €5,667 million, or €295 million compared to the figures at 31 December 2018 (when there was a surplus of €5,372 million); this change primarily reflects the increase in the fair value of investments classified as FVTOCI, the recognition of financial liabilities required by the adoption from 1 January 2019 of the new IFRS 16 accounting standard (€1,279 million at 31 December 2019), the distribution of dividends totalling €774 million and a decrease in net working capital.

With regard to financial instruments held by the Financial Services SBU, the overall fair value fluctuation during the period was positive by approximately €5.7 billion and was recognised in a specific equity reserve of €1.7 billion for the portion not hedged by fair value hedges, and through profit or loss for €4 billion for the portion hedged, which speculatively increased the negative balance of fair value hedging derivatives. At 31 December 2019, the balance of these instruments was negative by €5.4 billion (€1.6 billion at 31 December 2018). In addition, as part of these hedging transactions, the Parent Company has increased its Receivables for Guarantee Deposits by approximately €4 billion for amounts paid to counterparties with which Asset Swap transactions are in place.

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



The Mail, Parcels and Distribution Strategic Business Unit has seen a decline of €1,946 million from net cash of €1,131 million at 31 December 2018 to net debt of €815 million at 31 December 2019. The change during the period is mainly affected by the application of the new accounting standard IFRS 16 from 1 January 2019. Lease liabilities at 31 December 2019 of the Strategic Business Unit amounted to €1,251 million.

After adjusting for this change, net debt/(funds) is down from €1,131 million at 31 December 2018 to €436 million at 31 December 2019.

The movement reflects:

- operating profit positive for €249 million, including €724 million in amortisation for the period, partially offset by the net result negative for €306 million, the change in provisions for risks and charges and for employee termination benefits and other non-monetary items;
- a net outflow for the change in net working capital, largely due to incentives paid to personnel and other remaining transactions, totalling €191 million;
- net investments for about €682 million;
- a net inflow from dividends of €180 million (dividends received of €954 million and dividends paid to shareholders of €774 million (including €200 million related to the interim dividend scheduled for 2019) - allocated to the Mail, Parcels and Distribution SBU within the scope of the Parent Company's operations - transversal to the Group's businesses), as well as an outflow of approximately €40 million to finance the purchase of treasury shares and the recognition of net lease liabilities of a further €120 million.

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

- an EIB loan of €173 million maturing in March 2026;
- an EIB loan of €400 million maturing in October 2026;
- a private placement of approximately €50 million.

An EIB loan of €200 million was repaid in March 2019.

On 5 November 2019, the Board of Directors of Poste Italiane, in order to further strengthen the financial solidity and flexibility of the Poste Group within the scope of the Deliver 2022 Plan and taking advantage of the favourable market environment, decided to renegotiate some of the existing credit lines as they approach maturity, confirming their total amount up to a maximum limit and extending their maturity from a maximum of 3 years to 5 years from the date of renegotiation.

On 3 October 2019, Poste Italiane signed a €400 million loan with the European Investment Bank (EIB) to support certain initiatives envisaged in the Deliver 2022 Plan. The loan is intended for the implementation of numerous projects in a variety of sectors, with initiatives that include the installation of photovoltaic panels at certain Post Offices, digital transformation at the service of the customer experience and the development of automated letter and parcel sorting systems. The loan was disbursed on 18 October 2019, at a fixed rate of 0.29% and with a duration of 7 years.

# Financial review for Poste Italiane SpA

## Operating results of Poste Italiane SpA

### Reclassified statement of profit or loss

(€m)	2019	2018	Changes	
Revenue from sales and services	8,541	8,419	122	1.4%
Other income from financial activities	384	418	(34)	-8.1%
Other operating income	478	452	26	5.8%
<b>Revenue</b>	<b>9,403</b>	<b>9,289</b>	<b>114</b>	<b>1.2%</b>
Total personnel expenses	5,702	5,947	(245)	-4.1%
<i>of which personnel expenses</i>	<i>5,317</i>	<i>5,330</i>	<i>(13)</i>	<i>-0.2%</i>
<i>of which early retirement incentives</i>	<i>385</i>	<i>617</i>	<i>(232)</i>	<i>-37.6%</i>
Other operating costs	2,170	2,090	80	3.8%
<b>Costs</b>	<b>7,872</b>	<b>8,037</b>	<b>(165)</b>	<b>-2.1%</b>
<b>EBITDA</b>	<b>1,531</b>	<b>1,252</b>	<b>279</b>	<b>22.3%</b>
Depreciation, amortisation and impairments	674	474	200	42.2%
<b>EBIT</b>	<b>857</b>	<b>778</b>	<b>79</b>	<b>10.2%</b>
<b>EBIT MARGIN</b>	<b>9.1%</b>	<b>8.4%</b>	<b>0</b>	<b>8.8%</b>
Finance income/(costs)	(34)	(46)	12	-26.1%
<b>Gross profit</b>	<b>823</b>	<b>732</b>	<b>91</b>	<b>12.4%</b>
Income tax expense	162	148	14	9.5%
<b>Net profit</b>	<b>661</b>	<b>584</b>	<b>77</b>	<b>13.2%</b>

Total revenue generated by Poste Italiane SpA in 2019 amounted to €9,403 million, an increase of 1.2% on the previous year (€9,289 million in 2018), essentially due to the good performance of revenue from sales and services of €8,541 million (up €122 million).

Costs, net of amortisation, depreciation and impairments, fell from €8,037 million in 2018 to €7,872 million, a decrease of 2% due to lower personnel expenses, which amounted to €5,703 million (€5,947 million in 2018, -€244 million) due to the reduction in costs for early retirement incentives, in relation to both the lower per capita cost achieved also by virtue of the introduction of the "Quota 100" pension and higher recoveries of personnel costs mainly due to changes in estimates made in previous years. The ordinary component of the personnel expenses, which increased by €18 million (+0.3%), reflects the reduction in the average number of staff employed (more than 5 thousand FTE less than 2018), which almost entirely offset the increase in the cost per capita linked to the effect of the latest contract renewal (2016-2018 National Collective Labour Contract), as well as the recognition of an all-inclusive amount to cover the entire year 2019 established by an agreement with the labour unions signed on 18 February 2020.

Other operating costs amounted to €2,170 million, up 3.8% compared to €2,090 million in 2018, due to higher variable costs for services related to business development and in particular digital and parcel services.

Income tax expense is up from €148 million for 2018 to €162 million for 2019. The total effective tax rate for 2019 is 19.70%, reflecting an IRES tax rate of 14.32% and an IRAP rate of 5.38%. 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 was exempt from taxation.

Poste Italiane SpA's net profit for the year ended 31 December 2019 is €661 million (€584 million in 2018).

# Financial position and cash flow of Poste Italiane SpA

## Net invested capital and related funding

(€m)	31 December 2019	31 December 2018	Changes	
Tangible fixed assets	1,930	1,882	48	2.6%
Intangible fixed assets	562	448	114	25.4%
Right-of-use assets	1,119	-	1,119	-
Investments	2,204	2,198	6	0.3%
<b>Non-current assets</b>	<b>5,815</b>	<b>4,528</b>	<b>1,287</b>	<b>28.4%</b>
Trade receivables and Other receivables and assets	4,845	4,415	430	9.7%
Trade payables and Other liabilities	(4,559)	(4,602)	43	-0.9%
Current tax assets/(liabilities)	(153)	82	(235)	-286.6%
<b>Total net working capital</b>	<b>133</b>	<b>(105)</b>	<b>238</b>	<b>-226.7%</b>
<b>Gross invested capital</b>	<b>5,948</b>	<b>4,423</b>	<b>1,525</b>	<b>34.5%</b>
Provisions for risks and charges	(1,130)	(1,431)	301	-21.0%
Employee termination benefits	(1,107)	(1,158)	51	-4.4%
Prepaid/deferred tax assets/(liabilities)	8	487	(479)	-98.4%
<b>Net invested capital</b>	<b>3,719</b>	<b>2,321</b>	<b>1,398</b>	<b>60.2%</b>
<b>Equity</b>	<b>6,328</b>	<b>5,459</b>	<b>869</b>	<b>15.9%</b>
<i>of which profit for the period</i>	<i>661</i>	<i>584</i>	<i>77</i>	<i>13.2%</i>
<i>of which fair value reserve</i>	<i>976</i>	<i>(68)</i>	<i>1,044</i>	<i>-1535.3%</i>
Financial liabilities	80,238	67,154	13,084	19.5%
Financial assets	(77,338)	(64,846)	(12,492)	19.3%
Cash and deposits attributable to BancoPosta	(4,303)	(3,318)	(985)	29.7%
Cash and cash equivalents	(1,206)	(2,128)	922	-43.3%
<b>Net debt/(funds)</b>	<b>(2,609)</b>	<b>(3,138)</b>	<b>529</b>	<b>-16.9%</b>

Poste Italiane SpA's net invested capital amounts to €3,719 million at 31 December 2019 (€2,321 million at 31 December 2018).

**Non-current assets** amounted to €5,815 million, an increase of €1,287 million compared with the end of 2018, mainly due to the application from 1 January 2019 of the new IFRS 16 accounting standard, which led to the recognition of right-of-use assets for €1,119 million (which include €1,230 million of assets, €79 million of acquisitions for new contracts and €189 million of amortisation for right-of-use assets). Investments of €643 million also contributed to the formation of non-current assets, partly offset by amortisation, depreciation and impairments of €485 million.

Further movements also concerned the payment to SDA Express Courier SpA of €25 million to cover losses incurred through 30 September 2019 and the recapitalisation approved by the Extraordinary General Meeting of 27 November 2019; the impairment of the investment in SDA for a total of €32 million based on the impairment test carried out; the capital contribution to FSIA Investimenti Srl for a total of €15 million made on 4 October 2019.

**Net working capital** at 31 December 2019 amounted to €133 million, an increase of €238 million compared with the end of 2018. This is primarily due to a reduction in payables for early retirement incentives and settlement of the debt due to the subsidiary, PostePay SpA, arising from the transfer of the monetics and payment services business unit to the latter on 1 October 2018.

The balance of Provisions for risks and charges amounted to €1,130 million (€1,431 million at the end of December 2018) and mainly includes provisions for early retirement incentives of €419 million (€444 million at 31 December 2018); this reflects the estimate of 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 2021. The balance also includes the provision for operational risks relating primarily to liabilities arising from BancoPosta's operations amounting to €232 million (€415 million at 31 December 2018) and the provision for disputes with third parties amounting to €274 million (€302 million at 31 December 2018).

The decrease of € 479 million in net deferred tax assets/(liabilities) is largely attributable to the net negative tax effect on the positive change in the fair value reserve for investments in available-for-sale securities (increase in deferred tax liabilities).

**Equity** amounted to € 6,328 million and increased by €869 million in relation to changes in the fair value reserve (€1,044 million), which reflect the fluctuations (positive and/or negative) in the valuation of investments classified as FVTOCI as well as the net profit for the year of €661 million. These increases in Equity were partially offset by a dividend distribution of €574 million from 2018 profits and interim payment of a portion of the regular dividend scheduled for 2019. The interim dividend of €200 million was distributed on 20 November 2019 (unit dividend of €0.154).

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

(€m)	31 December 2019	31 December 2018	Changes	
<b>A. Liquidity</b>	<b>(753)</b>	<b>(875)</b>	<b>122</b>	<b>-13.9%</b>
<b>B. Current loans and receivables</b>	<b>(201)</b>	<b>(168)</b>	<b>(33)</b>	<b>19.6%</b>
C. Current bank borrowings	-	200	(200)	(1)
D. Current lease payables	190	-	-	-
E. Current portion of non-current debt	1	-	1	-
F. Other current financial liabilities	509	118	391	331.4%
<b>G. Current financial debt (C+D+E+F)</b>	<b>700</b>	<b>318</b>	<b>382</b>	<b>120.1%</b>
<b>H. Current net debt/(funds) (A+B+G)</b>	<b>(254)</b>	<b>(725)</b>	<b>471</b>	<b>-65.0%</b>
I. Non-current bank borrowings	573	-	573	-
L. Bonds issued	50	50	-	-
M. Non-current lease payables	959	-	959	-
N. Other non-current liabilities	19	27	(8)	-29.6%
<b>O. Non-current debt/(funds) (I+L+M+N)</b>	<b>1,601</b>	<b>77</b>	<b>1,524</b>	<b>1979.2%</b>
<b>P. Net debt/(funds) (ESMA) (H+O)</b>	<b>1,347</b>	<b>(648)</b>	<b>1,995</b>	<b>-307.9%</b>
Non-current financial assets	(740)	(815)	75	-9.2%
<b>RFC net debt</b>	<b>607</b>	<b>(1,463)</b>	<b>2,070</b>	<b>-141.5%</b>
Intersegment loans and receivables and financial liabilities	647	829	(182)	-22.0%
<b>RFC net debt for capital outside ring-fence including intersegment transactions</b>	<b>1,254</b>	<b>(634)</b>	<b>1,888</b>	<b>-297.8%</b>

# 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. As a result of the issuance by the Bank of Italy on 27 May 2014 of an update to the Prudential Supervisory Provisions for Banks, the provisions for banks on the organisational and governance structure, the accounting and control system and the capital adequacy and risk containment institutions apply to RFC.

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.

BancoPosta also has an "Organisational and Operational Regulation" approved by the Board of Directors of Poste Italiane, the latest update of which dates back to 31 January 2019. These regulations describe BancoPosta's operating model, its organisational structure and the related responsibilities assigned to the various functions, as well as the processes for assigning BancoPosta's business functions to Poste Italiane and for outsourcing BancoPosta RFC. Together with the aforementioned Regulation, the single Product Governance guideline for investment, insurance and banking products was also presented to the Board of Directors, which has been developed in a specific procedure and applied with reference to the entire BancoPosta range of products. The process of "Governance of Assignments and Outsourcing" of BancoPosta RFC, already subject to review in 2018, was further strengthened in 2019 with reference to the regulatory, organisational and monitoring of the activities assigned, with a view to improving the quality of processes.

In March 2019, reporting directly to the Head of BancoPosta, the "Governance Outsourcing and Business Support" function was set up, within which the structure of Governance Outsourcing was organised in June 2019.

In 2019, Operating Committees were also set up on the functions assigned and those outsourced with BancoPosta Fondi SGR Group companies, which provides the Financial Management service for BancoPosta RFC and PostePay, which manages products for BancoPosta such as slips, car tax returns, RAVs, transfers, money orders, direct debit receipts, eurogiro, postamat, booklet cards and payment platform with the aim of strengthening the methods of monitoring and dialogue.

In line with the Deliver 2022 Plan, which provides for the gradual and complete extension, from a fully digital and multi-channel perspective, of financial services on digital channels, BancoPosta has launched a project dedicated to digital investment and asset management services. In this regard, in September 2019, a minority stake was acquired from Poste Italiane in MFM Holding Ltd (Moneyfarm Holding), an independent asset management company specialising in ETF portfolios, for the provision of innovative digital investment services through the development of a controlled-open platform of asset management products.

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



## BancoPosta RFC financial review

Main indicators	2019	2018
CET 1 CAPITAL*	2,388	2,286
CET 1 RATIO**	18%	18%
ROA***	0.72%	0.82%
ROE****	27%	26%
Net interest income/Net interest and other banking income*****	29%	27%
Operating expenses/Net interest and other banking income*****	84%	84%

\* (CET 1 Capital includes the initial equity reserve and non-distributable profit 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. This is the ratio between Operating expenses and Net interest and other banking income.

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

### Profit or loss

(€m)	2019	2018	Changes	
Interest and similar income	1,640	1,556	84	5.4%
Interest expense and similar charges	(74)	(29)	(45)	155.2%
<b>Net interest income</b>	<b>1,566</b>	<b>1,527</b>	<b>39</b>	<b>2.6%</b>
Fee income	3,794	3,861	(67)	-1.7%
Fee expenses	(335)	(140)	(195)	139.3%
<b>Net fee and commission income</b>	<b>3,459</b>	<b>3,721</b>	<b>(262)</b>	<b>-7.0%</b>
Dividends and similar income	1	1	-	-
Profits/(Losses) on trading	(11)	6	(17)	-283.3%
Profits/(Losses) on hedging	(5)	(2)	(3)	150.0%
Gains (losses) on sale of financial assets or liabilities	339	379	(40)	-10.6%
Profits/(losses) on financial assets and liabilities measured at fair value through profit or loss	27	9	18	200.0%
<b>Net interest and other banking income</b>	<b>5,376</b>	<b>5,641</b>	<b>(265)</b>	<b>-4.7%</b>
Administrative expenses	(4,538)	(4,686)	148	-3.2%
Other operating income/(expense)	32	(31)	63	-203.2%
<b>Net operating expenses</b>	<b>(4,506)</b>	<b>(4,717)</b>	<b>211</b>	<b>-4.5%</b>
<b>Net operating result</b>	<b>870</b>	<b>924</b>	<b>(54)</b>	<b>-5.8%</b>
Net provisions for risks and charges	(16)	(72)	56	-77.8%
Net impairment losses/reversals on receivables	(9)	(22)	13	-59.1%
<b>Current pre-tax result</b>	<b>845</b>	<b>830</b>	<b>15</b>	<b>1.8%</b>
Period income tax	(234)	(233)	(1)	0
<b>Net profit</b>	<b>611</b>	<b>597</b>	<b>14</b>	<b>2.3%</b>

The interest margin amounted to €1,566 million, an improvement of 2.6% (+€39 million). This mainly reflects returns on investment linked to the volume of funds raised through postal current account deposits and repurchase agreements and collateralisation of derivatives, and the return earned on interest-bearing deposits at the MEF, which as a whole generated interest income of €1,640 million, up 5.4% on the €1,556 million of the previous year (+€84 million).

Interest expense, on the other hand, is attributable to current account transactions, repurchase agreements and collateralisation of derivative transactions and amounted to €74 million, up €45 million compared with the previous year (€29 million) as a result of increased transactions in repurchase agreements and interest paid to Postepay.

Net fee and commission income amounted to €3,459 million, down 7% (-€262 million) compared to 2018, mainly due to the increase in fee and commission expense, which amounted to €335 million (€140 million in 2018) and are related to the costs for the service contract signed with Postepay with effect from 1 October 2018. With regard to fee and commission income, while postal savings performance was substantially in line with the previous year, there were increases related to insurance, financing and asset management products, as well as payment services. On the other hand, revenue from collections and payments fell as a result of the decline in volumes of slips.

The net profit from the sale of financial assets, amounting to €339 million, is down 10.6% compared with the €379 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.

Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss includes €26 million for the fluctuation in the fair value of Visa Incorporated shares and €1 million for the gain generated in 2019 from the sale of part of these shares. Again with reference to Visa Incorporated shares, during the first half of 2019, BancoPosta entered into a forward sale agreement for 400,000 ordinary shares. The fluctuation in the fair value of the forward sale was negative and was recorded under Profits (losses) on trading of €15 million. In addition, Profits (losses) on trading include 4 million of realised gains on foreign exchange transactions.

Net operating expenses, which include personnel expenses of €36 million, other administrative expenses of €4,502 million and other operating income of €32 million, decreased by 4.5% (-€212 million) compared to 2018, in particular, due to lower costs relating to BancoPosta's assignment of operating functions to Poste Italiane, as well as lower personnel and service expenses.

Net provisions for risks and charges totalled €16 million, down €56 million (78%) compared to the previous year. This change is related to the fact that, in 2018, specific provisions were made for the placement of real estate funds.

Net credit losses and financial assets amounted to €9 million for 2019, compared with €22 million for the previous year.

Income tax expense totalled €234 million, which generated profit for the year of €611 million, or 2% more than in the previous year (€597 million).

## BancoPosta RFC's workforce

Average number in full-time equivalent terms	2019	2018
Executives	32	48
Middle managers	304	426
Operational staff	90	869
<b>Total</b>	<b>426</b>	<b>1,343</b>

At 31 December 2019, the BancoPosta function has 11 second-level functions, including 3 Marketing functions: Affluent, Business and Public Administration, Mass Market; 1 function dedicated to classroom training of the sales network for the offer of financial and insurance services: Territorial Marketing; 4 Staff functions: Administration and Separate Reporting, BancoPosta HR Business Partner, Planning, Control and Data Analysis, Governance Outsourcing and Business Support; 3 Control functions: Compliance, Internal Auditing and Risk Management.

The year 2019 was characterised by some organisational adjustments within the new structure in the second half of 2018 regarding the intermediary's focus on the directing role in product development and distribution, in collaboration with Group companies, and in managing the sales network. These changes concerned the mission of the Territorial Marketing function on the formation of the sales network and the setting up of the Governance Outsourcing and Business Support function to further strengthen the supervision of BancoPosta's credit lines and outsourcing; the internal responsibility perimeters of the

Mass Market, Affluent, Business and Public Administration marketing functions were also redefined with a view to rationalising the interface with external product factories.

In addition, in 2019, the workforce of the BancoPosta Function was provided with specialist technical, regulatory/compulsory and behavioural/managerial training courses for a total of approximately 38,000 hours in the classroom or through an e-learning platform.

## Financial position and cash flow

### Statement of financial position

Assets (€m)	31 December 2019	31 December 2018	Changes	
Cash and cash equivalents	4,314	3,328	986	29.6%
Financial assets measured at fair value through profit or loss	71	58	13	22.4%
Financial assets measured at fair value through other comprehensive income	36,799	32,040	4,759	14.9%
Financial assets measured at amortised cost	40,950	33,743	7,207	21.4%
Hedging derivatives	73	368	(295)	-80.2%
Tax assets	312	507	(195)	-38.5%
Other assets	2,491	2,445	46	1.9%
<b>Total assets</b>	<b>85,010</b>	<b>72,489</b>	<b>12,521</b>	<b>17.3%</b>

Liabilities (€m)	31 December 2019	31 December 2018	Changes	
Financial liabilities measured at amortised cost	71,537	64,203	7,334	11.4%
Financial liabilities held for trading	15	-	15	-
Hedging derivatives	5,552	1,829	3,723	203.6%
Tax liabilities	662	372	290	78.0%
Other liabilities	2,953	2,692	261	9.7%
Employee termination benefits	3	3	-	-
Provisions for risks and charges	327	511	(184)	-36.0%
Valuation reserves	1,083	15	1,068	7120.0%
Reserves	2,267	2,267	-	-
Net profit	611	597	14	2.3%
<b>Total liabilities and equity</b>	<b>85,010</b>	<b>72,489</b>	<b>12,521</b>	<b>17.3%</b>

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

Cash and cash equivalents amounted to €4,314 million (€3,328 million at 31 December 2018, +€986 million) and includes cash at Post Office counters and companies that provide cash transportation services, totalling €3,500 million, and cash deposited with the Bank of Italy to settle interbank transactions, totalling €814 million.

Financial assets measured at fair value through profit or loss of €71 million are attributable to 32,059 Visa Incorporated (C series) shares not listed on regulated markets.

The item Financial assets measured at fair value through other comprehensive income amount to €36,799 million (€32,040 million at 31 December 2018, +€4,759 million) and include Italian government securities. The balance increased mainly as a result of the positive change in fair value relating to securities held in portfolio, as well as further transactions in securities during the year.

Financial assets measured at amortised cost amounted to €40,950 million (€33,743 million at 31 December 2018, +€7,207 million) and relate to investments in Italian government securities and those guaranteed by the Italian government, totalling €25,064 million (€22,872 million at 31 December 2018, +€2,192 million) and sundry receivables of €15,886 million (€10,871 million at 31 December 2018, +€5,015 million).

With reference to financial assets relating to investments in Italian government securities and Italian government guaranteed securities, the increase in the amount takes into account, also in this case, mainly the positive change in fair value relating to securities hedged with fair value hedge derivatives, as well as further transactions in securities during the year.

Financial assets represented by sundry receivables primarily include: (i) amounts deposited with the MEF of €7,558 million (€7,233 million at 31 December 2018); (ii) guarantee deposits of €5,660 million (€1,652 million at 31 December 2018, +€4,008 million); (iii) repurchase agreements of €1,158 million (€251 million at 31 December 2018, +€907 million); (iv) trade receivables of €844 million (€875 million at 31 December 2018); (v) receivables relating to the balance of amounts resulting from the processing of payments to and from third parties via Poste Italiane for €650 million (€843 million at 31 December 2018, -€193 million).

Hedging derivatives amounted to €73 million, down from €368 million at 31 December 2018.

Other assets of €2,491 million at 31 December 2019 relate to tax assets following the 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, hedging derivatives, tax liabilities, other liabilities and provisions.

Financial liabilities measured at amortised cost amounted to €71,537 million (€64,203 million at 31 December 2018, +€7,334 million) and include: (i) amounts due to customers of €64,351 million (€58,218 million as at 31 December 2018, +€6,133 million) attributable to deposits through current accounts and repurchase agreements; (ii) amounts due to banks of €7,186 million (€5,985 million at 31 December 2018, +€1,201 million) also relating to current account transactions and repurchase agreements.

Financial liabilities held for trading, amounting to €15 million, represent the fair value of the forward contract for the sale of Visa Incorporated ordinary shares entered into in 2019.

Hedging derivatives relating to securities in portfolio amounted to €5,552 million (€1,829 million at 31 December 2018, +€3,723 million).

Other liabilities amounted to €2,953 million and, similarly to other assets, mainly include items of a tax nature by way of substitute tax, items in progress and payables to Poste Italiane for services regulated by executive regulations.

The provisions for employee termination benefits, in line with 2018, amounts to approximately €3 million and reflects the effects of the reorganisation and centralisation of operating activities in Poste Italiane during 2018.

Provisions for risks and charges amounted to €327 million and are down on 31 December 2018 (-€184 million) due to utilisations of approximately €67 million in relation to an agreement entered into with INPS during the first half of 2019 regarding pension payment services, and further utilisations of approximately €100 million in relation to voluntary protection initiatives approved by the Board of Directors of Poste Italiane and undertaken during 2019 in favour of customers subscribing to the Obelisco and Europa Immobiliare 1 real estate funds. Provisions for the year (totalling €42million) were largely attributable to risks associated with specific issues of BFP due to changes in the regulatory environment.

BancoPosta RFC's equity at 31 December 2019 amounted to €3,961 million (€2,879 million at 31 December 2018, +€1,082 million, +38%) and includes: (i) the BancoPosta RFC reserve for €1,210 million; (ii) the Retained earnings for €1,057 million; (iii) Valuation Reserves for €1,083 million, which mainly reflect the change in the value of Reserves for Financial assets measured at fair value through other comprehensive income at 31 December 2019; (iv) the Net Profit for the year of €611 million. The change in equity is mainly related to the change in the valuation reserve of €1,083 million (€15 million at 31 December 2018, +€1,068 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;
- the Organisational Model pursuant to Legislative Decree 231/2001 and the related corporate procedures;
- 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;
- General Regulation governing the process of assignment and outsourcing of BancoPosta RFC, which respectively regulates the assignment of RFC 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 of the Poste Italiane organisation, 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;
- the system used for delegating powers to function heads in accordance with their responsibilities.

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 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. It is also planned that BancoPosta, also in the context of controls, will make use of the other functions of Poste Italiane, in line with the Regulation governing BancoPosta RFC's contracting out and outsourcing process mentioned above.

In compliance with the regulatory requirements contained in the Supervisory Standards of the Bank of Italy and CONSOB to which BancoPosta is subject, in early 2020 BancoPosta's Internal Auditing function prepared its 2019 Annual Report, 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 2019. 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 (2020) and Multi-year (2020-2022) 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, among other things, in collaboration with Poste Italiane SpA, an integrated, retrospective and prospective view of the risk environment and of BancoPosta RFC's capital and organisational adequacy. 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 2019, the Risk Appetite Framework was revised. The 2018 annual report and the programme of activities for 2019 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 2018. 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 activities are described below:

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

With regard to the evolution of significant risks, 2019 was characterised on average by a reduction in Italian government bond yields compared to 2018, to below 1% at 30 September 2019, with a subsequent rise to 1.4% at the end of the year. The evolution of rates and spreads led to a shift from a situation of net losses at portfolio level of around €2 billion at the end of 2018 to net gains of over €1 billion at the end of 2019. The BTP-Bund spread at the end of 2019 closed at about 160 bps, 90 less than in 2018.

With reference to BancoPosta RFC, following the positive development in revenue volumes and the change in the market scenario, the financial leverage ratio fell during the year to 3% at 31 December 2019, taking into account the increase in capital of part of the year's profits.

The CET 1 ratio at December 2019 stood at 18.3% compared to 18.4% at the end of 2018, confirming its capital solidity and recording a decline mainly related to the fall in interest rates, which led to an increase in collateral paid to counterparties in hedging derivative transactions.

Regarding the interest rate risk on the banking book in 2019, 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.

Lastly, with regard to operating risks, in 2019, Poste Italiane completed its initiatives to protect customers, which had a negative performance on the real estate funds subscribed in the period 2002-2005, and closely monitored disputes with customers relating to the return on certain series of BFP placed in the past, adjusting prudential provisions to risk provisions.

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 2019.

## BancoPosta RFC events after 31 December 2019

Events after the end of the reporting period to which the 2019 Annual Report refers are described in other sections of this document. Further information is provided in Poste Italiane Financial Statements for the year ended 31 December 2019.

## Outlook for BancoPosta RFC

In 2020, BancoPosta RFC will continue to implement the strategic objectives described in the Poste Italiane's Deliver 2022 Plan, in order to take advantage of the opportunities resulting from the recent regulatory changes brought about by MiFID II and IDD, by leveraging the customer base, the distribution network and the brand.

As regards the active financial instrument *portfolio* management strategy, the bond buying programme for the year 2020 is expected primarily in the early months of the year, in relation to forecasts with respect to new liquidity, as well as taking into account the concentration of portfolio maturities in the first part of 2020.

For further information, please see the Business Outlook for the Financial Services SBU.

## 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 2019 (BancoPosta RFC's Separate Report, Part H of the notes).

### Separate financial statements

Poste Italiane SpA's statement of financial position includes the Supplementary Statement of BancoPosta RFC, prepared pursuant to art. 2, paragraph 17-undecies of Law 10 converting Decree Law 225 of 29 December 2010 which states that "the assets and relationships included in RFC are shown separately in the company's statement of financial position".

### 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 2019 (BancoPosta RFC's Separate Report, Part A of the notes).

# Poste Italiane's sustainability strategy

Integrity and  
transparency



People  
development



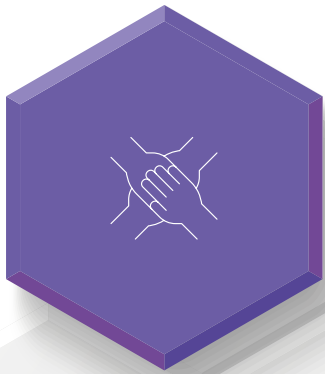
Sustainable  
finance



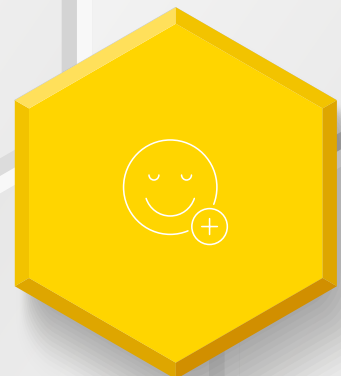
Innovation



**Diversity and inclusion**



**Customer experience**



**Support for local communities and the Country as a whole**

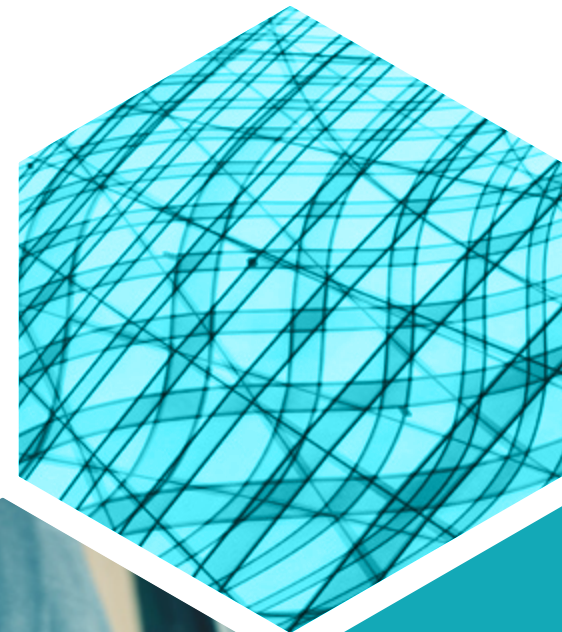


**Decarbonisation of real estate facilities and logistics**

# Integrity and transparency

- Dissemination of the culture of Integrity and transparency throughout the value chain
- Definition of an integrated compliance model at Group level
- Ensuring knowledge of anti-corruption by all Group employees
- Confirmation of the highest legality rating score
- Number of tenders conducted on the basis of environmental criteria +15%
- Number of tenders conducted on the basis of social criteria +12%





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



## Integrity and transparency

Main types of capital	Objectives	Timing	Indicator (KPI)	Target	Implementation status 2019	Outcomes
Human	Certify the main Group companies in accordance with ISO 37001 standard	By 2022	% of significant Group companies certified to ISO 37001	100%	33%	  
	Increase staff training on the Group's ethical principles (including respect for human rights)	By 2022	% of Group employees involved	100%	30%	
Intellectual	Verify ESG aspects in the supplier qualification process	By 2022	% of suppliers belonging to significant product categories qualified according to ESG criteria	100%	25%	
	Carry out sustainability audits (ESGs) along the supply chain	By 2022	% of the Group's qualified suppliers subject to sustainability audits	100%	25%	

Objective achieved    
 Objective not achieved    
 Deadline for achieving the objective has not yet expired

## Work 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.

### Our Plan: A Game Won

With a view to inclusion and in line with the transparent approach and increasing accountability, during 2019, the Company organised specific meetings between top management and colleagues in the relevant territorial areas up to the fourth levels of the organisation with the aim of developing open and continuous dialogue on the main corporate issues. The initiative, which involved a total of around 5,000 colleagues in the 6 stages in the cities of Milan, Venice, Bologna, Rome, Naples and Palermo, represented a moment of participation and cohesion that allowed Poste personnel to be equally involved in the path that the Company is taking, also in relation to the changes in governance and the sharing of the strengthening of control structures, and projects that affect all employees.

The company's 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 2019, in order to promote the principles and values set out in the company's Code of Ethics, Poste Italiane organised a number of compliance-related training initiatives, focusing on specific regulatory issues such as safety in the workplace, regulatory compliance, the 231 organisational model, quality, anti-corruption etc., which involved the corporate population transversally.

### The sustainability publication series

With the aim of ensuring the consolidation of an integrated and widespread ethical business culture at all organisational levels and to testify, from an accountability point of view, Poste Italiane's commitment to internal and external stakeholders, to implement the values and models of conduct that guide the company's mission, the Company has created a series of publications dedicated to corporate Sustainability Policies.

The content of the publications has been organised with the aim of highlighting: the general ethical principles, the company's values and policies, the duties of individuals and the ethical reflections in working practices, the rules and codes of conduct defined for the application of the values and compliance requirements and the control tools to monitor the effective implementation of the policies.

Furthermore, in addition to the Code of Ethics, the Group's Integrated Policy, adopted in 2018 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.

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.

Poste Italiane's internal whistleblowing system ensures that all appropriate investigations are carried out into reports through audit, fraud management checks in the case of suspected criminal offences, and requests to the relevant function to launch a management investigation.

In the context of its internal control and risk management system, in November 2019, Poste Italiane updated the Guideline aimed at regulating the system for the reporting, by personnel and third parties, of acts or facts relating to breaches of internal and/or external regulations, as well as illegal or fraudulent conduct that may directly or indirectly cause economic, financial or image damage to the Company.

The main updates of the Guideline concern the composition of the Whistleblowing Committee, as the body responsible for receiving, examining and evaluating reports. In particular, the role of Chair will be assigned to an external professional with high standards of professionalism, honourableness and independence and the permanent presence within the Committee of the Group Risk Management structure/Oversight 231, in order to ensure constant assessment of the relevance of the reports received. In addition, the head of CA/GRM/Oversight 231 informs the head of the Corruption Prevention Compliance Function about reports of potential corrupt events, with evidence of the related decisions taken by the Whistleblowing Committee.

Poste Italiane's internal system for reporting violations is further strengthened by the provisions of the Organisational, Management and Control Model, also following its updat-

ing, with reference to the reporting of violations pursuant to Legislative Decree 231/2001. In particular, the new Model also provides that, in the management of reports received through the dedicated portal, the confidentiality of the identity of the reporter is guaranteed through the use of secure protocols.

With the objective of strengthening and improving its internal control and risk management system, in 2019, as part of the activities aimed at evolving and improving the efficiency of governance and the continuous strengthening of the internal control and risk management system in accordance with the principles of integrity, transparency and legality, Poste Italiane defined an integrated compliance model at Group level to create and strengthen operational synergies between the various specialist compliance risk controls. The integrated compliance model makes it possible to intercept any areas of compliance that are not fully supervised and to ensure uniform governance in the management of non-compliance risks also thanks to a clear definition of the roles and responsibilities of the players involved in the process activities.

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. The description of the various pillars discloses the specific certifications obtained by the Group.

## Poste Italiane confirms ISO 37001 certification and extends it to Group Companies

As part of the process of Integrity and transparency, characterised by the achievement of ISO 37001 certification in 2018 by Poste Italiane SpA - the first Italian company in the finance and communications sector to obtain the Anti-Bribery and Corruption Certification - the company confirmed the certification also for 2019 (275 sites certified, 25 sites audited with a positive opinion on certification, 14,000 employees impacted). In addition, in line with the objectives set out in the ESG Strategic Plan, the certification was extended to the other Poste Vita and Postepay Group companies.

Further confirmation of the effectiveness of the actions carried out by the company in recent years on its internal control system is represented by Poste Italiane SpA and the insurance company Poste Vita's participation in the Collaborative Compliance regime, thereby further accelerating its tax transparency policies. This important recognition comes at the end of the positive assessment conducted by the Revenue Agency on the "Tax Control Framework" of the companies, which includes the system for the detection, management, control and mitigation of tax risk.

The admission of Poste Italiane to Collaborative Compliance consolidates the path inspired by the values of ethics, Integrity and transparency also in the financial and fiscal field, which represent for Poste Italiane the highest principles on which the corporate identity is based and which guide the very conduct of its business based by its very nature on trust and the management of relations with all its stakeholders.

As evidence of Poste Italiane's commitment in relation to the dissemination of the principles of integrity, the prevention of corruption and regulatory compliance, Poste Italiane confirms the absence of proceedings on established cases of corruption and sanctions relating to antitrust/anti-competitive practices.



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 provides ongoing 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 communicated to stakeholders also through dissemination of the Code of Ethics. In line with its Human Rights Policy, Poste Italiane's objective is to increase its training offering on integrity by providing in-house workshops to the entire workforce on specific issues.

## Legality and incorporation of ESG criteria within procurement processes



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. 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 com-

pliance with current regulations and corporate directives to ensure the use of suppliers with adequate quality characteristics and ensuring compliance with regulations for the protection of workers and compliance with environmental standards. The path mapped out in the procurement process also includes ESG issues, involving investigation of suppliers' possession of specific requirements via progressive sustainability audits (e.g. respect for their employees' working conditions, etc.).

### The Green Procurement function

With the aim of ensuring a selection of products and suppliers able to guarantee the best environmental performance, the Green Procurement function was established in December 2019. With a view to the continuous integration of sustainability aspects into the company's strategy and organisation, the new function has the responsibility of:

- ensuring the definition and adoption of sustainability requirements to be integrated into the technical assessment criteria for the identification of suppliers operating in accordance with the ESG principles adopted by the Group;
- ensuring the identification of specific performance indicators on sustainable development issues related to procurement processes in order to monitor the degree of sustainability of the entire supply chain, with related reporting;
- implementing the verification processes aimed at ensuring compliance with internal and external regulatory provisions in the procurement sector.

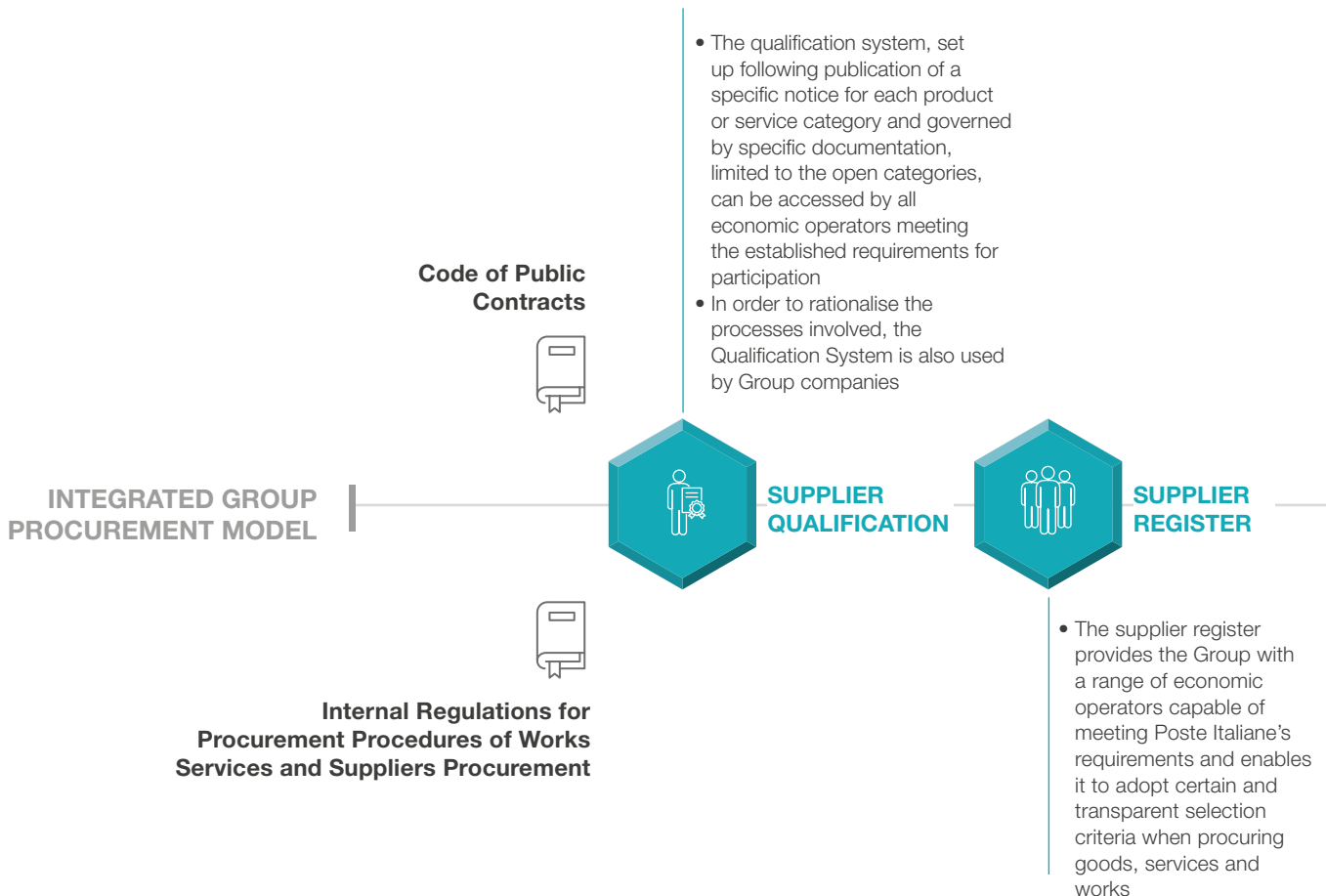
Poste Italiane guarantees equal opportunities to all suppliers, and the opportunity to compete in contract awarding procedures. Suppliers involved are required to comply with the EU and Italian legislation on competition, refraining from anti-competitive or unethical conduct that is contrary to the rules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

In 2019, in line with 2018, the Company 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. In this regard, an update of the General Procurement Procedure was published during the year.

The procedures, together with the Internal Regulations for the Award of Works, Service and Supply Contract Procedures (approved in November 2017 and modified in July 2019) and the Public Contracts Code, if applicable, constitute the main governance and regulatory oversight of Poste Italiane's contract awards.

In 2019, the process of centralising Group companies' procurement activities within a corporate function continued in order to make them subject to the same procedures/verifications as those already provided for procurement by the Parent Company. In addition, the centralisation of procurement activities carried out in the territory was completed, which made it possible to overcome the 9 territorial divisions and consolidate the central structure of purchasing requirements by product area.





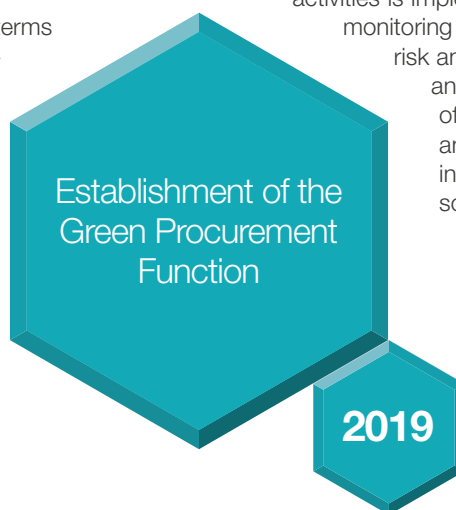
In recent years, the Parent Company's procurement has been marked by constant, large-scale use of competitive procedures that guarantee competitive advantages for the Company and ensure impartiality, transparency and equal collaboration opportunities for suppliers. Contract awarding procedures are also 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.

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 elements of risk needed to

ensure verification of the requirements of reliability and integrity, through analyses of the corporate, financial and asset profiles of companies and representatives and their relations with the Poste Italiane Group.

The purpose of such 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.



- Web platform used to conduct online tenders and in general in procurement
- Published rules meeting the requirements of the Public Tenders Code (Legislative Decree 50 of 18 April 2016)
- Group companies operate in the free market when procuring goods and services for use in operations and in achieving their business objectives, in keeping with the Public Tenders Code

Allocation

- Contracts management
- Checks on the goods and services provided with respect to what is declared



**POSTE PROCUREMENT PORTAL**



**PROVISION OF GOODS AND SERVICES**



**MONITORING**

- Supply of goods and services by the selected suppliers under contractually agreed terms and conditions

**Centralisation of Group companies' procurement activities within a corporate function**

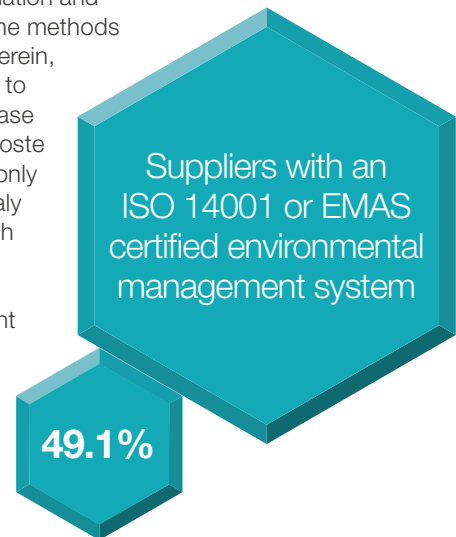
## Supplier qualification procedures

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. The definition of more stringent requirements represents a strengthening element of the governance of the procurement process. In addition, in its relations with suppliers of works, services and supplies, Poste Italiane operates on the basis of standard contractual clauses that are constantly updated in consideration of new regulatory provisions and special needs expressed by

internal customers. 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, ensuring adequate governance of the most significant matters. Finally, among the policies described in the Internal Regulation 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 a completely voluntary basis, on the portal "Open and Transparent Contracts", which is freely accessible by all citizens on its institutional website, information relating to both the assignment procedures identified by the reference legislation and according to the methods established therein, and in relation to exempt purchase procedures. Poste Italiane is the only company in Italy to provide such a high level of disclosure on its procurement process.



## The Vendor Rating system

In 2019, with reference to the IT Services product category, a new Vendor Rating (VR) system with low operational impact was established, through the re-engineering of the processes for the detection and re-use of available information flows. 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 assessment is carried out by individual supply and by supplier. With the establishment of the new system, the Group has also defined and introduced specific KPIs for the centralised management of Supply Quality data on operational monitoring systems.

## Selection of suppliers

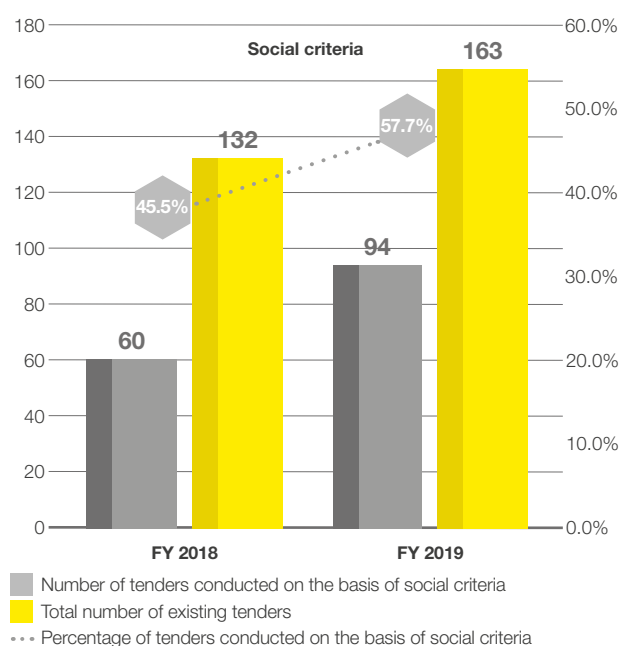
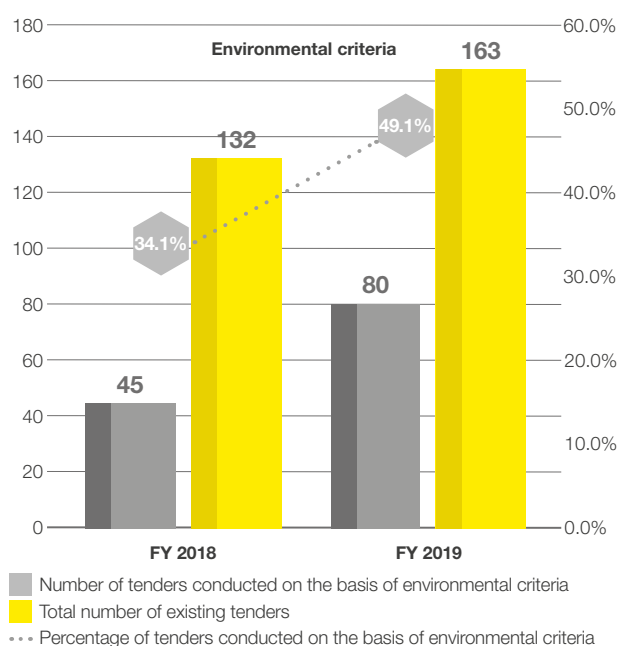
On the basis of the procurement requests prepared by the requesting departments, Poste Italiane then proceeds to the selection of suppliers (which in the case of procedures arising from the Supplier Register, takes place among qualified operators), and, subsequently, to the signing of the contract with 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 this regard, specific environmental and social criteria are provided for in the supplier selection process, in the participation requirements, in the evaluation parameters of the technical offer and/or in the contractual conditions, of the tender procedures carried out during the year. The number of percentage of tenders conducted on the basis of environmental criteria compared to the total in 2019 increased by 15 percentage points compared to 2018 (49.1% vs. 34.1%). The absolute value of procedures carried out on the basis of social performance also increased significantly, recording an increase of 12 percentage points (57.7% vs. 45.5%).

Number of percentage of tender conducted on the basis of environmental criteria + 15 percentage points compared to 2018.

Number of tenders carried out on the basis of social criteria + 12 percentage points compared to 2018



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 concern: the regularity of the supplier's contributions and remuneration; compliance with labour regulations (Legislative Decree 276/03 and subsequent amendments and integrations Public Contracts Code); the applicability of Collective Labour Contracts; the absence of breaches of workplace safety regulations (Legislative Decree 81/2008 and subsequent amendments and integrations); the absence of environmental crimes (Legislative Decree 152 of 3 April 2006 and subsequent amendments and integrations).

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/ISO 45001).

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.

## 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 machinery 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 2019, all tenders relating to cleaning and sanitation services (13 contracts awarded) were 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.

Poste Italiane rewards the supply of BIO, IGP, DOP, sustain-

able fishing etc. products, in a percentage higher than the minimum quantities prescribed by MEC in relation to the food supplied in the company canteens present in some territorial realities. In this context, local suppliers who guarantee IGP, DOC, DOP, etc. certified products are potentially involved in the supply chain of food products for canteens and bars.

Currently, all 12 contracts active nationwide are “green”.

### The canteen becomes plastic free

Poste Italiane has implemented an action plan to reduce the use of disposable plastic in the canteen of its headquarters in Rome.

Since November 2019, several changes have been introduced in the daily routine aimed at eliminating some disposable plastic elements (eco-compostable teaspoons, reusable/washable polycarbonate glasses, regularly sanitised metal cutlery) with the aim of incisively reducing plastic consumption and the resulting environmental impacts.

## Logistics

With reference to the purchase of the main services (full rent fleet, transport services, etc.), when the tenders are completed, an eco-sustainability rewarding score is given

to offers that provide for the vehicles used for the services covered by the tender classes of lower CO<sub>2</sub> 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 CO<sub>2</sub> 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.

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 for all product categories in the event of a breach of one or more aspects of the relevant safety documentation.

## Clothing

As regards clothing, in defining the assignment procedures utmost attention is paid to the green requirements of the equipment to be provided to delivery staff.

For postmen's uniforms, it is required that the fabric used for the packaging has the Oeko-tex or Ecolabel certificate. This certification guarantees that the packaging process of the same does not contain or give off substances that are harmful to human health, and certifies products with a reduced environmental impact.

For footwear and Personal Protective Equipment, it is required that the products comply with the minimum environmental reference criteria, in accordance with the Ministerial Decrees.



### The new postmen's uniforms: functionality and design in the name of the environment

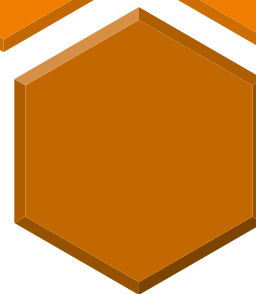
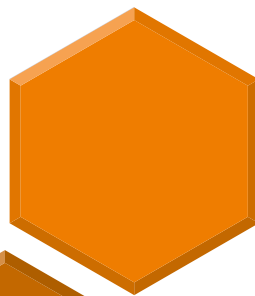
In 2019, the new uniform for postmen were supplied based on the principles of ergonomics, design and quality of materials.

The new uniforms have been awarded the green OEKO - TEX Standard 100 certification, an additional guarantee for the health of letter carriers and protection of the environment, as it is an eco-label that certifies not only the fabrics but also their dyeing process and guarantees careful control from an ecological and healthy point of view. The colour grey has been introduced to make the brand more recognisable and distinctive and the wearability of the garments has been improved with a design that combines functionality and aesthetics.

# People development

- Centrality of people and of their needs
- 98% of the company population involved in training activities
- Culture of safety in the Company
- 100% of employees covered by Collective bargaining agreements







# People development

Main types of capital



Social-relational



Human

Objectives	Timing	Indicator (KPI)	Target	Implementation status 2019
Provide continuous training to all Group employees	By 2022	Hours of training provided	20 million	> 5 million hours
Expand the scope of the workforce involved in the performance appraisal system	By 2022	% of employees participating in the evaluation system	90%	97%
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)	By 2022	% of middle managers and % of employees involved in development plans	20% of middle managers and 25% of employees	22% employees (POP) 15% managers (MLAB)
Increase employee satisfaction	By 2022	% of employees who declare to be satisfied	50%	76%
Reduce the rate of absenteeism due to sickness	By 2020	Illness absenteeism rate	3.49	3.99
Promote membership of the Welfare platform	By 2022	% conversion rate of Group employees' performance-related bonuses	15%	85%
Reduce the number of Group employees' occupational injuries	By 2021	Number of injuries	-790 events in the PCL area compared to 2017	-220
Reduce the occupational injury frequency rate for Group employees	By 2021	Injury Frequency	-8% compared to 2017	-1.49%
Reduce the occupational injury seriousness rate for Group employees	By 2021	Injury seriousness	-8% compared to 2017	-12.71%
Reduce Poste Italiane SpA's work-related stress levels	By 2020	Work-related stress risk level	Reduction of the risk of 40 homogeneous groups from "medium-high" to "not relevant"	Overall evaluation expected in 2020
Certify the main Group companies in accordance with the ISO 45001 standard	By 2021	% of the Group's production units certified	100%	60%
Increase the number of prevention initiatives for employees	By 2021	No. of initiatives	+40% compared to 2019	New
Increase the number of educational and professional orientation initiatives for employees' children	By 2022	No. of initiatives	+15% compared to 2020	New
Increase the number of parental participation in soft skills enhancement programs developed on the occasion of care activities	By 2021	No. of registrations	+20%	New

Outcomes



Objective achieved    Objective not achieved    Deadline for achieving the objective has not yet expired





## Staff training and development

Main related types of capital



The continuous development of knowledge and skills plays a key role in the process of enhancing the value and growth of the people of the Poste Italiane Group and is, at the same time, crucial for the creation of competitive advantage and the achievement of corporate objectives. For Poste Italiane, training is an integral part of systemic action for the development of people aimed at responding to the innovation requirements of the market and the organisational needs at company level. With this in mind, the Group implements a continuous process of creation and enhancement of skills, promotes the development of new training methodologies and provides for the development of innovative knowledge sharing tools.

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 promotes the development of innovative professional skills in line with evolving market trends and the various business needs**

Training activities play a key role in achieving the objectives set out in the Deliver 2022 Plan. The Company Strategic Plan envisages around 20 million training hours by 2022, of which 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.

In this regard, more than 5 million training hours were provided in 2019, of which 1.4 million dedicated to resources operating in the financial sector.

In 2019, training activities focused on the following areas: Digital & Innovation Mindset, Customer Centricity, Financial and Insurance Consulting, Lean Culture, Technical Skills, and provide three main backbones of intervention:

- managerial training, aimed at developing leadership and creating a managerial culture of excellence;
- specialized technical training, oriented to the development and maintenance of the most strategic skills for business and digital innovation;
- mandatory and compliance training, focused on regulatory issues that involve the company's workforce transversally.

With regard to managerial training, the Poste Talks initiative was implemented in 2019. The initiative, which took place during seven workshops attended by top management and management, covered topics and projects of particular strategic importance for the Poste Italiane Group, with the aim of encouraging the sharing of knowledge and the analysis of organisational complexities and interdependencies connected with the achievement of corporate objectives.

The function responsible for the governance of training is the Corporate University, established in 2015, with the mission of guaranteeing learning paths. In 2019, the Corporate University was organised in Academy, on the basis of the various skills to be developed, thus providing for the structure of the latter in Academy, such as: Managerial Academy, Financial Academy, Postal Academy, Logistics and ICT, Corporate Academy, Business and Customer Operations, Digital Academy and Innovation. The Company also adopted a specific staff training procedure (Training Procedure and Operational Training) in 2018 with the aim of defining the operating mechanisms and organisational ownership regarding training and operational training activities, based on logics designed to guarantee the effectiveness, efficiency and compliance of the expected outcomes, introducing significant organisational and control measures.

On the basis of the guidelines drawn up by the Parent Company, the subsidiaries implement the procedures, adapting them 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.



## Diversified skills development within the Poste Italiane Group

### Mail, Parcels and Distribution

The Company has paid particular attention to the regulatory compliance requirements relating to the financial and insurance world (ESMA -MIFID II and IVASS regulations), with the aim of ensuring the maintenance and development of the skills required by the staff of intermediaries who advise clients on investments and insurance products, assessing the related skills development needs with a view to continuous training. In relation to Postal Savings, classroom and online courses were provided in accordance with the agreement with Cassa Depositi e Prestiti. Particular attention was paid to training on new products for the sales channel. In addition, the new course “Consultancy in Poste Italiane”, dedicated to all Specialist Financial Consultants, was created with the aim of strengthening the knowledge and skills necessary for the proper performance of the consultants’ activities, in line with the new model for the provision of consultancy services. An important new element regarding training systems, introduced in 2019, was the definition of a new induction path for Specialist Financial Consultants and Specialist Mobile Consultants, called “Induction & Professional Development”, dedicated to the newly inserted resources, with the aim of accompanying and supporting the insertion and professional development of resources and developing their knowledge through the activation of training programmes in classroom, coaching and online modalities.

### Financial Services

In continuity with the “Ascoltiamoci” initiative provided in 2018, a specific classroom course called “Ascoltiamoci reload-ed” was implemented for knowledge sharing between the various functions of the Group and the after-sales structures with the aim of developing a new method of structured listening between the various structures involved to identify solutions to issues of common interest. In addition, the direct path to the management of Banco Posta and Banco Posta Fondi SGR, the “Business Beyond” initiative, was carried out with the aim of sharing the new business challenges with a focus on managerial behaviour and the main levers of change.

### Insurance Services

At Poste Vita, with the aim of ensuring alignment with regulatory and socio-economic developments, the training activities integrate innovations relating to products and services with as many relational skills and the ability to take customer needs into consideration. In particular, during 2019, the main issues addressed in relation to the evolutionary scenarios concerned both general and insurance regulatory adjustments (e.g. IVASS Regulations - Regulation no. 40/18 and IDD, Legislative Decree 231/01, Anti-Money Laundering and Anti-Corruption, GDPR Privacy, Occupational Safety). Within the Key Professional project, internal teaching initiatives have been activated for the benefit of staff on technical-specialist topics. Finally, the “Executive Master in Insurance & Finance EMIF” continued, the two-year Master programme of high specialist level aimed at young talents, particularly in core business functions.

### Payments, Mobile and Digital

With reference to the PostePay Group Company, specialist training courses have been provided on ICT (Big Data Analyzing, Big Data Architecture and Machine Learning), ITIL and COBIT certifications, as well as the development of Pricing Techniques and the use of specific tool-sets available. The company has also participated in two CeTIF HUBs (Research Centre on Technologies, Innovation and Financial Services of Università Cattolica) for the Blockchain and Compliance area.

Within the Change Management plan, the initiative implemented from 2018, with the aim of facilitating the mutual knowledge and exchange of professional knowledge between people from the Mobile, Payments and Digital world, training, communication and engagement interventions have been defined to support the process of business integration of the two industries - TLC and payments - and direct knowledge of people.

Finally, within the “Digital Cafes”, the periodic meetings in which Postepay’s personnel shares innovative topics related to business, it was possible to promote the integration of people’s knowledge starting from the heritage of knowledge and experience already present in the company and spread further know-how on particularly innovative and “frontier” issues.

## Continuous performance improvement

In order to make the qualitative and quantitative effects of training activities measurable, it continued the use of an evaluation system that measures the perceived effectiveness, efficiency and quality of the training programmes provided through the use of specific performance indicators with the aim of promoting continuous improvement.

In particular, in line with digital innovations, a new digital tool has been introduced from the second half of 2019 that allows the online filling in of perceived quality questionnaires and the management of surveys, Q&A sessions and live surveys of any training event.

In addition, in the last few months of 2019, an experimental study was launched to correlate training with the company's business performance indicators, with the aim of defining an additional level of evaluation of the effectiveness of training in accordance with the ROI Evaluation Process Model.

From the point of view of monitoring training actions and reporting to the compulsory training control functions, periodic monitoring activities are carried out and periodic information flows to company departments and internal and external controls are implemented in relation to the progress of the various regulatory areas covered by the training plans.

### The development system

The development system at Poste Italiane supports the growth of the business through the enhancement of its people, seizing their potential, developing their talent, supporting their motivation, consolidating their experience through growth opportunities. The set of actions that focus on people are the driver of change.

During 2019, the Development System was consolidated on the following 3 macro clusters that integrate an articulated set of processes, tools and methodologies:

1. **Scouting:** aimed at identifying potential and the most qualified staff.
2. **Management planning:** aimed at identifying development priorities with a view to succession and the reduction of managerial risk.
3. **Development:** aimed at supporting the individual growth of staff members and accelerating their professional development.

These initiatives are dedicated to diversified target populations belonging to all corporate functions and Group Companies.

In particular, the following objectives were pursued during 2019:

- improvement of engagement and motivation, through participation activities in a bottom-up logic;
- people enhancement and promotion of professional development to create a pipeline of talents at various levels of seniority, through the knowledge of their experiences, skills, aptitudes, potential and motivation;
- promotion of the evolution of the company culture and managerial aptitudes in parallel with the market and organisational transformation.

With reference to improving engagement and motivation according to a logic of bottom-up involvement, during 2019, the projects "Paths for innovation" and "Unleash your talent" were activated in particular.

### "*Libera il tuo talento*" (Unleash your talent)

"*Libera il tuo talento*" (Unleash your talent) is an initiative designed to allow all the staff of the Company to propose ideas on topics relevant to the business. The project is part of the wider framework of corporate initiatives aimed at promoting active participation and a culture of innovation. Poste Italiane brings talent into play, promoting the development of potential and a cooperative working climate, encouraging the development of innovative solutions through comparison and teamwork. The first focus of the initiative involved 600 employees who, through the sharing of experiences, skills, curiosity, inventiveness and vision, were called upon to discuss the issue of environmental sustainability in order to propose an original approach.

In relation to the enhancement of people and the promotion of professional development in continuity with previous years, all scouting programs have been consolidated with the aim of identifying potential, skills and expertise that can feed the talent pipeline at various levels of the organisation. It concerns:

- **POP:** is the process of identifying potential young people with limited company seniority, inserted, according to predefined criteria, in a process of assessment and professional orientation, functional to growth towards management area roles. The process is managed by internal Councillors, appropriately trained and certified to conduct the assessment and subsequent development sessions. The high potentials feed the so-called “Pyramid of Talents”, with particular reference to the “Young Talent” basin.
- **MLAB:** is the process of identifying solid professionals and managers, with consolidated experience in a framework position, to be developed on positions of greater complexity. The high potentials feed the “Pyramid of Talents”, with particular reference to the “Key Talent” basin.
- **Leadership Assessment:** the process of assessing managerial skills for Level II and Level III Executives, aimed at identifying the development potential for planning succession plans and/or paths for further managerial growth.
- **SKILL-UP:** the process of assessing skills in the profession (technical-specialist), which makes it possible to intercept skills champions and identify gaps with respect to the expected role. The evaluation is carried out through a series of tests and trials (simulations, business cases, etc.) and by group assessment centers.

Performance Management is the program for measuring people’s performance and is a process that periodically involves the entire company population. It is envisaged to activate extended 180° assessments that allow gathering different points of view (manager, colleagues, assessed person) regarding managerial conduct. The programme also included a 360° assessment for Level I and Level II managers. 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.

Consistent with previous years, the Management Review and Succession planning processes were implemented in 2019, respectively for the mapping of the management population and the identification of successors.



Specific initiatives have been implemented to support the evolution of the corporate culture and managerial attitudes in parallel with the market and organisational transformation. Among these, specific mentoring paths have been activated, aimed at promoting the exchange of mentorship relationships between managers and professionals belonging to various functions and geographical areas according to an accompanying process in which the Mentor supports the Mentee in the pursuit of professional goals, contributing to the dissemination of managerial best practices.

Individual Business Coaching is an additional tool to support managerial growth, complementary to Mentoring paths. An e-coaching programme was launched in an experimental way in 2019 using a digital platform that has made it possible to reach people widespread throughout the country.

The change underway has also involved the activation of all business functions with the aim of evolving processes, systems and operating tools to make them more in line with the new challenges. In particular, the Human Resources function is increasingly involved in the development of a more evolved mindset in terms of internal customer care, management and caring of people in a “customer oriented” logic. The “Culture of development in the territory” project is part of this line of action and has been implemented in the design and implementation of an internal and itinerant training course on issues of organisational development. Another initiative with impact on the change of organisational culture was TEAM (Territori Ed Altro In Movimento), a change management programme aimed at territorial reorganisation in which, through a cycle of Group Coaching, the employees involved were called to “ground” the new organisation, co-constructing a managerial approach based on a common vision and a shared integration model.

Lastly, ContamINazione in Business Market and Public Administration was also launched, an awareness-raising project aimed at disseminating the knowledge acquired by employees in the course of their professional experience on current company issues. The aim of the initiative is to structure a circular and widespread exchange method, in which everyone can make their contribution by communicating and sharing experiences and activities. The initiative provides for periodic meetings open to colleagues who share their knowledge on topics of interest, proposed by an Editorial Committee, regarding the commercial field, knowledge of company and market processes and managerial skills.

## Staff welfare and wellbeing



Main related types of capital



The wellbeing of people has always been considered by Poste Italiane a key factor to safeguard and consolidate. In particular, the Company is engaged in interventions aimed at improving the condition of employees and their families with increasing attention to aspects related to work-life balance, motivation and issues of high social relevance.

The valorisation of people has been the subject of multiple interventions aimed at improving the state of wellbeing of personnel in order to allow easier living conditions and more efficient working performance. These actions represent an indispensable prerequisite for increasing loyalty with a consequent increase in production, engagement and, in general, the business climate and social wellbeing.

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

### V.A.L.O.R.E. survey (Life Action Work Opinion Realisation Experience)

As part of the process of listening to personnel, Poste Italiane has launched a survey called V.A.L.O.R.E.. Listening to Poste Italiane personnel, aimed at analysing the perception of the working environment, the promotion of improvement processes and the level of employee involvement in company processes.

In particular, the listening activity aims to analyse the perception of the actions undertaken by Poste Italiane within the Deliver 2022 strategic plan, the business transformation programme launched in 2018 with the aim of strengthening Poste Italiane's leadership in the distribution of mail and parcels and in the delivery of financial and insurance products.

The survey, carried out during 2019, involved a large number of Poste Italiane Group employees working in the financial and digital sector, distributed by age, gender and geographical area. This survey revealed a positive opinion of the Company in terms of "sentiment", reputation and satisfaction with the activities carried out in relation to the implementation of the Business Plan. Poste Italiane is perceived as an ethical company, open to innovation and capable of looking to the future, and above all able to focus on professional and human activity and transparency in its work and to make employees participate in a common project.

Thanks to the digital revolution happening across the entire company, the Group has been able to introduce and consolidate new channels of communication with its employ-

ees. Such means facilitate the simplification of processes and services related to the everyday working life.

### NoidiPoste, the innovative mobile channel in support of Poste's employees

NoidiPoste app is the new application for Poste Italiane Group employees to access useful content and services on the move. Available on AppleStore and GooglePlay, the app provides mobile access to a wide range of content and services, such as managing business travel and illness or booking holiday homes for colleagues with specific requirements, customising homepages and menus, and much more. In 2019, the app integrated the "Meal Vouchers" and "Job Posting" services, providing the chance to see the remaining balance of the Ticket Restaurant card and to see job postings and apply directly via app. With the aim of improving and implementing the services in the app, the "Your opinion counts" service, integrated in the app, provides the opportunity to respond to quick surveys, also useful to guide the development of services designed to improve the professional life of Poste employees in a co-design perspective. Reaching 60,000 downloads in 2019, the app is the most widely used mobile channel, allowing to increasingly strengthen access to corporate channels outside the office. "Your opinion counts", as a new activity of listening to the people of Poste therefore aims to be a further opportunity for discussion with the employees of the Company to know and develop their degree of involvement and satisfaction and at the same time communicate the commitment of the Company to find answers to their questions in a perspective of continuous improvement of the company's performance.

By promoting the commitment to health and safety at work, support for active parenting, attention to the training of people and safeguarding their wellbeing, Poste Italiane has activated a value chain for the development of a business

and inclusive culture capable of responding to the challenges and opportunities of the market and involving and listening to the local realities.

## Redazione Diffusa (Widespread Editorial), the initiative to give voice to the territory from the territory

Participation and corporate communication also come from proximity and knowledge of the territory. With this in mind, in 2019, "Widespread Editorial" was created, the community of fellow editors whose aim is to give space to stories and news from the territory by creating a network of people and widespread, specialised, passionate content. The contents produced by the editorial staff are published on the company intranet and, in some cases, also on the social channels of Poste Italiane. In September, a first workshop was held in Rome where new editorial staff were involved with the aim of developing together the collaboration model and defining the content standards for the expanded intranet editorial staff.

Poste Italiane's commitment to ensuring a state of wellbeing in the working life of its employees on a daily basis has been positively perceived not only by the latter, but also

externally; in fact, there are many awards at international level.

## Poste Italiane Top Employer - Italy

Poste Italiane has been awarded the title of Top Employer Italy. The prestigious award was given to Poste by the Top Employers Institute, the global certification body for excellence in HR practices. The Top Employer Italia certification is in addition to the other awards given to Poste Italiane by Universum Global, a Swedish company specialized in employer branding. Universum Global placed Poste Italiane second in relation to work-life balance, following the Most Attractive Employers Italy 2019 study carried out on a sample of over 40 thousand students and recent graduates from 44 Italian universities, identifying the most appealing employers based on the responses collected.

Moreover, the Company entered the ranking "World's Best Employers 2019" drawn up by Forbes, which identifies the top 500 companies in the world in terms of quality of working life, in which the Group ranks second globally in the "Life & Health Insurance" sector and fourth among all Italian companies.

Working for Poste Italiane means joining a large team, made up of about 130,000 people who, with skills, commitment and determination contribute to achieving the company's goals by participating in the economic and social development of Italy. With widespread presence in the territory through a network of over 12,800 Post Offices, Poste Italiane aims to be an inclusive development engine for the Italian economy.

## Work-life balance

With the aim of reconciling the working and private lives of employees, Poste Italiane proposes various initiatives in the social field. A Company crèche service is provided at the Rome and Bologna offices, and, via an inter-company agreement, in Milan. Poste Italiane has provided for a contribution based on the type of working hours chosen and/or families' income status, thereby offering reduced rates to access the service. The company crèche provides a flexible educational service in relation to work pace and able to combine professionalism and quality in respect of the values expressed by families. The educational project is characterised by attention to the values of eco-sustainability and interculturalism and by

the educational alliance with families to promote a structured dialogue, also through innovative communication methods (e.g. seminars to support parenting).

For the disabled children and siblings of employees, an initiative has been created, now in its eighth edition, which provides for two residential stays of 15 days each, with personal assistance and entertainment services provided by a team of specialised operators, with total costs borne by the Company. In addition, families accompanying the children are offered packages at advantageous economic conditions.

## Posteapertuttol'anno (Poste open all year round)

Created in 2019, "Posteapertuttol'anno" is a path of involvement and participation of colleagues and their families. Initiatives already launched and planned for 2020 include school orientation courses, scholarships, participation in cultural and educational events and much more.

The first stage of this journey was the Open Day for the children of employees aged between 3 and 10, which took place on 5 December 2019 in 13 locations throughout the country and was attended by over 1,000 children. Environmental sustainability has been the theme that has guided the games and workshops and is one of the pillars on which the Poste Italiane Group's strategy is based.

As part of the actions aimed at modernising working methods and conditions within organised contexts and in line with the Company's objective of guaranteeing work-life balance, agile work as an evolutionary experience with respect to the space-time flexibility systems already adopted by the Company has begun in the Company, on an experimental basis, following the agreement with the labour unions. The experiment involves workers operating in defined organisational areas (including Group companies, PosteVita and PostePay) and, based on the progress of the initiative, the extension to other functional areas will be assessed.

The Company provides teleworking service. This is aimed

at people with objective care needs for themselves (e.g. pre- and post-natal periods; resumption of service after a long illness, injury or leave, disabled people) or their families (e.g. employees who need to care for elderly parents or children who are ill).

In addition, a network of agreements has been set up to provide employees and their families with access to products and services identified in line with their personal, social and parental care needs (e.g. summer camps for children and young people). Welfare payments are also provided to support employees with special needs, arising from serious personal and/or family situations or from serious natural disasters.

## Camera con vista (Room with a view)

In 2019, the initiative "Camera con vista" (Room with a view) was launched, promoted by the Company and open to Poste Italiane employees who meet precise requirements, specifically, permanent contract and income from Single Certification not exceeding €25 thousand.

The initiative provides for the allocation of accommodation in places of purely Italian tourist interest for free stays of one week at different times of the year. An important opportunity that stems from the recovery of service accommodation owned by the Company, redeveloped and used as holiday homes.

Employees interested can apply through the dedicated functionality of the new NoidiPoste app that allows access to an online booking platform. Accommodations are assigned to the first candidates in order of reservation according to availability.

With the aim of promoting sport and fostering social relations within the Company, various initiatives have been promoted over the years in the sports sector. The great success achieved has led Poste to propose or introduce new

activities with the aim of involving an increasing number of employees and strengthening the links between the Poste Group and the latter.

## Poste Italiane's national soccer team

In the wake of the success of the "Azzurri Partner Cup 2018", the tournament reserved for the Top Sponsors of the Italian national soccer team organized annually by the FIGC (Federazione Italiana Giuoco Calcio), Poste Italiane's national soccer team was created in 2019. The initiative has generated a high number of adhesions and has seen the coach in charge Angelo Di Livio, former professional player and established champion, select a group of colleagues registered in amateur soccer clubs. The National team took to the field to raise funds for charitable purposes. The National team was also confirmed for the second consecutive year as the winner of the "Azzurri Partner Cup" in Coverciano. This way, soccer becomes for Poste Italiane a tool for work-life balance as well as a way of closeness and support to the territory, values that the Company has always promoted.

## Health and prevention

One of the priorities of the sustainability strategy adopted by the Company is the attention to employees in terms of protecting the health, safety and psychological and physical integrity of people, encouraging the development of a solid internal culture and aligning with best market practices. In this context, in 2019, the Health & Caring Project was launched with the aim of defining a programme of medical and nursing health services and training and clinical-diagnostic events aimed at strengthening employee health awareness and prevention, as well as coordinating implementation and logistical/organisational activities at company offices.

In line with previous years, the initiatives dedicated to prevention continued, as part of the Health Plan project. These initiatives have allowed 400 employees in 11 cities to access free specialist visits at the company's offices, together with seminars dedicated to the prevention of illnesses that protect the younger generations, such as the prevention of risks related to smoking and attention to correct eating habits. In addition, thematic campaigns were conducted and agreements for urological, ophthalmic, psychiatric, and oncological medical visits were conducted at the Roma Eur office. Furthermore, it is the Company's intention to make the medical clinic at the headquarters available to all as soon as possible, and to replicate this project in the six Territorial Macro-Areas.

### The Company's Supplementary Health Fund, supplementary assistance to support Poste employees and their families

Since 2018, the Company has been providing its employees with a form of supplementary health care that can also be extended to their families. The Fund provides for two types of health coverage: the Basic package, with charges borne entirely by the Company, and the Plus package, which extends the Basic guarantees through an additional minimum contribution to be paid by the employee. For the healthcare services provided through the programme, it is possible to take advantage of a network of affiliated healthcare facilities and trusted doctors and structures. With the aim of ensuring complete healthcare coverage in the area, in line with the characteristics and needs of the company's population, since 2018, the Fund has more than doubled its network of healthcare facilities and affiliated specialist doctors from around 23,000 to around 53,000. To date, more than 100 thousand employees have joined and as of 1 January 2020, all eligible employees will automatically join the Basic package, with contributions to be paid entirely by the Company.

The Company contributes to the financing of the FASI 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.

### 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, allowed 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.

In 2019, the online platform was implemented for the initiative, via which employees will be able to convert their performance-related bonus with welfare goods and services.

The initiative allowed staff to access a wide range of customisable goods and services and to take advantage of tax and contribution opportunities provided by law, together with an additional bonus recognised by the Company on the converted value.



## Culture and education

The welfare plan has contributed to the enhancement of the intergenerational vision through the development of school and career guidance actions dedicated to employees' children. In the field of culture and education, Poste Italiane, in collaboration with Intercultura, has provided numerous scholarships to the most performing children of Poste Italiane's employees attending secondary school. The aim of the initiative is to promote the importance of international education and multiculturalism through educational experiences abroad in Europe and around the world. In order to involve the graduate and undergraduate children of employees, Poste Italiane has also planned Talent Days, orientation meetings with young people to help them approach future professions in a more conscious and targeted manner with respect to their personal inclinations and market prospects.

Over time, the Group has adopted internal regulations and policies for the main welfare initiatives, such as "Guidelines for the granting of subsidies to employees" and "Teleworking - Guidelines on social inclusion". Moreover, in 2019, following the results of the risk assessment and gap analysis activities, the two reference 231 procedures in the welfare area were updated, with particular attention to the strengthening of measures for the protection and safeguard of minors.

Due to the consequent social impact of the main welfare initiatives, feedback is systematically provided to employees' comments and reports on the company Intranet, as well as ad hoc satisfaction questionnaires on some of the main projects carried out in order to encourage monitoring actions and the planning of improvement actions.

In order to verify the level of adequacy of the company's welfare plans and to intercept the emergence of new needs, the company takes part in inter-company networks and thematic working tables for the development of benchmarks and the exchange of good practices (e.g. also through collaboration with sector associations to which it adheres, such as Valore D, Fondazione ASPHI) and makes use of questionnaires and surveys, both internal and external, to detect employee satisfaction. In the planning and development phase of the welfare plan, Poste Italiane also promotes an increasingly intergenerational approach, associated, where possible, with targeted analyses relating to gender, age, professional characteristics and the family status of the people involved in the initiatives.

## Relations with social partners



Main related types of capital



Promoting constant dialogue with workers' representatives is an important aspect 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 the business and, in particular, on human capital, a fundamental asset for the Company.

The Group is committed to ensuring the welfare and protection of the rights of its workers and their freedom of association and collective bargaining, in accordance with current legislation.

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.

Dialogue with the social partners is managed via periodic meetings with the labour unions, in order to ensure compliance with the law; the Group stipulates agreements with labour unions in the interest of its employees, in accordance with the bargaining procedures set out in the National Collective Labour Contract and the Consolidated Law on Representation.

The Group envisages the sharing and signing of specific agreements with the labour unions, regarding matters expressly provided for in the National Collective Labour Contract, 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

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, 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 2019, various opportunities for dialogue with the labour unions enabled the signing of several agreements, the most significant of which are described below.



## Reorganisation in Logistics, Staff Structures and Post Office Network and the new sales model for the Small Business channel

On 26 June, 18 July and 2 October 2019, further agreements were reached to supplement the Framework Agreement of 8 March 2019 for the reorganisation of Logistics, Staff Structures and Post Office Network.

In particular, on 2 October 2019, the Company and the Labour Unions signed an agreement that defined how to manage the impact on employment resulting from the application of the new sales model that Poste Italiane has identified for the Small Business channel.

The organisational evolution, which aims to increase the effectiveness of the sales force dedicated to the Small Business customer segment, includes the specialisation of consultants in the Financial, Mail and Parcel sectors. As a result, in the Post Office Network, the current pro-

fessional figures of the Business Consultant Specialist and the Business Financial Consultant Specialist and the Small Business Specialist, dedicated to the Financial sector, have been surpassed. The implementation of the project will be monitored through national and territorial labour union verification tables.

In addition, in line with the project to transform the Chief Operating Office function, the Parties signed two agreements on 26 September and 10 October 2019, which outline the aspects relating to the micro-organisational model of the Function and the operating procedures connected with work performance. In particular, the guidelines relating to the working hours of the territorial centres were shared at national level, which were subsequently laid down in specific territorial agreements.

### 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 26 November 2019, an agreement was signed for the hiring with fixed-term contract with substitute clause of employees of the Delivery Agencies already hired by Poste Italiane under the agreement of 19 June 2018 and in service on 23 October 2019.

### Other agreements

In May 2019, two minutes of agreement were signed with the national labour unions for Poste Italiane and Group companies that apply the same national collective labour contract, giving employees, on an experimental basis for the year 2019, the option to opt to convert the payroll into a day of non-cash paid leave for each of the holidays of 2 June and 8 December 2019, falling on Sundays.

On 30 July 2019, an agreement was signed to award performance-related bonuses to employees of Poste Italiane SpA, Poste Vita SpA, Poste Assicura SpA, EGI SpA, BancoPosta Fondi SGR and PostePay. The agreement,

which has a one-year validity, allows to further emphasise the contribution made by staff towards the achievement of corporate objectives in 2019. On 10 September 2019, a similar trade union agreement - on the subject of "Performance-related bonus" - was agreed with the labour unions by Postel SpA and Address S.r.l..

The agreement confirmed the option for employees to allocate all or part of their performance bonus to Open Fund for Supplementary Assistance Poste Vita, Fondo Poste or other supplementary pension funds or opt for welfare services with high social impact.

## Solidarity holidays and parental leave by hour

Two agreements were signed in September 2019. The first provides, on an experimental basis for the year 2020, that workers in certain situations of difficulty and who have already taken all their days off will be able to request the transfer of "Solidarity Holidays" in their own favour. At the same time, workers who wish to express their solidarity will be able to donate, on a voluntary basis and free of charge, up to a maximum of three days' holiday and two days' leave for cancelled holidays. The Parental Leave Agreement, on the other hand, provides that, on an experimental basis, from 1 October 2019 to 31 March 2020, workers may take leave on an hourly basis for 1/3 of their working day, in addition to the half-day leave already provided for.

Finally, considering that Poste Italiane's national collective labour contract expired on 31 December 2018, on 11 December 2019 the labour unions presented the unitary platform and formally requested the start of negotiations, which began on 8 January 2020.

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 organisations with mixed composition (members from Poste Italiane and Labour 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 (The Committee for 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 (the 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.

- **Organismi Paritetici per la Salute e la Sicurezza sui Luoghi di Lavoro (The 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



Main related types of capital



Poste Italiane considers the protection of health and safety at work (OHS) a fundamental value, which people must be inspired by in carrying out their daily activities.

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

- ensuring continuous awareness and involvement regarding OHS by everyone working within the Group, especially the dissemination and strengthening of the safety culture at local operating centres (distribution centres and Post Offices) and the relative coordination structures;
- reduce injuries, particularly in the logistics and delivery sector;
- ensure the continuous improvement of Management Systems through the planning and implementation of initiatives in line with Group Policies, the constant monitoring of occupational health and safety performance and the periodic review for the definition of new objectives.

Approximately 8,000 injuries in 2019, almost **500 fewer** than in 2017

**As regards health and safety, Poste Italiane aims to consolidate a safety culture in the Company, reduce injuries and promote continuous improvement of the management systems adopted**

The ongoing monitoring and control of injuries favoured, also in 2019, the implementation of various initiatives on prevention and safety of the workforce and the workplace, specific field of professional activities. The following activities were carried out as a matter of priority in order to achieve the objectives set: continuous training, awareness-raising and staff involvement on OHS issues, plant and structural improvement of sites, continuous improvement and certification of Management Systems, constant risk assessment in relation to processes and workplaces, monitoring of the implementation process of the Improvement Plans for risk

assessment and constant controls of compliance with the requirements of current legislation.

Further preventive activity relating to health and safety risks is the expansion of the company's fleet with safer vehicles, such as three- and four-wheeled ones, used in delivery activities, and related training sessions on safe driving. Specific communication activities were also carried out to raise employees' awareness of health and safety in the logistics sector, such as the "Basta Infortuni" (Stop Injuries) communication campaign and the "Noi per la Sicurezza" (Us for Safety) editions aimed at involving the directors of delivery centres in occupational health and safety.

For more details on the new additions to the company fleet, please refer to the Decarbonisation Pillar.

### Commitment in the logistics and delivery 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:

- Consolidation of Lean Manufacturing principles in plants, based on a methodological approach that aims to minimise waste until it is eliminated. This objective is achieved through the introduction of new systems for automated load handling (AGV - Automated guided vehicles), the introduction of new types of sorting systems (TOP2K, XMS, Solysort, Easy Sorter) and equipment and the real estate review of the departments (microlayout). Interventions that allow a reduction in injuries and an improvement in terms of health and safety of the workforce.
- Constant assessment and updating of Risk Assessment Documents (DVR), following the reorganisation underway, primarily in the delivery sector.
- Training on the use of vehicles, provided by Polstrada, for about 3,100 resources and training on safe driving on a track involving about 2,000 letter carriers.
- Realisation of the training project aimed at about 1,600 resources for the prevention of injuries caused by dog attacks against letter carriers.
- Involvement of about 800 managers of the Delivery Centres regarding injuries and more generally on occupational health and safety.

The Group takes all the necessary measures to reduce injuries, workplace injuries and occupational illnesses, promoting the psychophysical wellbeing of people through policies, prevention programmes, information and awareness campaigns. For these purposes, organisational responsibilities have been identified and specific policies have been adopted to ensure adequate supervision of all occupational health and safety aspects.

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 accompanied by objectives that are increasingly oriented to promoting occupational health and safety;
- 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 this policy for its production unit, making it available to all workers.

In 2019, with the aim of strengthening oversight of occupational health and safety, Poste Italiane SpA confirmed certification of the Occupational Health and Safety Management System, in compliance with the BS OHSAS 18001 standard, currently ISO 45001, adopted by the "Strutture centrali e le loro dipendenze territoriali" (Central facilities and their local branches) production units.

Poste Italiane has defined a multi-year plan for the adoption of health and safety certifications throughout the company. As at 2019, the Group Companies certified were: EGI, Poste Vita, PosteAssicura, SDA; Postel, Poste Air Cargo (formerly Mistral Air), PostePay and BancoPosta Fondi.

The adoption of a certified management system, 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, guarantees alignment between innovations and changes in work processes in terms of occupational health and safety objectives.

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 also aimed at analysing and assessing the occupational health and safety compliance status of the sites, with particular reference to aspects regarding plant and infrastructure.

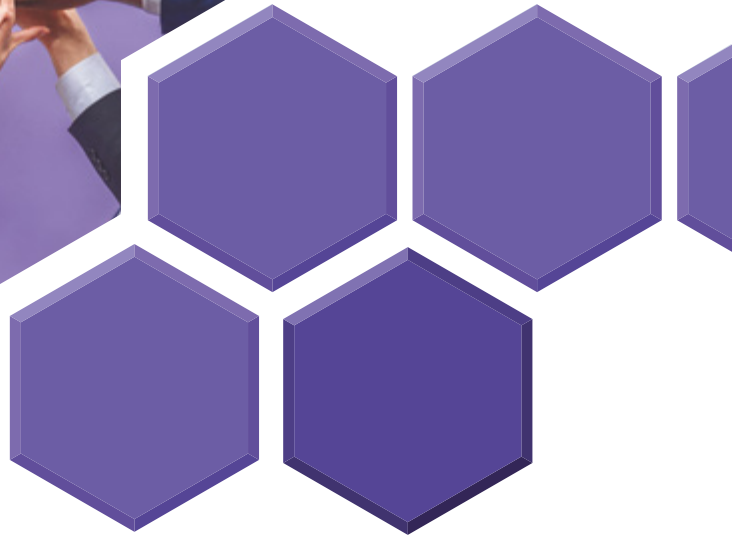
Total number  
of employees  
trained on Health  
and Safety issues  
in 2019

60,065

# Diversity and inclusion

- Commitment to support equal opportunities
- Subscription of the Women's Empowerment Principles
- 44.4% of the Board of Directors of the Parent Company is composed of women
- 46% of female incidence among middle and senior women managers in 2019
- Participation of more than 500 employees in the MAAM project







# Diversity and inclusion

Main types of capital



Social-relational



Human

Objectives	Timing	Indicator (KPI)	Target	Implementation status 2019
Increase women's involvement in staff development plans	2022	% of women involved in staff development plans compared to the average achieved in the two-year period 2016-2018	+4%	+1%
Adopt a specific strategy to ensure the strengthening of female representation in the coverage of middle management positions	2022	% of women in middle management positions	+2%	New
Investing in mentorship programs for the development of a new leadership style in line with gender - equality policies	2021	% of female mentors trained	+50%	New
Carry out training and cultural awareness interventions with the aim of improving awareness in men and women in the company of the value of gender diversity	2022	% of the company workforce	60%	New
Aim for a greater exchange between the different generations through training and change management interventions that encourage knowledge of the related issues and the concrete implementation of the company policies on the subject	2022	% of the company workforce	60%	New
Increase mentoring programs in order to encourage generational cooperation and the exchange of knowledge	2021	% of mentors to support the younger generations	+15%	New
Implement structured listening programs through surveys and communities aimed at detecting the needs of the different generations	2022	no. of surveys conducted	2	New
Carry out training interventions with the aim of activating an increasingly responsible management on the issues of disability management	2022	% of the company workforce	60%	New
Strengthening caring measures towards colleagues with chronic diseases and/or serious pathologies through corporate awareness plans and the availability of services aimed at inclusion	2022	% of the detected target reached by the caring measures identified	40%	New
Extend the subtitling service to all videos made and published on the intranet	2020	% of videos published on digital channels with subtitles	100%	New
Carry out training interventions that aim to foster relationships and collaboration between colleagues from different cultures and nationalities, and which support the development of cultural sensitivity also in the management of customers and partners	2022	% of the company workforce	60%	New
Specific employer branding on Diversity and inclusion, in synergy with universities	2022	no. of universities involved	4	New
Define training and communication campaigns aimed at overcoming stereotypes and prejudices (unconscious bias)	2022	no. of communication and awareness plans implemented	2	New
Carry out training and awareness actions on the protection of human rights	2021	% of the company workforce	60%	New
Define listening and communication campaigns to develop corporate awareness and culture on the issues of Diversity and inclusion	2021	no. of integrated communication campaigns (internal/external) no. of surveys carried out on the intranet	3	New

Outcomes



Objective achieved    Objective not achieved    Deadline for achieving the objective has not yet expired



## Protection of human rights



Main related types of capital



Poste Italiane plays a role of primary importance for the country, involving in its activities a multiplicity of individuals, entities, institutions and businesses. For this reason, in addition to complying with international principles and guidelines, the Group is committed to assuming increasing responsibility for the protection of human rights, both in the interest of the people who work with the Company and those in the community in which it operates.

**Poste Italiane has subscribed to the Women's Empowerment Principles, the initiative promoted by UN Women and the Global Compact in support of gender equality worldwide as further confirmation of its commitment to supporting the achievement of the Sustainable Development Goals**

Poste Italiane has adopted, in particular, a "Group Policy for the Protection of Human Rights" which reinforces as already stated in the Code of Ethics. The document commits 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 also 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.

The Group's primary objective is to encourage the development of a business culture based on respect for and appreciation of diversity. In affirming the "social" dimension of corporate sustainability, the promotion of diversity in all its forms and expressions is considered one of the greatest resources that gives value to the company system. For this reason, with the intention of outlining a clear and structured focus on this issue, Poste Italiane, also given the outcome of the materiality analysis and the results of the Multi-stakeholder Forum, has decided to address it within the new pillar Diversity and inclusion, giving it exclusive attention.

The Company maintains a high level of attention to its own strategy for a correct valorisation of the different needs expressed by people. The exclusive promotion 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. The Diversity and inclusion programmes carried out are therefore part of a broad context, in order to act simultaneously on culture and enhancement of individual differences and to reduce situations of individual fragility in support of balanced organisational models that enhance dialogue and the emergence of diversity. The path undertaken aims to evolve the way in which diversity issues are dealt with, moving from an approach aimed at protecting and integrating diversity to a proactive strategy to overcome any barriers and resolve the factors that prevent people from being included in the labour market. In this context, the Company also actively participates in inter-company working groups on these issues, enhancing the value of collaborations with leading sector associations.

Poste Italiane, in line with as already stated in the Group's Code of Ethics and the Group policy for the protection of human rights, has adopted a specific Diversity and inclusion Policy. The objective is to have a clear approach in terms of mission, strategy and active practices in order to stimulate a collaborative, supportive working environment, open to contributions from all employees in order to increase the trust of people, customers and, in general, civil society, as well as to promote diversity in all its aspects in order to fully exploit the opportunities arising and generate value within the workplace while also obtaining a competitive advantage over business.

Diversity is a value that must be protected and encouraged with concrete and pervasive actions in all organisational and management processes, based on the principles of respect for the value of people, the enhancement of the uniqueness of the individual and access to the same opportunities for professional growth.

In particular, the Policy defines the 4 aspects of diversity for Poste Italiane:



## Gender

The Company values gender balance and the overcoming of any stereotype, discrimination or prejudice, in order to create the best conditions in which each person can express themselves. The Poste Group is committed to increasing the strengthening of awareness initiatives at all

levels and promotes policies and actions aimed at promoting equal opportunities, work-life balance, the sharing of family responsibilities and the removal of potential obstacles, including those related to sexual orientation.

## Generations

The Company recognises and values integrated strategies for the development and management of the needs of the different generations that work together within the organisation. From this point of view, in consideration of the

demographic outlook and its impact on company turnover, policies aim at fostering dialogue and inter-generational discussion.

## Disability

The Group recognises equal opportunities for all its people regardless of sensory, cognitive and motor disabilities. In this context, it is committed to implementing concrete measures to promote the integration and inclusion of peo-

ple with disabilities, making full use of their talent and skills in the Company and thus contributing to the removal of cultural, sensory and physical barriers.

## Interculturalism

The Company is committed to promoting and systematising the mix of different cultures within it through the promotion of an intercultural vision and open to multi-level discussion, based on organisational and social cooperation.

uation metrics to be made visible and transparent in public company documents, both within and outside the organisational context, through the main internal and external communication channels.

Diversity and inclusion programmes will be monitored through indicators developed annually in accordance with the evolutionary guidelines of the corporate sustainability plan. To this end, a cross-functional task force made up of representatives of all the company departments involved will be set up to appreciate scenarios, objectives and eval-

The Policy is communicated to all employees, including through targeted and specific training sessions depending on the areas of operations, roles and responsibilities, and will be assessed for the purposes of updating at least annually in light of the evidence emerging from assessments and monitoring of national and international trends.

## Poste Italiane strengthens its commitment for the protection of human rights

The guiding principles of Poste Italiane's human rights policies and the measures implemented to ensure their respect within the Company and towards all stakeholders were illustrated by the CEO of Poste Italiane during the workshop organised with SIOI "Business and Human Rights: the role of Businesses for Sustainable Development". The aim of the event was to confirm and strengthen the commitment made in 2018 by Poste Italiane with the approval of the Group Policy for the Protection of Human Rights. In this regard, Poste Italiane has confirmed its vision of a successful business model by reaffirming that this combination can only be affirmed in a society where the law, the protection of human rights and environmental sustainability are adequately safeguarded because the systematic use of Corporate Social Responsibility criteria can have a positive impact on competitiveness, now representing a minimum requirement for international economic markets.

Poste Italiane is aware that it can play a role in the affirmation of the principles of sustainable development in the Italian business world and works towards a common commitment, raising awareness and encouraging the exercise of responsibility and business improvement.

As confirmation of the attention paid to Diversity and inclusion issues, an ad hoc organisational function called “People Care and Diversity Management” was introduced in the Human Resources area in 2019, which, in coordination with the Group Risk Governance function, operates as an activator and promoter of cultural and organisational change. The Company is outlining the structured development of a reference strategy and an execution roadmap the objective of which is to act on corporate culture, through awareness plans aimed at generating an approach free from common prejudices and stereotypes.

Moreover, 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.

This approach includes Poste Italiane Group’s Declaration, drawn up in accordance with the “Framework Agreement on Harassment and Violence in the Workplace”, 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.

## 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. The Company has also contributed to the creation of E-LOVE (E-Learning Operators Violence Effects), the platform for remote learning of operators involved in the fight against gender violence.

In addition to receiving indemnified leave for women victims of gender-based violence - a path of protection established by art. 24 of Legislative Decree 80 of 15 June 2015 - provided for in the collective labour contract, Poste Italiane has initiated specific activities aimed at understanding and spreading knowledge among its employees on this issue. 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 the aim of discussing the issue with the main national and local institutions and associations, on 20 November 2019, coinciding with the 18th Corporate Culture Week, the Group promoted the conference entitled “Poste Italiane per l’inclusione lavorativa delle donne vittime di violenza” (Poste Italiane for the work inclusion of women victims of 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.

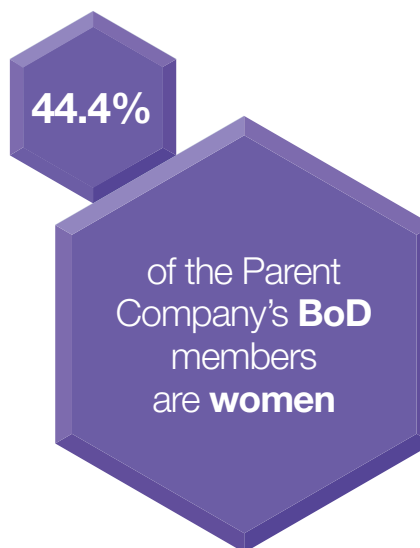
During 2019, in agreement with the two main protection organisations operating at national level (the D.i.Re. anti-violence network and the voluntary association Telefono Rosa) an innovative integrated model of intervention in favour of the economic and working autonomy of women victims of violence, launched through the activation of an ad hoc fund contributed to by special resources approved at the beginning of 2020 by the Sponsorship and Donation Committee of Poste, whose distinguishing feature is to contribute, together with the various stakeholders concerned, to the creation of paid professional development paths aimed at the employment of women leaving anti-violence centres throughout Italy. Finally, with a view to proactively involving companies in the supply chain, several temporary positions have been made available to women leaving anti-violence centres, subject to appropriate selection, by a service company in the Poste chain in Rome.

In addition, as evidence of the commitment of Poste Italiane for women victims of violence, there is ample philatelic production that aims to raise awareness on the issue of gender violence. On the occasion of the last International Day for the Elimination of Violence against Women, on 25 November, four new cancellations (in Verona, Alessandria, Palermo and Catania) celebrated from north to south the anniversary of the UN.

As evidence of the primary importance the Group attributes to the issue of diversity, 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, 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 2019 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 overall 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.

## Equal career development opportunities



Main related types of capital

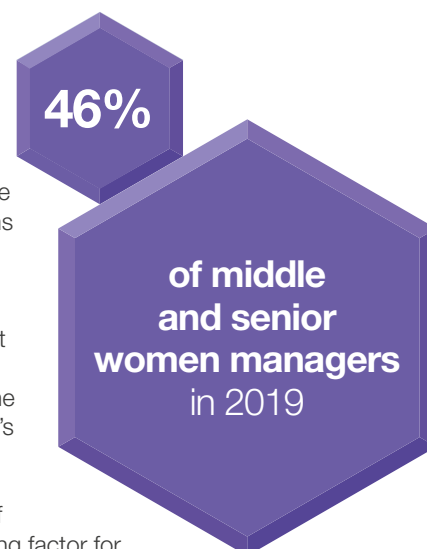


The value of respect for individuals and their professional development is considered a fundamental value by the Poste Italiane Group, together with the awareness that the set of relational, intellectual, organisational and technical skills of each employee represents a strategic resource.

The Group intends to promote the dissemination of an inclusive business culture aimed at ensuring respect for equal opportunities, considering the value of each person regardless of gender, reducing situations of individual fragility and enhancing diversity of thought, considered a fundamental resource for the development and growth of the Company.

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.



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

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, Poste Italiane continues to fully implement as already provided in the Memorandum of Understanding with the Ministry of Equal Opportunities, aimed at carrying 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.

## Supporting maternity and paternity

The "MAAM" initiative continued, consisting of a digital programme aimed at strengthening the skills relating to the experience of parenting, which may also be useful at the time of returning to work.

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, 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 maternity leave, in order to facilitate an effective return to work. More than 500 mothers and fathers participated in the programme in 2019. The initiative is supported by an online community that allows mothers and fathers to discuss parenting and the MAAM path in a protected and stimulating environment by integrating the various experiences through a relational system of over 5,500 participants from various companies, facilitating the process of learning, training and skills development. Finally, in order to enhance consolidated skills, useful for an effective return to or activity at work, the Multiply programme allows a voluntary exchange between the manager and the employee for the enhancement of skills. MAAM is therefore 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.

The MAAM project saw the participation of over **500 employees** in 2019

Poste Italiane reserves **pink parking** to facilitate access to the workplace for expectant mothers

## Developing women's leadership

In collaboration with the Association Valore D, 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 2019, the Company launched - on an experimental basis - the Inspirin-Girls programme, promoted by Valore D, through which company role models share their experiences to middle school boys and girls. The aim is to act on a cultural and social innovation level in favour of the younger generations to promote reference models free from gender stereotypes in imagining their own future and to build a concrete bridge between schools and the business world.

## The attention posed to age management

Poste Italiane continued to participate in "Innov'age in the Postal Sector", a project financed by the European Community in which the Group participates together with other postal operators. The project aims to contribute to a better understanding of age management in the postal sector at European level. In addition, the project aims to develop a training programme to support leaders in the management of heterogeneous teams in generational terms and to provide the tools for the enhancement of diversity that increasingly characterises the operational realities of companies. With reference to the latter objective, in 2019, Poste Italiane participated in the testing phase of the training prototype developed, which will be realised in all the countries that are part of the project.

intergenerational skills, a pilot project, "Maestri di Mestiere" (Masters of Trades), has been developed to enhance the skills of senior resources to encourage the transfer of skills to junior professionals. The project aims to support the recruitment and motivation of senior figures, enhancing their wealth of skills and knowledge to prepare younger figures for inclusion in key roles, by providing training, support and tutoring.

Regarding Business Market and Public Administration, the Talents 2.0 Project was launched with the aim of engaging with junior and senior professionals in order to generate improvements in problem-solving skills, through the innovative design thinking methodology, with respect to issues central to the development of activities: streamlining processes, developing skills, engaging the sales force.

As part of the initiatives to support the development of

## A letter for the commitment of a lifetime in the Company



More than fifty thousand colleagues with 25 to 45 years of company seniority have been sent a letter of thanks signed by the CEO for the work done and the commitment to the Company.

A symbolic gesture but strongly indicative of the attention paid by Poste Italiane to the commitment of its colleagues in so many years of work within such a large company with such an important history also for the life of the country.

## Enhancement of disabled staff

As part of the “Progetto LIS – Laboratori musicali inclusivi” (Italian Sign Language Project - Inclusive Music Workshops), was the launch of a music workshop aimed at facilitating the learning of sign language. Group employees and their families were invited to join the choir including voices and Mani Bianche that revolves around the experience of the

Mani Bianche Roma Onlus Association. The project also envisages 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 and a workshop.

## Supporting vulnerability

The “PosteHelp” Project is aimed at offering a network of services and support interventions in favour of colleagues suffering from serious pathologies which is articulated in: 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 testing phase of the project launched in the pilot regions of Lombardy, Lazio, Campania and Sicily was completed in 2019. This first phase has made it possible to outline a revision of the project structure to be extended at national level, which will also be supported by targeted caring organisation interventions, in order to have a more pervasive impact in terms of cultural awareness, listening and helping relationships in support of vulnerability.

Caring Solution is the listening initiative promoted in 2019 by the Group designed for staff returning to work after a period of absence and in support of any fragility that may have emerged, aimed at improving the working environment and strengthening the sense of belonging. The project aims to understand with personalised logic, situations of difficulties, by diagnosing the problem, carrying out interviews and defining ad hoc intervention plans on specific cases.



4

Number of regions involved in the testing phase of the Poste Help project in support of vulnerability

# Support for local communities and the Country as a whole

- “Valori ritrovati” (Rediscovered values): a circular economy project
- More than 1,000 employees involved in Corporate Volunteering
- Support to the Country’s economic growth
- Over 1,500 meetings with local Institutions
- +111% community support initiatives compared to 2018









# Support for local communities and the Country as a whole

Main types of capital



Physical/Structural



Social-relational

Objectives	Timing	Indicator (KPI)	Target	Implementation status 2019
<b>Increase the Group's support for socio-cultural initiatives that benefit the community</b>	By 2019	% of investments in the community to promote socio-cultural initiatives	+60%	+111%
<b>Provide basic services, including in Small Municipalities without a Post Office</b>	By 2019	No. of Small Municipalities without a Post Office to be equipped with ATMs and postal services via the network of tobacconists and home delivery by postmen and women	254	759
<b>Increase the number of Post Offices in Small Municipalities with free Wi-Fi customers</b>	By 2020	No. of Post Offices equipped with free Wi-Fi	+5,007	5,692
<b>Allow Company-owned spaces in "disadvantaged" areas to be used for social activities</b>	By 2020	No. of company-owned buildings granted to communities	8 properties	13
<b>Eliminate architectural barriers in Post Offices</b>	By 2020	% of architectural barriers	-80%	710
<b>Certify the financial advisory service and the skills of people operating in accordance with the ISO 22222 standard</b>	By 2022	% of ISO 22222 certified financial advisors	100%	Time program started
<b>Continue financial education and inclusion projects</b>	By 2022	No. of financial education events	20	58
<b>Financial, Postal and Digital Education Programs in Small Municipalities</b>	By 2020	No. of events	193	New
<b>Free payment and POS services for Small Municipalities</b>	By 2020	No. of POS	250	New
<b>Increase the Group's support for initiatives in the "wellbeing and social inclusion" category</b>	By 2020	% of wellbeing and social inclusion investments	+10%	New

Outcomes



Objective achieved    Objective not achieved    Deadline for achieving the objective has not yet expired



## Supporting the socio-economic development of local communities

Main related types of capital



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. Supporting the needs of the community is in fact the foundation of the Group's values and corporate mission.

With the aim of having a positive impact and bringing benefits to the community, Poste Italiane promotes specific social inclusion initiatives in an organic and widespread manner, both through its extensive network of Post Offices and through the involvement of corporate volunteering and/or the financing of specific projects with a community value through 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.

**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.

The Company has adopted a Policy on initiatives for the community that defines the strategy adopted by Poste Italiane as part of its interventions to support the socio-economic development of the territory. With specific reference to the Sustainable Development Goals of the United Nations, the Policy describes the main areas of intervention of its initiatives such as: promote the accessibility and inclusion of the categories most at risk of exclusion through dedicated products and services, promote culture and education through initiatives aimed at fostering cultural values and the right to education and encourage economic sustainability and social connection through collaboration with central and local governments, the Third Sector and local communities to meet the needs of the most disadvantaged categories.

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 Guideline that governs corporate processes relating to sponsorship and donation initiatives. The Guideline governs the corporate processes relating to the means of implementing sponsorship 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 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. The Sponsorship and Donations Committee, chaired by an external professional with high standards of professionalism, integrity and independence, will be involved in the evaluation of sponsorship requests and donations.

Sponsorship initiatives and donations are represented in specific classes according to the target set, using the London Benchmarking Group (LBG model) classification and measurement standard, which establishes specific methodologies to manage, measure and report their involvement in the community, according to principles of transparency and participation.

In 2019, the Company focused its attention on supporting projects of a socio-cultural nature, increasing its contribution to three types of initiatives in support of the territory, such as:

- Art, culture and dissemination of knowledge: include support for institutions and other organisations promoting artistic activities such as music, dance and theatre and the dissemination of knowledge of national and local heritage.
- Training, development and knowledge: refer to initiatives in support of bodies and organisations active in the field of individual and collective knowledge for the development of areas of study and specific skills.
- Wellbeing and social inclusion: include initiatives in favour of organisations and bodies that promote a healthy lifestyle to disadvantaged sections of the population.

The significant increase in the initiatives implemented compared to 2018 was made possible by the increase in investments made by the Company during the year. In line with the inclusive approach adopted by the Company, the interventions carried out in 2019 were characterised by a strongly informative and inclusive approach with a view to promoting accessibility by all beneficiaries, as evidenced, for example, by the increase in free activities provided by the Company in the territory and the numerous initiatives promoted in the most remote areas.

With a view to transparency and increasing accountability also towards its employees, in May 2019, the Company created a special section on the company Intranet dedicated to the initiatives promoted.

+111%

community support initiatives compared to 2018

## The commitment of Poste Italiane in favour of the communities of Small Municipalities

In order to have a positive impact on the social fabric, favour the economic growth of the country and, at the same time, strengthen the strategic presence of the Company in the territory, at the end of 2018, the Group, as part of the “10 Commitments in favour of the communities in Small Municipalities” programme, established, in collaboration with the main institutions and local administrators, specific

interventions in favour of local realities with less than 5,000 inhabitants.

During 2019, the specific initiatives to support the development of the territory were put into practice and all the objectives set by the programme were achieved.

### Together with the Small Municipalities: promises kept

In addition to keeping its promise not to close any Post Office, Poste Italiane held more than 900 meetings with local administrators, coordinated by the new office set up in Rome with the task of keeping the dialogue between Poste Italiane and the communities in the area open and constant; 759 ATM Postamat were installed; home services were activated, as well as those at affiliated realities in Municipalities without a Post Office; 5,692 WI-FI spots connected in Post Offices; 710 architectural barriers removed in 681 Municipalities; 219 Post Offices upgraded in 211 tourist centres; 6,211 new post boxes and 4,011 video surveillance systems installed; more than 100 treasury services activated; 13 buildings donated to Municipalities for activities of collective interest and 22 murals created to improve the urban décor of suburban Post Offices. In addition, during 2019, in about 4,000 Small Municipalities, Poste Italiane launched the “Etichetta la Casetta” project, which aims to make citizens aware of the need to affix labels with their name and surname on houses and on the condominium intercom. This initiative is part of a wider project to improve the quality of delivery, which also includes interventions on toponymy through the involvement of Municipalities, mayors and citizens.

As confirmation of the principles of Integrity and transparency, during the year, Poste Italiane reported on a bi-weekly basis on the progress of its initiatives, in a specific section of its website, thus ensuring constant dialogue with its stakeholders.

Thanks to the commitments undertaken, Poste is able to reach the most peripheral local realities, such as the Municipality of Morterone, the smallest in Italy, where 30 people live, which thanks to the new ATM Postamat provides its inhabitants, mostly elderly, with the possibility of carrying out operations without having to travel long distances for cash withdrawals.

ATM Postamat in Morterone, the smallest Municipality in Italy where 30 people live

In the sign of a further approach to the needs of small local realities and in light of the achievement of the objectives set in 2018, during the second meeting with the Mayors of Italy, organised in October 2019 in Rome, the top management announced the provision of new services dedicated to local realities with less than 5,000 inhabitants, renewing the direct and permanent dialogue on the specific needs of the territory. In this regard, in 2019, Poste Italiane undertook to implement 7 new lines of intervention.

## Poste Italiane confirms and strengthens the initiatives in support of Small Municipalities through the definition of 7 new commitments

### Digital and postal financial education programmes

With the aim of contributing to the widening of knowledge and skills in financial, postal and digital matters, the Company foresees a dense programme of initiatives involving experts of the Company where issues such as macroeconomics and finance are addressed, aimed at giving the right support to citizens in their choices of saving and responsible investment. The meetings are also focused on providing training to customers and citizens on the use of the tools needed to take advantage of the new opportunities offered by technological and digital evolution. In a simple interactive way, it explains how to manage money using a smartphone, how to buy products in every corner of the world and how to stay in touch with the network of relationships. In addition, there will be specific details on the new delivery model and new postal services and products.

### Free payment and POS services for Municipalities

In order to meet the needs of Local Administrations, deriving also from the evolution of payment instruments, Poste Italiane intends to provide Municipalities with at least two POS on loan for free use with free acceptance fees for all Poste Italiane cards.

### Punto Poste Da Te for Small Municipalities

In all Municipalities without a Post Office or with only one office open every other day, Poste undertakes, at the request of the Municipality, to install Punto Poste Da Te in the premises available, in a space accessible to employees and the public. The Punto Poste Da Te locker allows the collection and shipment of parcels, the sending of e-commerce returns, the payment of postal bills, Postepay top-ups, SIM top-ups and, in the future, the collection of signature mail.

### SMART mailboxes

Poste Italiane is committed to install in the country by 2022, 11,000 SMART mailboxes of which about half will be present in the Small Municipalities. The boxes verify the actual presence of mail, collect environmental data (temperature, humidity, pollution) and offer digital space for information useful to the relevant Municipalities.

### Information services for citizens

The Company is committed to providing local government with a multi-channel communication service with its community. The service offers the Municipality the opportunity to manage in complete autonomy, via SMS and/or e-mail, or through traditional mail, communications of public interest to citizens, such as warnings about closed roads, extraordinary events or tourist or cultural events.

### Philately programmes

Poste Italiane provides for the realization of events to enhance the territory during which local communities are presented the themes of philately and writing related to traditions and cultural heritage. This will involve 20 of the smallest Municipalities of each Region, up to a total of 400 Municipalities in 2020. At the end of each event, there will be a dedicated philatelic cancellation.

### New green fleet with reduced emissions (- 40%)

Poste plans to replace the entire fleet of 26 thousand company vehicles by 2022. The current vehicles will be replaced by the latest generation of low-emission vehicles: 50% of these vehicles will go to Small Municipalities. The overall objective is to reduce transport emissions by 40%.

The Company has also pledged to offer its support on the occasion of the celebrations for the seven hundredth anniversary of the death of Dante Alighieri, becoming the first major national reality to engage in this initiative. The commitment is substantiated through the implementation of initiatives in 70 Small Municipalities, which in different ways are linked to the artistic events and the life of Alighieri,

among those who have requested support to implement specific initiatives, have works, are mentioned in the events of the Divine Comedy, or are linked to the adventurous life of the poet.

## “Valori ritrovati” (Rediscovered values): a project of circular economy

On the basis of the Memorandum of Understanding signed with Caritas Italiana in 2018 and renewed in September 2019 for a further 5 years term, the “Valori ritrovati” initiative continues, which aims to allocate the contents of parcels not collected, or not delivered - “anonymous” or “abandoned” parcels - to the neediest families through the distribution channels of the “Solidarity Supermarkets”, the supermarket chain that provides free basic necessities to needy families. Taking advantage of the re-use of goods, with a view to circular economy, “Valori Ritrovati” is an example of a concrete and effective solution that preserves value rather than destroying it. The collaboration with one of the main 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, in 2019, the network of Poste Italiane volunteers participated in the implementation of distribution, storage and administrative activities relating to management of the parcels. The initiative is currently operating in the Caritas



offices in Rome, Perugia, Pescara and Montesilvano with the aim of extending to additional Solidarity Supermarkets. In addition, the proceeds from the sale of goods not suitable or necessary for the support of the beneficiaries of the Solidarity Supermarkets, has already allowed the activation of three paths of professional integration in Rome.

## Il Volontariato d’Impresa (Corporate volunteering)

As part of the “Volontariato d’impresa” (Corporate volunteering) project, Poste Italiane has designed the model of how volunteering works in the Company, with regard to the accreditation phase of the organisations proposing voluntary activities, the presentation and validation of projects, the recruitment and engagement of volunteers and communication both internally and externally. The project, launched in 2016, today has more than 1,000 employees and represents for Poste Italiane a strategic activity useful to create networks of solidarity and inclusion in the territory and a system of structured dialogue with Third Sector Organisations and representatives of local communities. For Poste Italiane, the strengthening and development of the community of volunteers is a priority, an activity carried out through the provision of dedicated training activities. In order to optimise the management methods of volunteer programmes and promote local initiatives for the design of shared services of social value, during 2019, the “Piattaforma Informatica Volontariato d’Impresa” (Corporate Volunteer Information Technology Platform) project was launched, aimed at the development, implementation and operational management of a dedicated web platform. In particular, the platform is designed to allow Third Sector players to propose specific initiatives, volunteers to apply and publish content with a view to sharing, as well as facilitate the production of project reports.



## Volunteers of Poste Italiane in support of the most needy within the post-earthquake inclusion programme

The programme consists of a two-year project aimed at preventing and combating social isolation and supporting the self-sufficiency of elderly people living in 95 Municipalities subject to seismic events, of which 56 in the Marche, 15 in Abruzzo, 14 in Umbria and 11 in Lazio. The initiative, promoted and carried out by the Italian Red Cross, makes use of the remaining resources from the fund raising campaign promoted by Poste Italiane for the Red Cross following the earthquake. The aim of the project, which sees the collaboration between the Italian Red Cross and Poste Italiane, is to promote the wellbeing of the communities by improving the quality of life of the people living in the areas affected by the earthquake in central Italy, with particular attention to the elderly and non-self-sufficient people, guaranteeing safety and psychological and physical wellbeing to them and their families through integrated social and health care, health education and prevention activities. The development of a culture of social inclusion is envisaged through forms of personalised care developed on the basis of individual needs taking into account specific gender and age requirements in order to strengthen the transversal nature and innovation of social services and improve access to social assistance and the quality of services by monitoring results. In addition to the recovery of difficult situations, the programme promotes health education actions to ensure care and risk prevention in communities where the elderly population is constantly increasing. The deep rootedness of Poste Italiane in the area affected by the earthquake, has allowed to identify as many Post Offices with structural characteristics adapted to the needs of the project that serve as a reference for the installation of defibrillators available for the entire population, more than 28% of which are over 65 years of age.

## The Cresco Awards: the partnership with Sodalitas to promote sustainable cities

During 2019, Poste Italiane took part in the “Cresco Awards - Sustainable Cities” award ceremony, the event that recognises the initiatives of Italian Municipalities most effective in supporting the sustainable development of territories, promoted annually by the Sodalitas Foundation in collaboration with ANCI (National Association of Italian Municipalities). The awards, given by an independent Jury, were presented this year at the 36th annual meeting of Anci in Arezzo. For the fourth consecutive year, the Cresco Awards have rewarded the best initiatives developed by Municipalities, Metropolitan Cities, Mountain Communities or Unions of Municipalities throughout Italy. 25% of the projects submitted concerned Small Municipalities up to 10,000 inhabitants on issues related to the Sustainable Development Goals of the United Nations Agenda 2030. The initiative has seen the involvement of 16 companies particularly committed to sustainability, including Poste Italiane, which has awarded

the recognition “Per lo sviluppo digitale dei Piccoli Comuni” (For the digital development of Small Municipalities) to the Municipality of Tavenna (CB) for the initiative “Accoglienza, inclusione e coesione sociale” (Welcoming, inclusion and social cohesion), to the Municipality of Tollo (CH) for the initiative “Tollo equa. + ricicli - paghi” (+ recycling - pay) and to the Municipality of Malegno (BS) for the project “Piccoli progettisti crescono” (Small designers grow).

Poste Italiane awarded for **initiatives to support the digital development of Small Municipalities** at the Cresco Awards 2019

## The P.A.I.N.T Project

On the basis of the founding values of proximity and the social role promoted by the Company, as part of the commitments to support Small Municipalities, in 2018, the P.A.I.N.T. (“Poste e Artisti Insieme Nel Territorio” – Poste and Artists together in the territory) project, a territorial initiative for the redevelopment 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 enhances its presence in Italy’s social fabric, in order to make the Company’s predilection for local communities and innovation more concrete and visible. Through an online contest that involved street artists from all over Italy, the Company identified the sketches for 22 murals that were created in 2019 on the outside walls of Post

Offices throughout Italy, transforming them into landmarks for the neighbourhood and citizens.

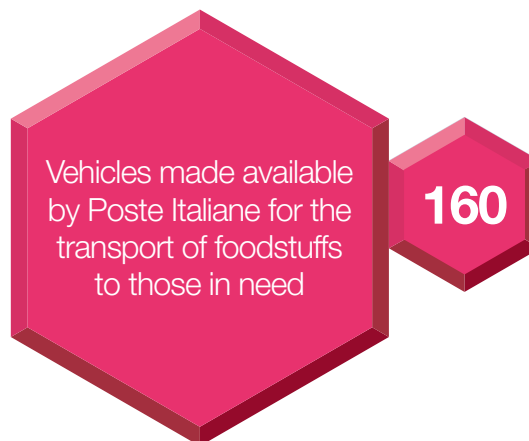
From the collaboration between Poste Italiane and Sky Arte, 8 films were created to share the story of the P.A.I.N.T. project: the Street Artists, the Post Offices, the common people and the construction techniques that gave life to the murals.

22

murals realised within the **P.A.I.N.T.** project

## Social engagement

Poste Italiane is sensitive to social initiatives and the need of its employees to take an active part in social change. According to the principle of social engagement, the Company has joined the 2019 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 about 160 Company vehicles available for the transport of donated food items. Employees participated both as drivers and exclusively as volunteers at supermarkets.



## 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.

With this in mind, during 2019, dialogue activities with the main central institutions were carried out through continuous and transparent involvement and a proactive and positive approach while representing the interests of the Company and the community.

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 an analysis of the impact and possible consequences of a given law, and optimum representation of proposals to change existing legislation.

The legislative activity involves the monitoring of regulatory scenarios and the position of the institutional stakeholders of reference, the preparation, together with the relevant departments, of position papers and proposals on relevant issues from the point of view of discussion regarding the Company's needs with those of the stakeholders of reference and their interests.

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 issues<sup>32</sup>.

32. In 2019, Poste Italiane's support for trade associations amounted to approximately €3.5 million. Poste participates in the activities of Confindustria and local associations aimed at the development of the digital economy and the implementation of services offered to associated companies, based on qualifying products and services of Poste Italiane.



In relation to discussion activities with local institutions, the Company regularly carries out specific activities of dialogue and collaboration also with Regions and local authorities. These activities are aimed at ensuring, with particular reference to Small Municipalities, the collection of their needs and the coordination of initiatives aimed at providing the most appropriate solutions. In order to guarantee this process in the best possible way, in the course of 2019, territorial controls were set up for each company macro-area, within which a person responsible for supporting associations and institutions was identified.

As part of the initiative to support the Small Municipalities, in 2019, the Group signed the Memorandum of Understanding between Poste Italiane, the Lazio Region and ANCI Lazio, aimed at identifying forms of collaboration to offer services in addition to the universal postal service to Municipalities in Lazio with fewer than 5,000 inhabitants.

As proof of the constant attention that Poste Italiane pays to local communities, also following the commitments made to the Small Municipalities, there were over 1,500 meetings with local institutions in 2019, a number that increased significantly compared to 2018.

Among the main local institutions and regulatory and supervisory bodies with which the Company interacts there are: the Italian Communications Authority (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'Economia 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.



Over 1,500 Meetings with local institutions in 2019 as part of the Small Municipalities project

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 CO<sub>2</sub> emissions and assessing the sustainability of the participants' activities, in order to reduce the impact of postal activities on the environment.

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 (Italian Communications Authority) 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 Payments, Mobile and Digital segment.

## Financial inclusion



Main related types of capital



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.

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.

**Around 1,000 mobile consultants dedicated to covering the remotest areas**

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.

### The return of Poste Italiane in the historical centre of L'Aquila

10 years after the earthquake of 6 April 2009, the new Post Office was inaugurated in the historic centre of L'Aquila, which covers an area of 300 square meters and was built with the help of the most modern technologies to combine safety and quality of service: 6 multifunctional doors, 2 consulting rooms and a new generation POSTAMAT automatic teller machine. The reopening of the Post Office in the historic centre of L'Aquila thus contributes to the rebirth of a beautiful city and in particular of its oldest urban core. Expanding and renewing the presence of Poste Italiane in the capital city of Abruzzo is consistent with the industrial strategy, which has its cornerstone in the widespread presence of postal services and is above all in line with the values of inclusion and closeness to citizens and communities that have always characterised the Company.

## Financial inclusion initiatives within Post Offices

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.

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.

Moreover, in line with the Code of Ethics, 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.

Over **7,000 ATM** equipped with voice guidance in 2019  
+ 1,751 compared to 2016 (5,269)

## 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. In addition, an ad hoc display was created to support operators with all the advertising and communication material translated into the various languages of the target customer segments identified.

In line with the commitment adopted by the Company to support the socio-economic inclusion of foreign citizens, two additional multi-ethnic Post Offices were activated in December 2019. More than 3.4 million customers were served in the 27 multi-ethnic Post Offices that are currently active during the year. In addition, in line with previous years, more than 5.5 million transactions were carried out in 2019.



## The financial inclusion of senior citizens, young people and minors

During 2019, there was the inauguration of the Silver Economy Programme designed for senior citizens, with the aim of managing all the Group's actions dedicated to this important segment of the population in a single synergistic framework. The programme provides for several lines 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 letter carriers and Post Offices;
- financial and computer literacy events at Post Offices;
- development of new dedicated offerings;
- dedicated business initiatives.

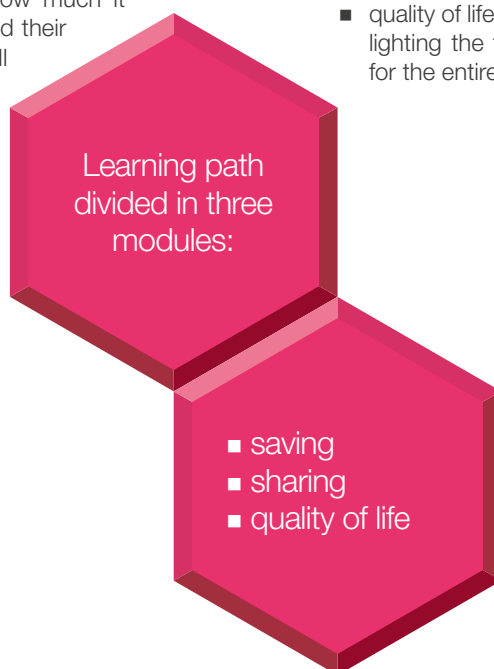
Specifically, the programme aims improving the knowledge of financial and digital tools in a specific segment of the population, that of Seniors. The training of silver customers and citizens is conducted by financial and digital experts of Poste Italiane. This way, the Group continues to offer its contribution of expertise within the strategies developed by the National Committee on Financial Education, with the promotion of initiatives to increase, also among the Italian senior population, financial, insurance and social security knowledge and skills.

### *Il Risparmio che fa Scuola (Savings Education Project)*

The Ministry of Education, University and Research aims to strengthen the economic and financial knowledge of students of all levels of school, in order to educate them to active and aware citizenship. The project *Il Risparmio che fa Scuola*, promoted by Poste Italiane and Cassa di Risparmio di Roma e Prestiti, responds to this need by proposing a unique and original educational path, and completely free of charge. The aim is to train the citizens of the future, leading them to reflect on their saving behaviour (economic, environmental, energy, food) and on how much it can affect the life of everyone and their community. 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:

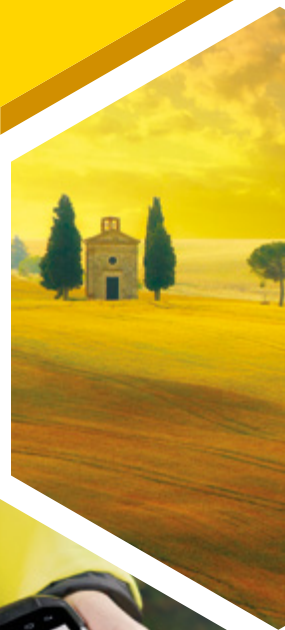
- saving: teaches how to manage financial, energy and natural resources etc. responsibly in order to generate economic and social progress;
- sharing: stresses the importance of entrusting savings to financial institutions so that, when pooled and invested, they result in economic benefits for the community 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.



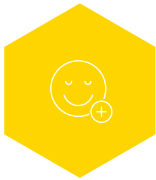
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# Customer experience

- Transformation of customer service
- Customer protection and satisfaction
- Data protection and adequate IT security
- -48% of IT security incidents







# Customer experience

Main types of capital



Physical/  
Structural



Intellectual



Financial



Social-  
relational

Objectives	Timing	Indicator (KPI)	Target	Implementation status 2019
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Outcomes

<b>Improve average complaint handling time</b>	By 2020	Average complaint handling time	15 days	12 days
<b>Increase customer satisfaction</b>	By 2022	Customer Satisfaction	+4% compared to 2018	+1%
<b>Develop the service model by assigning a dedicated consultant to customers</b>	By 2022	Number of dedicated consultants	13,000	8,350
<b>Promote knowledge and skills development within the sales network</b>	By 2022	Hours of training provided to the sales network	6.5 million	1.4 million
<b>Engage Poste Italiane customers and employees via web platforms</b>	By 2019	Number of customers and number of employees involved with web platforms for customer experience	30,000 customers and 6,000 employees involved in the Panel web platform "DilloaPosteitaliane"	20,000 customers and 18,000 employees
<b>Certify privacy protection in the Group's areas of business</b>	By 2022	Number of certified business areas	20%	5%
<b>Improve and simplify the interaction between customer and Company</b>	By 2022	Number of calls handled automatically	15%	New



Objective achieved



Objective not achieved



Deadline for achieving the objective has not yet expired



## Quality and Customer experience



Main related types of capital



Poste Italiane is oriented towards constant improvement in the quality of products and services offered to its customers, in an attempt to fully meet their expectations. In an increasingly mobile, social and multi-channel world, users' needs and behaviour are changing and it is therefore necessary to consolidate relations between the Company and its customers.

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, providing comprehensive and accurate information on products and services, with a view to enabling informed choices and avoid creating inaccurate expectations.

**Customer experience means for Poste Italiane to guarantee the excellence of products and services to provide a simple and safe user experience, fully recognised by its customers**

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, the Company has maintained, in continuity with the previous year, the "Poste Italiane Group Customer experience" indicator - which monitors the quality perceived by customers for the most important products, services and channels of the Poste Italiane Group - for the CEO, the Internal Auditing function and all staff functions.

To confirm the centrality of the issue, it is important to remember that the Board of Directors of Poste Italiane expresses the propensity to risk associated with the lack of satisfaction of customer needs also on the basis of indicators relating to Customer experience, including complaint rates and the Poste Italiane Group Customer experience.

The year 2019 was characterised by important organisational changes in terms of customer centricity.

The Customer experience Transformation function was created with the aim of putting the customer's needs at the centre of the company's strategies and to focus more and more on innovation and the opportunities offered by new technologies to strengthen the company's competitive position, responding promptly and effectively to changes in the scenario and new needs of current and potential customers, reducing time to market in an increasingly incisive manner. The new function is articulated so as to ensure on the physical channel, front line and digital that all new initiatives are launched in a Customer Centric perspective and that all existing products/services are continuously improved.



In line with the Deliver 2022 Plan and the industrial transformation process undertaken by Poste Italiane, the Chief Operating Office function also continues on its path of change undertaken in 2018. The recent reorganisation of the Back Office Services function aims to guarantee continuous improvement in the quality of the services provided to customers, the effectiveness and efficiency of the processes managed, the optimisation of the distribution of work and skills and the raising and redefinition of productivity standards in territorial operating centres, in compliance with sector regulations. The transformation process takes into account the organisational complexity and the different needs related to the business and provides, in particular: the involvement of people throughout the country, the organisational simplification and streamlining of the decision-making chain, the strengthening of governance and control activities, the creation of specialised structures for supply/service lines, the concentration of standardised activities common to different products and services in dedicated structures.

This process of change has provided a training path that allows all the professional figures involved to understand the transformation scenario, acquire knowledge and use of new dedicated tools and contribute to the implementation of the new service model.

During 2019, work continued on the development of the Corporate Reliability process, with particular focus on the postal-logistics process. Specifically, the operating model, process phases and operational tools (including data analytics systems and artificial intelligence) of the Corporate Reliability function have been defined.

Indicative of the Company's willingness to meet the needs of its customers is the employment of more than a thousand employees in the Mail, Parcels and Distribution function at territorial and central level and dedicated to quality and that carry out targeted measurement, prevention and improvement activities. During 2019, in order to guarantee the accuracy, integrity, reliability and consistency of the data necessary to define the KPIs present in the Postal Product Quality Monitoring Model, was the certification of the Model and the data collection processes feeding the monitoring system.

As part of the Deliver 2022 Plan, the customer service transformation plan continues.

The new model aims to make assistance a competitive lever to support the business and the development of relationships with customers with the aim of addressing all customer expectations through an ecosystem of services developed on customers' needs and offering customised solutions. The multi-year project aims to develop the customer journey of assistance by business segment. Customer management is made more efficient through the use of smart and innovative management tools. The new model, in fact, provides several assistance journeys by gradually introducing Artificial Intelligence (AI) that allows optimisation of managed volumes and an increase in self-care. The main areas of improvement in terms of customer satisfaction concern Average Waiting Time in Queue (TMA) and Average Management Time (TMG). The interventions of the Transformation Plan allow a reduction in waiting times and management of requests with a consequent improvement in customer satisfaction levels. Moreover, in line with the "customer centric" approach adopted by the Company, an SMS notification system has been implemented to remind Affluent customers of Poste Italiane of the appointment with their dedicated manager at the Post Office. The SMS thus becomes another immediate channel of contact and helps to consolidate the company's caring system towards the Affluent customer.



## ChatBot Poste, the Poste Italiane Digital Assistant

In 2019, the "Poste Italiane Digital Assistant" tool was developed with the aim of improving and simplifying the interaction between customer and company thanks to the use of artificial intelligence technologies to enhance the role of customer service also through an evolution of trades. The aim of the assistant, a completely digital roBOT, is to help all customers by supporting and guiding them through the entire Poste Italiane offer by providing necessary information and assistance in case of difficulties in using it. At the same time, the bot also acts as the contact center's right-hand man, anticipating customer needs and being proactive in finding practical and effective solutions.



Particular attention is reserved to quality 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 this Policy, adapting it to their own size and organisational and operational context, and related to specific 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 most 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:

- maintaining adequate service quality, in particular by ensuring efficiency and continuity of service in accordance with the specific requirements;
- maintaining the adequacy of the services offered to customers;
- respecting time and optimising 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 standard 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 delivered quality indicators published in periodic reports shared with Top Management;
- an approach aimed at protecting and satisfying customers, measured by the Net Promoter Score (NPS), which measures the propensity of customers 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. The Group further refined the model by spontaneously seeking out customers' opinions at several postal, financial and insur-

ance 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 how quickly and easily the Company solves problems;
- 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.

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 specific procedures that set out principles and rules for handling complaints, which are approved and periodically reviewed by the respective boards of directors.

## “Dillo a Poste Italiane” (Tell Poste Italiane about it) - customers and employees, bearing witness to the customer-centric innovation path the Company has embarked on

“DilloaPosteitaliane” is the Group's online community dedicated to the co-creation and improvement of the Company's products and services. The initiative is part of the innovation process undertaken by the Group that intends to actively involve 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.

Customers can participate in surveys, forums and discussion groups regarding Poste Italiane Group products and services via the online platform [www.dilloaposteitaliane.it](http://www.dilloaposteitaliane.it) thus establishing a direct link between customers and Poste Italiane managers through periodic web chats on specific topics.

Listening activities may be launched by Poste Italiane SpA, 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.

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](http://www.dilloaposteitaliane.it) website. During 2019, registered employees contributed to the co-creation of products with customers, providing important support in defining the characteristics of new offerings.

## Dialogue with consumer associations

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.

In relation to the Consumer Site, in which the products and services of Poste Italiane are presented in preview to the Consumer Associations by collecting suggestions and comments, during 2019 the “Editorial Committee” was implemented, made up of representatives of the Company and the Consumer Associations.

In 2019, with the aim of disseminating the issues addressed at the table and the initiatives promoted within the Site, the work of the Editorial Committee, the newsletter “Dialoguing with consumers”, the information tool aimed at the territorial representatives of consumer associations, was implemented. The activity reports, the materials presented during the meetings and any other useful information, are the subject of this information tool that is sent periodically to all the representatives of the Associations in the territory and is available in the appropriate section of the Company’s website. The newsletter, sent to 1,200 local offices in 2019, aims to inform about the main news in the world of Poste Italiane and to be a vehicle for new ideas and reports, to further

strengthen the bond of knowledge and collaboration that has always characterised the relationship between the two realities.

In order to provide complete information on its products and services, the Group makes available “The Postal Services Charter”. The document offers all the information necessary for the best use of the products of the universal postal service (Legislative Decree 261/99) and describes the quality objectives that the Company is committed to achieving.

The Company also provides the “E@sy commerce” manual, with the aim of guiding consumers in online purchases. The purpose of the Manual is to allow consumers to purchase online with ease and security, developed in collaboration with nineteen Consumer Associations and Netcomm, the Italian e-commerce Consortium to which the most important national e-commerce operators adhere.

Finally, the Company participates in the “Consumers’ Forum”, a unique association on the Italian and European scene, founded in 1999 by a number of important Italian companies and representative consumer associations at national level.

## Cybersecurity, IT Security and Privacy



Main related types of capital



Effective data protection and adequate corporate IT security are essential elements for a company to protect its information assets, as well as those of its customers and stakeholders, and ensure business continuity.

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. Data is one of the most valuable assets for any business because, if properly analysed and managed, it has a positive impact on many operational aspects. Consequently, it is necessary to implement timely IT security strategies in order to ensure the success of the Company.

**The Group’s objective is to ensure the protection of its systems and information assets, adapting the security countermeasures to the minimum and/or appropriate measures provided for by the various reference regulations, with the aim of guaranteeing the mandatory levels of confidentiality, integrity, availability and continuity of the data, information and services provided to customers**

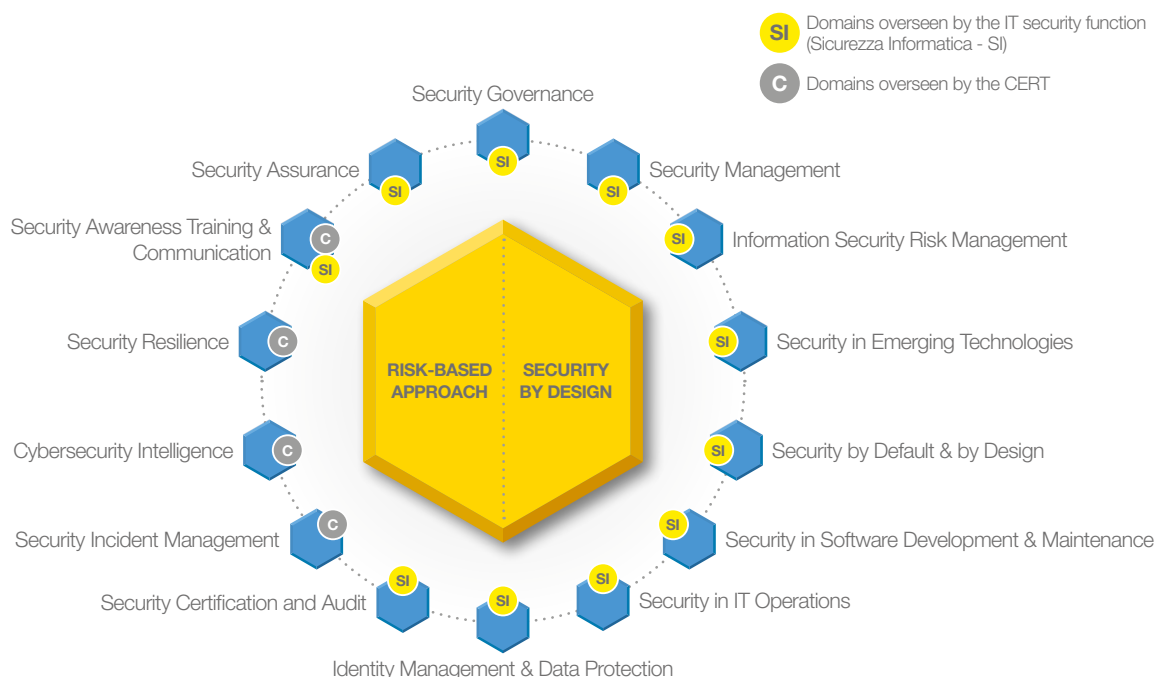
With this in mind, a specific board induction session was held in 2019 on the subject of cybersecurity which, in accordance with the provisions of the new Corporate Governance Code, was aimed at providing members of the Board of Directors and the Board of Statutory Auditors with adequate knowledge of the evolution of the relative risks and the methods of managing them within the Group. This induction activity has allowed the Board of Directors of Poste Italiane to express its propensity to risk associated with IT security within the Group’s Risk Appetite Framework.

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.

In order to achieve its objectives, the Group considers it necessary to adapt not only the technological measures, but also the internal provisions and operational security processes, guaranteeing an adequate level of performance of the security monitoring, an adequate resilience of the business services, and feeding the information flows to the internal control bodies and/or to the reference Authorities. All cybersecurity and IT Security activities are part of the company’s more general objective of fulfilling

the obligations deriving from the various regulatory areas of compliance. This objective also concerns the develop-

ment of new digital services that are realised according to the principles of security by design and by default.



In consideration of the importance assumed by the risks connected to cybersecurity at national and international level, during the year, an experimental project of Cyber Risk Quantification was conducted, using the Factor Analysis of Information Risk (FAIR) methodology, aimed at measuring cyber risk in economic terms and with risk based indicators, on some relevant business systems and for some pre-defined scenarios, based on a statistical methodology.

The IT Security Policy and the objectives it aims to achieve have been the basis for the development by Poste Italiane of a specific IT security framework. The framework foresees specific methodologies for IT risk, transversal interventions and technological projects with the aim of ensuring the proper functioning of security platforms.

Poste Italiane has also adopted the Consolidated Security Act with the aim of providing a concise description of the methodological and operational approach adopted by the Poste Italiane Group for the management of IT Security, a fundamental element for achieving the objectives set out in the five-year Deliver 2022 Strategic Plan.

In order to achieve its objectives, the Group has set up an IT Security Committee to oversee the effectiveness of the security governance model and the implementation of the Permanent Security Plan, aimed at defining and managing the implementation programme for IT security initiatives and projects, structured to ensure the protection of the Poste Italiane Group's strategic information assets and core services. The Plan is managed in the following activities:

- definition of the Plan: census of IT security initiatives and collection of all the information useful for their description (scope, activities, contacts, time planning) in a Permanent Security Plan;
- plan Progress Monitoring: Periodical collection of the progress of the initiatives in the Permanent Security Plan;
- communications and Reporting: representation of the progress of the initiatives in the Permanent Security Plan.

The Group uses an Integrated IT Quality and Security Management System that incorporates the aspects highlighted by international standards regarding sector benchmarks in order to obtain recognition of the Quality & Security Assurance of the services provided by Poste Italiane by obtaining and maintaining Third-Party Certifications, either mandatory or voluntary. This includes verification activities aimed at ascertaining the effectiveness and efficiency of the processes and security measures implemented according to the certifications obtained.

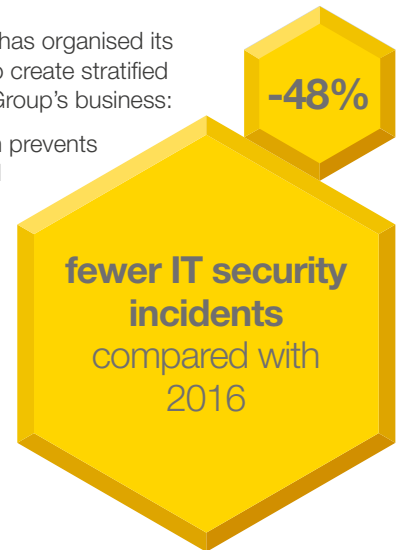
In a rapidly evolving market context in which the current technological revolution generates unimaginable opportunities, the Group's Deliver 2022 Plan has set challenging objectives that require a profound transformation of the business and in particular of the IT function. The Board of Directors plays an important role in this evolutionary process as it is directly involved in the development of the IT strategy and is responsible for supervising cybersecurity information.

## Computer Emergency Response Team (CERT)

In order to combat cybercrime, a specific organisational reality is foreseen, the CERT (Computer Emergency Response Team) specialised in risk prevention, coordination on the management of cyber incidents of the Poste Italiane Group and response to cyber events. It is within a national and international network of similar structures with which it dialogues daily to share information, compromise indicators and attack models in general, a scenario which sees a strong collaboration with the CNAIPIC (National Centre Against Cybercrime for the Protection of Critical Infrastructure) structure of the Postal Police.

The CERT of Poste Italiane has organised its services in such a way as to create stratified levels of protection for the Group's business:

- external perimeter, which prevents attacks by collecting and exchanging information on threats and vulnerabilities that may affect the Group's services;
- internal perimeter, which protects the infrastructure and responds to potential malicious events.



## Cybersecurity: the new space on the Intranet dedicated to IT security

In 2019, Poste Italiane, which has always been sensitive to cybersecurity, made available to all Group employees a section on the NoidiPoste Intranet dedicated to these issues. The new section promotes awareness-raising and literacy activities towards a less specialised audience, through educational tools characterised by a simpler language, such as themed workshops, IT security videos already posted on the Intranet, as well as a series of useful guides and links to be always safe when surfing the Internet. In addition, the section is enriched with the web series “The Investigations of a Cyber Investigator” in which they are reconstructed in television real cases of hacker attacks.

In order to develop and nourish dialogue that is always beneficial on the cyber theme, there is a Blog section featuring in-depth articles on various topics. Each post is open to the public wishing to make contributions or request further information, or simply express doubts.

Every month a cyber-video game is also proposed to stimulate the verification of the learning of IT security concepts.

The main objective of these initiatives is to make employees informed and aware of the protection of the IT tools used every day, and to be able to immediately recognise and report anomalies and possible attempts to violate them.

Another tool available to employees is the Altair portal, which is also a reference point for raising awareness on cybersecurity issues, which is addressed not only to sector experts, 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 cybersecurity issues, guides and useful links to raise users’ IT awareness while they are surfing the web.

The Business Control Center and the security agreement with the Postal Police are linked to the attention that Poste reserves for the protection of the security of all its customers and employees, in light of its leading role for the country and in constant synergy with the institutions, as evidenced also by the agreements signed and the prevention actions carried out daily.

The Business Control Center represents the “technological heart” of the Company’s business process control. One of the main tasks of the structure is to monitor in real time, 24 hours a day, the services provided by Poste Italiane, to protect the security of customers in Post Offices and employees in all workplaces, to combat fraud and cybercrime, and to test the services offered by the Company.

In parallel, the historic collaborative relationship between the Postal and Communications 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 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 cybersecurity tools.

## Personal data protection

With a view to achieving uniform management of personal data and compliance with recent regulatory requirements in this regard, the Group continued the development of its 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 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.

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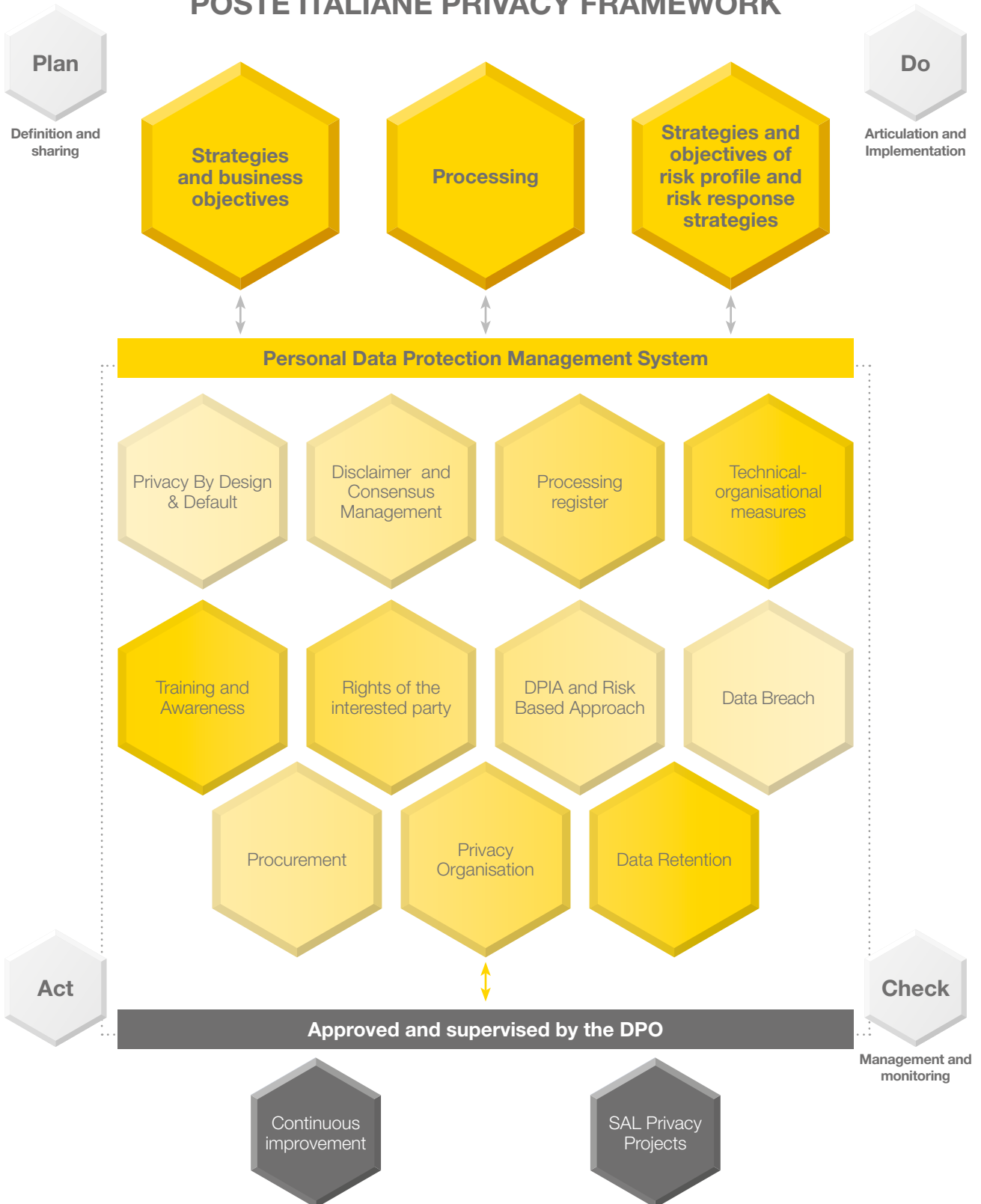
**The Poste Italiane Group considers personal data protection to be a fundamental value that every Group company must adhere to in its daily activities**

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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.

## POSTE ITALIANE PRIVACY FRAMEWORK





In order to guarantee a single Group-wide control unit and the implementation of the framework, the Privacy Function operates 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). 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 aforementioned Privacy Function guarantees the impetus to continuous improvement by coordinating policy management and privacy by design and by default activities, providing constant support to the management of the register of processing activities and the related privacy impact assessment process. It also oversees the management review process at Group level pursuant to article 32 of the GDPR, the latter dedicated to the verification and assessment of the effectiveness and adequacy of the technical and organisational measures applied to processing. Within the Privacy Function operates the Privacy Service Centre, which acts as an interlocutor attentive to the needs of customers as well as a point of collection and efficient and centralised management of requests for access to personal data, rectification/integration, change of consent and other requests. This is also in order to counter the risks associated with possible unlawful processing of personal data. In 2019, the Centre certified ISO 27001 put in place a series of interventions aimed at ensuring increasing attention to the needs of those concerned.

# Innovation

- 4.4 million digital e-wallet portfolios
- Enhancement of the technological capital
- +700 Start-ups analysed
- Opening of the largest sorting centre in the Country
- Over 57 million Digital - Consumer transactions







# Innovation

Main types of capital



Physical/  
Structural



Intellectual



Financial

Objectives	Timing	Indicator (KPI)	Target	Implementation status 2019
<b>Develop the digital services offered through the adoption of blockchain technology</b>	By 2019	Number of digital services offered	Launch of 4 pilot projects based on blockchain technology	Started and finished 4 pilot projects
<b>Install SMART mailboxes</b>	By 2022	Number of SMART mailboxes	11,000	New
<b>Increase digital transactions made via the app or the web</b>	By 2022	Number of digital transactions	100 million	New
<b>Increase the downloads of the Postepay and PosteMobile apps</b>	By 2022	Number of downloads	+10% (baseline: 2019)	New
<b>Increase Postepay Wallets</b>	By 2022	Number of Postepay Wallets	6.5 million	New
<b>Increase merchants enabled to accept payments with Code</b>	By 2022	Number of merchants enabled	500,000	New
<b>Reduce paper consumption due to the dematerialisation of sales operations</b>	By 2019	Number of pages consumed	-30 million compared to 2018	- 30.5 million
<b>Provide Post Offices with dematerialised operating procedures</b>	By 2019	Percentage of Post Offices with dematerialised management	100%	100%

Outcomes



Objective achieved



Objective not achieved



Deadline for achieving the objective has not yet expired



## Innovation and digitisation of products, services and processes

Main related types of capital



Following the importance attributed to the theme of innovation and digitisation during the 2019 Multi-stakeholder Forum, and considering the centrality of this theme for the success of the Deliver 2022 strategy, the Company has planned to introduce a specific Pillar dedicated to the theme of innovation in such Report.

For Poste Italiane, innovation and digitisation represent the beating heart for the promotion of change and the key tool to accompany its customers in the process of digital transformation. As part of this path, the Company is committed

to adopting a highly inclusive approach, aimed at promoting accessibility by all its customers.

**In line with its values and the Group's mission to support development and inclusion, Poste Italiane is committed to leading the country system towards progress and modernisation by defining processes that enable the development of increasingly innovative products and services**

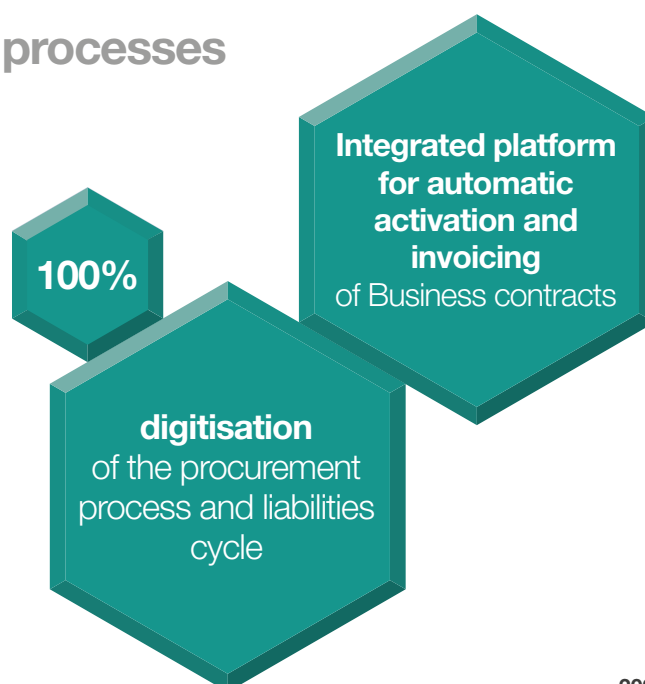
### *Percorsi per l'innovazione (Paths for innovation)*

The initiative Paths for innovation continued in 2019; it was set up in 2017 with the launch of some Innovation Storms or company Hackathons that have as their objective the engagement and involvement of the corporate population in experiences of creativity and problem solving related to issues of interest to the business. The activation of the Hackathons was the last stage of a path that was developed with internal selection, training and finally engagement on the development of ideas to solve open issues of business. The first step of the path allowed to intercept the people most adherent to a predefined profile through some tests and classroom sessions dedicated to Digital issues. The resources selected then analysed issues of change and innovation by participating in an "Envisioning Lab", a full immersion with focus on the clusters of the Deliver 2022 Strategic Plan, through lectures, speeches and testimonies by professionals in the field and teaching of Design Thinking, arriving then to a challenge during the final Hackathon. Making people protagonists of change, involving them in business transformation processes, soliciting moments of cross-functional collaboration, spreading innovative working methods and encouraging the exploration of areas and topics outside their own comfort zones or everyday working life, are the objectives that "Paths for innovation" seeks to renew year after year by supporting the dissemination of a digital mindset. The energy, participation and engagement that have emerged, push the Company to continue to expand the pool of people to whom to propose participation.

## Innovation and digitisation of processes

In a complex and challenging scenario, the Group's strategic evolution requires leveraging the development of innovation and the enhancement of technological assets to ensure both the capitalisation of what has already been achieved and the development of innovative solutions, as a support and source for business evolution. Over the years, Poste Italiane has shown its ability to transform its operational structures and services by adapting to market needs in constant evolution, through continuous investments in technology and know-how.

The Company therefore intends to better manage the needs of its customers, through strategic investments in physical and digital infrastructures, all in line with the Deliver 2022 Strategic Plan. The Plan has, in fact, innovation as its main pillar, requiring a profound transformation of the business and therefore of the company's IT systems and processes to support the achievement of its objectives.



To support the Digital Transformation process undertaken, the Company has planned a paradigm shift to evolve from a product-driven model towards a platform company logic, based on a generative, inclusive and transversal culture, and from a producer profile towards an aggregator and needs orchestrator profile. At business level, this involves a fluid and interchangeable ecosystem where the role of experiential player and customer-centric focuses not only on profit but also on the customer, ethics and sustainability.

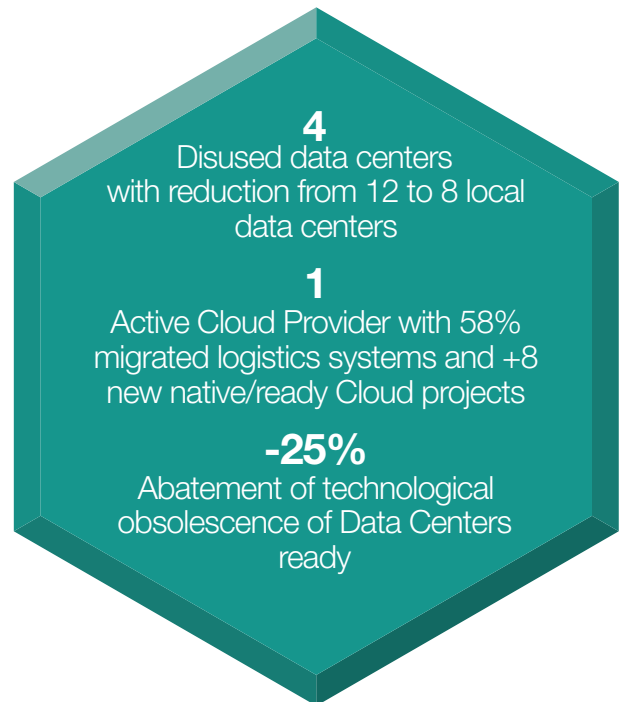
Poste Italiane embarked on an important transformation process involving the entire Group, which has several objectives: placing the customer increasingly at the centre of strategies; enhancing the Post Office network in synergy with digital channels; developing multichannel access and use methods; strengthening 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 (Digital and User Experience within the Customer experience Transformation function), which serves as a competence centre to support the implementation of the Group's digital strategy, and Postepay, the largest Electronic Money Institution (EMI) 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.

The company management is directly involved in the supervision and management of IT issues and the transformation process undertaken by the Company. In this regard, in November 2019, the Board of Directors attended a specific induction session in which the role of information systems to support the implementation of the Business Strategy was illustrated.

Various digital innovations have been introduced into the business processes. In recent years, natively digital, automated and streamlined processes have been developed so as to simplify customer interaction and internal operations. Customer relationships, information and contracts are increasingly digital, business processes are even more digital and real-time to simplify and improve customer service and internal operational processes are automated on a large scale with minimal manual operation.

During 2019, the digitisation of the liabilities cycle was started through the evolution of the BPM Workflow Management system, functional to the complete dematerialisation of the phases of the purchasing process.



In addition, during the year, 1,300 users of 24 requesting facilities were enabled and over 45,000 purchase requests (RDA) were dematerialised and managed through BPM. The application is also accessible with webApp, which can be used from mobile devices. The project, in addition to obvious benefits on sustainability issues (about 350,000 pages/year unprinted), helps to strengthen monitoring and compliance throughout the process and significantly reduce the time it takes to pass through (by about 30% for tenders above the threshold).

Another enabling factor in the Digital Transformation path undertaken by the Company is the adoption of a state-of-the-art IT system that guarantees the highest standards of efficiency, agility and quality. In particular, it adopts a Hybrid Cloud architecture based on two public cloud providers and three data centers.

In this context, the Group has expanded its collaboration with Microsoft to support its Digital Transformation plan.

This collaboration 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 ensure a constantly updated overview of its customers and ongoing activities, in order to optimise the experience and offer increasingly integrated services.

## Poste Italiane for the blockchain development

In 2019, Poste Italiane joined the Hyperledger community, a global consortium of the Linux Foundation that brings together over 260 global players from different industries and united in the development of an open source standard for blockchain and Distributed Ledger Technologies (DLT). The adherence to Hyperledger is consistent with the strategic guidelines identified in the Deliver 2022 Business Plan, which aim to strengthen the digital leadership of Poste Italiane and to accelerate the acquisition of new skills and experimentation of blockchain technology and DLT to better understand the potential to generate innovation in business.

At a time when digital evolution is rapidly providing 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.

There have been many innovative solutions in recent years and close partnerships with companies in the digital sector and technology start-ups to encourage the development of new business initiatives, but also to promote a change in corporate culture. This open approach therefore favours the exchange of ideas oriented towards the progress and success of the Company.

While in the past the scouting activity focused primarily on start-ups with solutions already available on the market and tending to be consolidated, with a view to potential collaboration in the short term, recently research has also expanded to early stage start-ups, in order to promote and accelerate their development, in line with Poste's plans.

As part of the Open Innovation activities aimed at identifying innovative solutions consistent and functional to achieve the objectives set out in the Plan, over 700 start-ups were analysed, 80% of which came from Venture Capital Funds or national and international Open Innovation Programmes with which Poste Italiane has signed collaboration agreements. Among the start-ups analysed, over 100 were considered of potential interest for the functions and currently about 30 are shared for potential synergies and/or collaborations. As announced at the Innovation Workshop with investors held in London in January 2020, with four start-ups, with which the Company has found a clear and current opportunity to capitalise on its credibility and proven expertise in delivering innovations to the entire population, active collaboration is underway in the areas of logistics, last-mile delivery, financial services and payments.

In particular, in 2019, the Company entered into an agreement with Moneyfarm that provides for Poste Italiane to distribute an ETF asset management service with 7 investment lines (two of which developed exclusively for Poste Italiane's customers). Moneyfarm will manage the definition and management of the most suitable investment portfolio for each investor. Poste Italiane will manage customer service and CRM, to ensure the best experience throughout

the process. The partnership represents one of the major agreements based on API (Application Program Interface) integration in the European asset management sector in terms of customer base, based on an open innovation system that combines Moneyfarm's innovative technology with the modularity and flexibility of Poste Italiane's digital ecosystem. In addition, customer profiling, definition of new investment portfolios and real-time monitoring of performance at all times are entirely digital.

Secondly, the Company participated in the latest 90 million fund raising organised by Tink, an open banking platform that connects more than 2,500 banks to reach over 250 million customers. The start-up supports Poste Italiane for the opportunities from open banking, resulting from an ever-changing context determined by the new PSD2 regulation; for its part, the Group offers its status as a recognised brand which, combined with Tink's analytical tools, will allow it to benefit from a future that will be digital, "data-driven", transparent and "agnostic" with respect to the banking world.

The Group has also partnered with sender, a digital carrier that uses technology to maximise saturation and flexibility in long-haul road transport. The joint venture has been intensifying to apply to the Group's entire Full Truck Load business, with a specific focus on reducing the annual costs of the current total transport volume.

Finally, by collaborating with Milkman, a home delivery start-up, the Group aims to improve the e-commerce customer experience by providing value-added, flexible and advanced delivery services, which are currently not offered by traditional couriers on the market. Specifically, Same Day and Scheduled Delivery services will be provided.

At the same time, the Company has made significant investments in the automation of sorting, shipping and tracking processes.

In particular, in 2019, Poste Italiane opened the largest sorting centre in the country in Bologna.

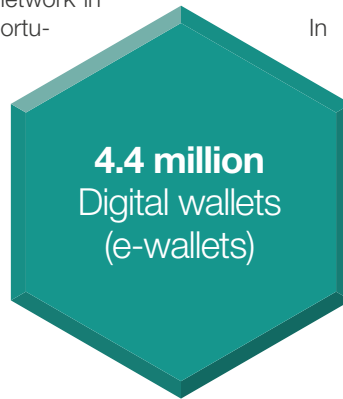


**+700  
Start-ups  
analysed**



**In 2019,  
Poste Italiane  
inaugurated in Bologna  
the largest hub in the  
country capable  
of sorting 34 thousand  
parcels every  
hour**

The structure, built on an area of 75 thousand square meters and capable of sorting 34,000 parcels every hour, is an emblem of the Company's ability to combine innovation and tradition, remaining an integral part of the social fabric of the country and becoming an engine of development. The Hub represents an example of the strategic design implemented by the Company that aims at growth in logistics related to online purchasing. Operating in synergy with the most widespread distribution network in Italy and, at the same time, exploiting the opportunities offered by the digital world, the Bologna centre makes it possible to implement the development and innovation path outlined in the Deliver 2022 Business Plan, making a decisive contribution to the spread of e-commerce and digitisation in Italy.



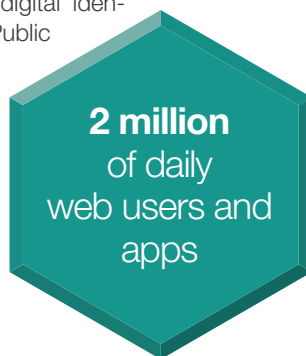
It is the most modern and largest logistics facility in the country and one of the most environmentally advanced. In fact, photovoltaic panels covering an area of 5,500 square meters have been installed on the roof of the system and generate more electricity than its daytime energy needs

In addition, the Hub allows the Company to respond more effectively to the growth in value and volume of online trade in Italy. Therefore, the new structure is able to double the volumes delivered by the Company, as it is equipped with an automatic system of the latest generation capable of processing 250 thousand parcels every day. In this perspective, the new logistics centre represents a strategic infrastructure to consolidate Poste's leadership in the parcel express courier sector.

## Innovation and digitisation of products and services

Poste Italiane contributes to the constant creation of positive externalities on society, through continuous technological evolution, affecting the reduction of environmental impacts and promoting social inclusion, thanks to the definition of products and services accessible to all customers.

In this sense, innovative digital solutions have already been implemented in the Group's various realities. 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.



In 2019, with regard to the fixed line market, PosteMobile provided for a specific tariff for the target Senior and for the target Families. The offer includes a voice-only profile (PosteMobile Casa) addressed to senior customers and a voice and internet profile (PosteMobile Casa Internet), created to meet the families' needs.

The objective for the coming years is to continue to invest in the development of offers that favour the inclusion and availability of tariffs for navigation even in territories with less choice of digital services and internet navigation.

In addition, PostePay, in line with the acceleration that the Company is having in terms of contribution to innovation for the country, has planned for 2020 the confirmation of the online channel as a strategic lever to increase the number of interested customers and always in synergy with the Post Office network.

In the area of business services, improvements have been made to the user experience of the BancoPosta Impresa Online site and the new BPIOLkey app, which authorises access to financial services for companies in line with the adjustments required by the European PSD2 regulations, has been published on the stores.

The growth in Poste Italiane's digital payment services is also confirmed by the increase in digital portfolios (e-wallets) in one year, which rose from 2.5 to 4.4 million in 2019.

In support of the digital transformation, during 2019, the TuttolnCloudMulta initiative was created, an innovative service launched by Postel that allows local administrations to digitise the sanctioning procedure regarding traffic violations, from the fine to the notification, without any investment and purchase of software licenses. The tool makes it possible to adapt the Body's procedures to the Digital Administration Code, to reduce the percentage of appeals and to cancel software maintenance and adaptation costs.

A proof of the commitment to support innovation in the transformation plan of Customer Care in logistics and shipping, financial, insurance and digital payment services was the SMAU Innovation Award, received by Poste Italiane for the development of ChatBot customer care.



## Postepay Code

In line with the acceleration that Poste Italiane is giving in terms of contribution to innovation, Postepay is aiming at an increasingly richer offer of services and functionalities, with the aim of digitising consumers and retailers in a way that is increasingly focused on apps.

In line with these aims, Postepay, which has more than 11 million downloaded APPs, has developed the Postepay Code, which is configured as a new app based on the QR code.

Postepay Code is the solution that can break down the barriers to the spread of traditional acquiring services. In particular, it is positioned in a competitive way with respect to the solutions on the market thanks to some of its specific characteristics:

- it is an all-digital app-based service that targets both payers and cashiers, and does not require an additional POS installation by the retailer;
- it also optimizes and facilitates the entry of small merchants as there is no need to open a new account;
- it has a competitive and in any case free pricing for all transactions below €10, just to encourage the use of electronic payment instruments in micro-transactions, which are those that favour the use of cash;
- autonomous management of discounts and promotions with the Sconti Poste loyalty programme, encouraging growth in the number of participating merchants (to date around 4,100);
- possibility, also for small merchants and therefore, with value also as a contribution to inclusion, to reach a wider customer base to which it can provide its services in a simple and transparent way.

The Code is part of the broader framework of Poste Italiane's war on cash initiatives and aims to intercept the small consumer spending that today takes place mainly in cash, in line with government action and the social role of Poste Italiane that encourages the use of e-money in order to combat evasion.

The initiative also includes the expansion of the customer base with that of Alipay, world leader in digital payments, which will be able to use the QR code services offered by PostePay in Italy and leverage a potential pool of about 5 million Asian tourists who come to Italy every year.



Number of Digital Transactions - Consumers equal to **57.1 million**

To help consolidate the digital ecosystem of Poste Italiane, the development plan of the Postepay Code foresees a roll out with a geo-localised approach on about 100 districts located throughout the Italian territory. This phase will involve a relevant pool of merchants and customers interested in trying a new digital payment experience and will allow to test and develop the Postepay code acceptance network both from a technical and positioning point of view.

In order to have a wider spread throughout the country, marketing will take place in the second half of 2020 with a new innovative sales model, characterised by an open, multi-channel and integrated approach formed by the commercial networks of Poste Italiane and thus Post Offices, commercial resources that will be able to operate off-site and digital channels such as APPs and of course the website.

Other instruments supporting the Group's inclusion policies include the partnership with Western Union, one of the leaders in the international fund transfer service. Western Union is the world leader in Money Transfer services with more than 150 million customers, 2,000 banks and 100 Postal Partner organisations reaching about 200 countries and territories.

The objective of this proposal, in line with the digital push required by the market, is to expand and improve the range of services offered by Poste Italiane in digital mode while contributing to a progressive reduction in costs and making the international fund transfer service more accessible, especially to those sections of the population with lower spending capacity and therefore, from this perspective, the service can be considered a contribution to social inclusion.

Postepay's fund transfer service also promotes the reduction of the use of cash, the traceability of transactions and movements of money abroad, the dematerialisation of documents relating to the sending of money, making it easier and more convenient for foreigners present in Italy (new Italians) to provide financial help to relatives and friends living in their countries of origin.

For these characteristics, this service is mainly aimed at the so-called new Italian customers and offered in integrated mode through the Postepay app dedicated to individuals who own a Postepay Evolution.

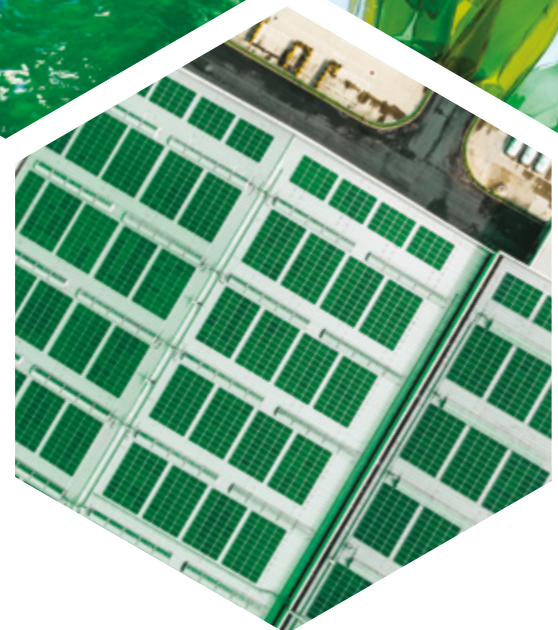
From the point of view of development, it can be estimated that over the next 3 years, this service will lead to a significant increase in digital traffic and in the number of customers who will be able to use Poste Italiane's digital services.

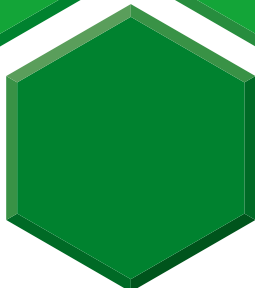
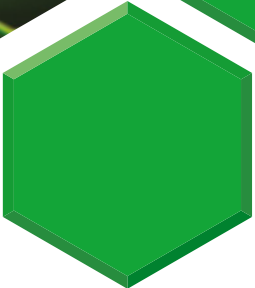
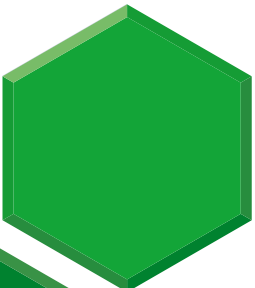
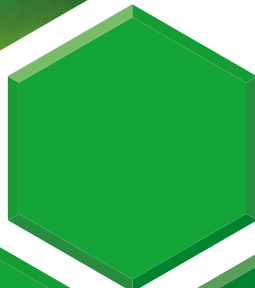
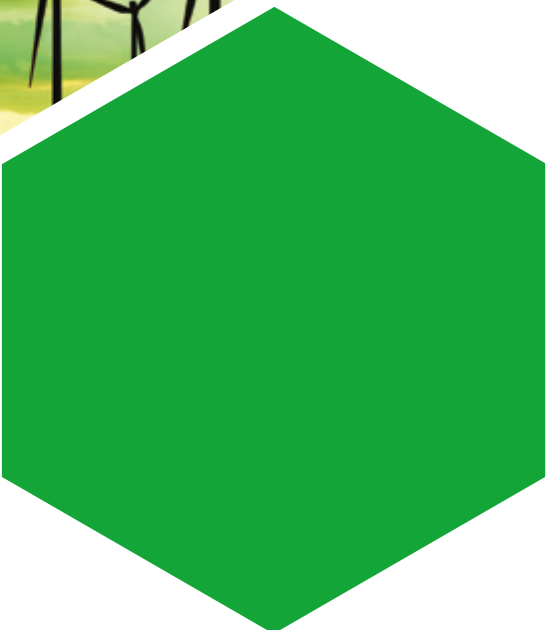


**4.1 million** of SPID-enabled digital identities

# Decarbonisation of real estate facilities and logistics

- Environmental protection
- Incorporation of environmental aspects into the products and services offered
- Photovoltaic dissemination
- Green transport







# Decarbonisation of real estate facilities and logistics

Main types of capital



Natural



Physical/  
Structural

Objectives	Timing	Indicator (KPI)	Target	Implementation status 2019
Replace the company fleet with vehicles with reduced environmental impact	By 2022	Number of company vehicles with reduced environmental impact introduced	+26,000	New
Reduce emissions from transportation	By 2022	% of emissions produced	-40%	New
Reduce the total number of kilometres travelled by increasing First Time Delivery Success	By 2019	% of parcels delivered on the first attempt	90%	91.8%
Reduce the Group's total energy consumption from non-renewable sources	By 2022	GWh less electricity from non-renewable sources consumed by buildings	-7.5 GWh	- 3.2 GWh
Reduce the Group's total energy consumption from renewable sources	By 2022	GWh total electricity consumed by buildings	-32.8 GWh	-12.3 GWh
Reduce the Group's total direct GHG emissions (Scope 1)	By 2022	tCO <sub>2</sub> e emitted by direct energy consumed by properties	-1,000 tCO <sub>2</sub> e	-78 tCO <sub>2</sub> e from LPG consumption
Reduce the Group's total indirect GHG emissions (Scope 2)	By 2022	tCO <sub>2</sub> e emitted by indirect energy consumed by properties	-9,132 tCO <sub>2</sub> e	-5,617 tCO <sub>2</sub> e
Certify Corporate processes in accordance with ISO 14001 and ISO 50001	By 2019	Corporate processes ISO 14001 and ISO 50001 certified	100%	100% relevant Companies

Outcomes



Objective achieved



Objective not achieved



Deadline for achieving the objective has not yet expired

## Environmental impacts of real estate facilities



Main related types of capital



Poste Italiane attributes primary importance to the issue of environmental protection within its Code of Ethics, with the aim of promoting innovative solutions capable of protecting the natural capital, by minimising the environmental impacts produced.

**The Company's objective is to spread an environmental protection culture and a stimulus to conscious conduct in the use of energy 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.

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.

In this context, in 2019, the Group pursued the objective of renewing utilities contracts (gas and EE), making consumption more efficient, reducing emissions and implementing management support systems.

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 a 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.

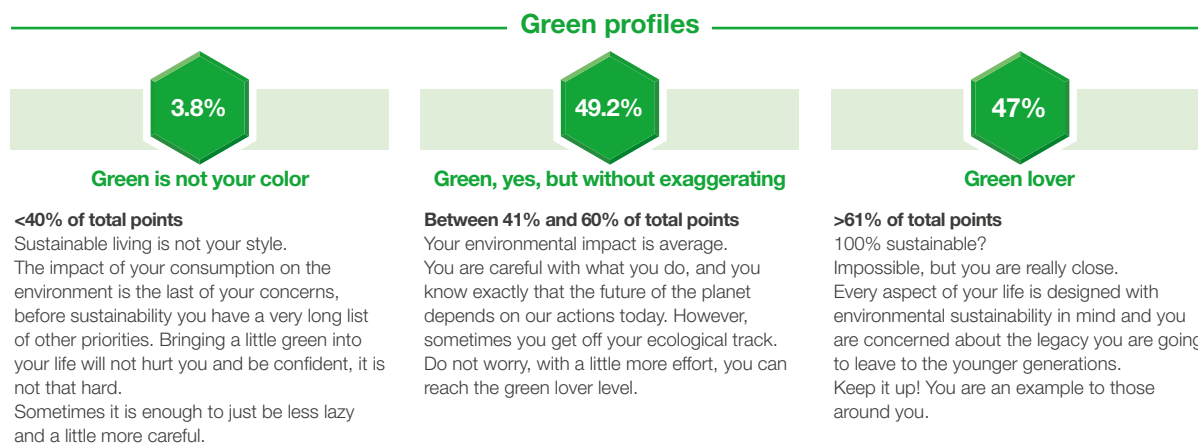
Therefore, the Policy's objective is to prevent, manage and, where possible, reduce the environmental impacts generated by the Company's operational activities, in particular, from the use of buildings and logistics and transport activities, whether carried out directly or through suppliers and partners.

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.



## Campaign #QuantoSeiGreen (#HowGreenAreYou?)

The Group seeks to raise awareness among its employees to adopt more sustainable conduct in their daily activities. In fact, as part of the “Your opinion counts” employee listening process, the #QuantoSeiGreen? survey has recently been online to find out their level of environmental sustainability.



At the end of the survey, based on the score achieved, each participant obtained their own green profile. Overall, 3 different employee profiles emerged: “Green Lover” (47%), “Green yes, but without exaggeration” (49.2%), and “Green is not your color” (3.8%). The survey returned positive results regarding the conduct of colleagues: 21% use public transport for home-work trips. When using water, 97% said they use the shower rather than the bathtub, and 55% use it for 5 minutes. In addition, 8 out of 10 people close the water while brushing their teeth. As far as housing is concerned, 26% of respondents have equipped their homes with at least one solution based on the use of renewable energy, more than half (57%) set a temperature  $\leq 20^\circ$  in winter on the home thermostat, while 40% of those who have an air conditioner set it to temperatures  $\leq 25^\circ$ . Approximately 85% said they had at least 1 thermal insulation feature in their home and almost all respondents (94%) have most energy-efficient light bulbs at home. 71% say they always use the dishwasher at full load, 53% leave the electronic devices on stand-by and 79% of respondents let the laundry dry on the clothes rack. In the office, 9 out of 10 people sort paper and plastic from other waste, 7 out of 10 people in the office and/or at home always turn off the light and/or the PC when they leave a room.

The survey is aimed at encouraging all those who have obtained a low score to adopt a more respectful attitude towards nature, thanks to the Company’s suggestions, starting with a few simple measures that help to save CO<sub>2</sub> while preserving the environment in which they live.

In addition, in the second half of 2019, a project was launched for the procurement of materials generated from recycled plastic to replace virgin plastic materials used in logistics. With regard to paper destined for the Group’s bulk printing plants, during 2019, activities focused on FSC (Forest Stewardship Council) certified products for 11,000 tonnes of paper. The FSC certification mark guarantees environmentally friendly, socially useful and economically sustainable forest management.

Purchases of consumables relating to ream paper for internal use within the Group, supply of labels, various packaging, forms and cartons comply, where applicable, with the “Minimum Environmental Criteria” set by the Ministry of the Environment on 4 April 2013 and those relating to original and regenerated printer consumables comply, where applicable, with the “Minimum Environmental Criteria” updated by the Ministry of the Environment on 17 October 2019.

At the same time, the Company facilitates the new sensitivity to impact reduction by planning a plurality of initiatives. With regard to sustainable mobility: from the renewal and extension of agreements with local public transport companies, to the new section of the Poste Pedala portal with related app; from the dissemination of car/scooter sharing, to the promotion of eco-driving and dissemination of the culture of sustainable travel. In the field of logistics decarbonisation: from the completion of the supply of electric tricycles to the renewal of the electric quadri-cycle fleet, to the progressive replacement by 2022 of the current vehicles with the latest generation of limited emission vehicles. Finally, in the field of environmental protection and decarbonisation of buildings: from the entry into production of the first photovoltaic systems to the continuation of the conversion plan for LED lighting systems, to efficiency actions on boilers, heating, cooling and thermal insulation systems on more than 100 buildings; from the planting plan on the land owned by Poste, to the Green competition among the most energy-intensive buildings.

Moreover, Poste Italiane identified three main areas of intervention regarding which projects and activities were 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.

## Re Boat National Race

In line with the attention paid to the involvement of employees in sports initiatives, in 2019, the Company took part in the tenth edition of the Re Boat National Race, the Recycled Regatta, participating with 4 green teams. The Re Boat National Contest gives shape to ideas and solutions based on the themes of waste recovery and recycling, the use of alternative, clean and renewable energy sources, rewarding the most innovative proposals, with a view to sustainable development and environmental respect.

The Group has adopted a Management System in compliance with current regulations and national and international best practices, and a Group-wide certification process has been launched, with priority being given to those companies with the greatest environmental impact. In this regard, Postel SpA and 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.

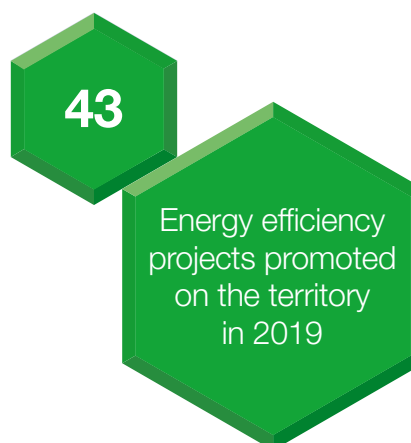
In line with the provisions of the law, the two Group companies have adopted these environmental policies:

- **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. In addition, during 2019, it pursued objectives to increase the efficiency of synergies with the Parent Company and other group companies, as well as strengthening actions on the three strategic business lines (Printing, Ged and DM).

- **SDA SpA's Quality, Environment and Occupational Health and Safety Policy** contains the principles that govern and guarantee a correct 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 2019, Poste Italiane undertook to launch multi-year projects aimed at reducing the environmental impact of properties and the use of non-renewable sources.



## European Investment Bank loan

In 2019, Poste Italiane obtained a loan of 400 million from the European Investment Bank to support the Group's multi-year Deliver 2022 Strategic Plan. The loan is intended for the implementation of 80 projects in different sectors.

With the aim of reducing the environmental impact of its activities, the Group has earmarked part of the loan for the installation of high-efficiency photovoltaic panels in 661 postal buildings and the adaptation of the buildings to the most advanced energy efficiency standards, with the aim of reducing carbon dioxide emissions.

The agreement confirms the Company's attention to the protection of the environment as a primary asset, assuming, within its facilities, a rational use of resources and seeking innovative solutions to ensure energy savings.

In this context, from an environmental responsibility perspective, the Group considers energy efficiency to be one of the main elements for combining economic growth and sustainable development, and it has reduced its environmental strategy to two main areas of intervention:

■ **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. In particular, as part of the Poste Group's photovoltaic project, the first pilot plants were started up and tests were carried out for the subsequent implementation of the remaining plants.

As far as the supply of electricity is concerned, more than 95% of the Group's requirements are acquired by the reference market through the Group company Europa Gestioni Immobiliari (with a percentage equal to 100% from renewable sources certified Guarantees of Origin) and a small percentage acquired through other non-renewable channels (national grid). A residual share of the requirements is self-produced by proprietary photovoltaic systems. In this regard, in order to increase self-production of energy, at the end of 2019, a significant tender procedure of €32.2 million was launched for the implementation of 600 new installations of photovoltaic systems.

■ **Smart building.** 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. More specifically, the major property efficiency actions carried out by the Group in 2019 concern some plants decommissioned and/or converted to more advanced energy efficiency standards.

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.

In relation to energy efficiency, 43 projects were coordinated on the territory focused on reducing consumption (gas and electricity) and emissions.

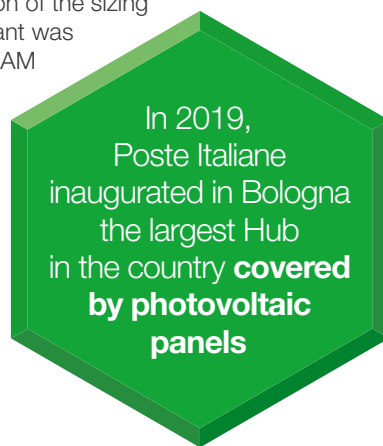
## Operation Real Estate in the City West of Berlin

In 2019, the joint venture between Poste Vita and Generali Real Estate, aimed at co-investing in the European real estate sector, announced a major acquisition.

A binding agreement has been signed with Barings Real Estate GmbH for the acquisition of The Westlight, a new high-end office building, currently under construction, located in the commercial and business area of City West in Berlin. The building will be characterised by a distinctive and transparent architecture, as well as great attention to energy efficiency, as demonstrated by the LEED Gold certification currently underway.



- Energy efficiencies at Sorting Centres (CMP).** The objective of Poste Italiane is to reduce electricity and gas withdrawals in order to offset expected tariff increases and reduce overall procurement costs. With this in mind, an update of the BMS (Building Management System) installed on the CMPs was implemented and Dashboards were developed to analyse consumption and performance available to the headquarters and the territory. In addition, energy certifications were carried out on the 100 most energy-intensive sites by internal EGE technicians and an external company.
- 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. The company SDA has opened 3 new offices equipped with photovoltaic and solar thermal systems, for sanitary use, and LED lighting. While for the new Bologna Hub site, the analysis and verification of the sizing of the photovoltaic plant was started and the BREEAM (Building Research Establishment Environmental Assessment Method) and LEED GOLD sustainability certifications were obtained.



- LED lighting.** Also in 2019, Poste Italiane invested particularly in the area of smart technologies, focusing on the gradual installation of LED (Light Emitting Diode) lighting. In 2019, 106,000 LED lights were installed in almost 1,000 buildings and LED relamping was carried out at 5 of the most energy-intensive sites. The overall project aims to significantly reduce electricity consumption, emissions and 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 CO<sub>2</sub> 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, during 2019, Poste Italiane confirmed its focus on environmental sustainability issues through a variety of initiatives aimed at raising employees' awareness and orienting them towards virtuous conduct. Poste Italiane continues to participate in the "green month" project, which consists of thirty days of focus on the environment through participation in awareness initiatives such as "M'illumino di meno", which launches the green month, and "Earth Hour", which closes it. The first is a campaign to promote energy saving and a sustainable lifestyle, the second a worldwide event organized by WWF, which consists of turning off the lights for one hour, from 8:30 pm to 9:30 pm worldwide. In both cases, Poste Italiane participates by symbolically turning off or turning down the lights in various company offices throughout the country, accompanying the symbolic gesture with awareness campaigns aimed at employees and customers on the importance of rational use of energy and water resources. The main theme of the 2019 edition of Green Month was the circular economy.

## 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 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 order to indicate, manage and organise the company’s strategies in the vehicle sector, in January 2019, the Company established the Fleet Management function. The function has the task of defining and ensuring governance, guidelines and suitable tools for obtaining the best services for the entire fleet of Poste Italiane and Group companies, as well as optimising the related operating costs and ensur-

ing constant scouting of the reference sector, in order to seize the opportunities offered by the market and identify innovative solutions, in compliance with safety, sustainability and cost-effectiveness criteria.

With the aim of informing the main stakeholders about the initiatives carried out to reduce the environmental impact of its activities, in the logistics sector, Poste Italiane illustrated the main initiatives relating to sustainable mobility at the CSR Exhibition held in October 2019.

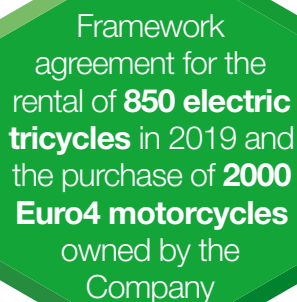
## The promotion of Mobility Management

In line with the provisions of the Policy, the Company is committed to raising employees’ awareness of environmental responsibility, promoting numerous events in the field of Mobility Management with the aim of improving the home-work travel of staff, promoting the use of public transport, car-pooling, alternative and collective mobility with low environmental impact and in relation to the optimisation of the entrance and parking areas of corporate offices.

In addition, with the aim of raising awareness of sustainable travel among its employees, in 2019, the Company invited employees to participate in the traditional National Bike to Work Day, the national event aimed at promoting the use of bicycles, especially for home-office travel. The company’s commitment to promoting employee participation in such events testifies to the fact that environmental sustainability and employee wellbeing are two cornerstones of the Group’s philosophy.

Initiatives to encourage cycling in urban mobility are also included in the PostePedala programme.

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, as of 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.



Framework agreement for the rental of **850 electric tricycles** in 2019 and the purchase of **2000 Euro4 motorcycles** owned by the Company

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, frequency and type of product.

In a nutshell, this new operating model, characterised by a change in delivery frequency, leads to a reduction in the number of kilometres travelled for traditional delivery activities and less need for vehicles.

The Group’s strong commitment to improving its environmental performance can also be seen in terms of its transport strategy. The Company, with 33,500 vehicles, motorcycles, three wheels, vans and service vehicles, has the largest “ground” fleet in Italy and among the largest in Europe and is committed to reducing its “ecological footprint”. Attention to environmental protection and the transformation underway in logistics linked to e-commerce have also led Poste Italiane to reconfigure the mix of vehicles that make up the last mile fleet. Starting from the year 2000, the Company has provided for the introduction of 4-wheeled natural gas powered vehicles, followed by the introduction of “Free Duck” (electric quadricycles) and the full rent supply of 4-wheeled vehicles with alternative power supply (natural gas powered cars and vans, LPG/hybrid cars and electric vans). This plan continued in 2019 with interventions that concerned both its own logistics activities and those contracted out. With specific reference to the last mile fleet, between 2018 and 2019, about 550 Euro3 thermal mopeds were replaced with the same number of electric tricycles, providing for the installation of the relevant charging points. In addition, the fleet of motorcycles has been renewed with 2,000 units with Euro4 engines, with a greater volume and capacity than at present. At the same time, for contract logistics, the contract for secondary transport (carried out by third parties) has been revised, which introduces the obligation to use vehicles with an environmental class of not less than Euro 6 and a premium for bi fuel.

By the end of the first half of 2020, the supply of 850 three-wheeled vehicles with electric power supply will be completed, which will bring benefits both in terms of load capacity (increased volume) and in terms of safety (thanks to the greater stability of the three-wheeled vehicle compared to current two-wheel mopeds).

By 2022, the vehicle fleet will be renewed by replacing current vehicles with new-generation low-emission electric, hybrid and endothermic vehicles.

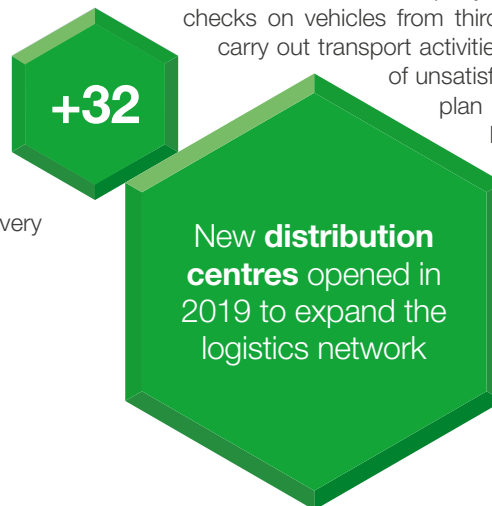
At the beginning of 2020, at the Vallenga circuit, Poste Italiane letter carriers and drivers were engaged in a day of test drives and training to assess the performance of thermal, hybrid and electric three- and four-wheeled vehicles. On the Roman circuit, a group of twenty experienced colleagues from the Mail, Logistics and Communication sector took part in a test on the qualities and characteristics of vehicles to improve their everyday operation.

## Poste participates in the Green Postal Day

In 2019, Poste Italiane participated in the “Green Postal Day”, the initiative organised by the International Post Corporation, a cooperation of innovative technological services that includes 25 postal operators operating worldwide, including Poste Italiane, to raise awareness and highlight the contribution of the postal industry to the reduction of CO<sub>2</sub> emissions and the global fight against climate change.

In line with the leading European operators, in order to employ the network of letter carriers in the parcel deliveries market generated by online sales, in relation to the aforementioned reconfiguration of the mix of the last-mile fleet, in 2018, Poste Italiane planned a new mix of the fleet through the introduction of 3-wheeled vehicles to replace 2-wheeled vehicles. These vehicles have several advantages in terms of greater load capacity compared to mopeds, greater safety for letter carriers and less environmental impact than electrically powered models. Also in terms of properties, the path of expansion and adaptation to standards and transformation of the logistics network continues. In 2019, in addition to the activation of the Bologna e-commerce hub, 32 new distribution centres were activated, the last of which opened in the municipality of Cucciago. The processes for the TAPA FSR (Facility Security Requirement) certification of the main sorting and delivery centres were also launched.

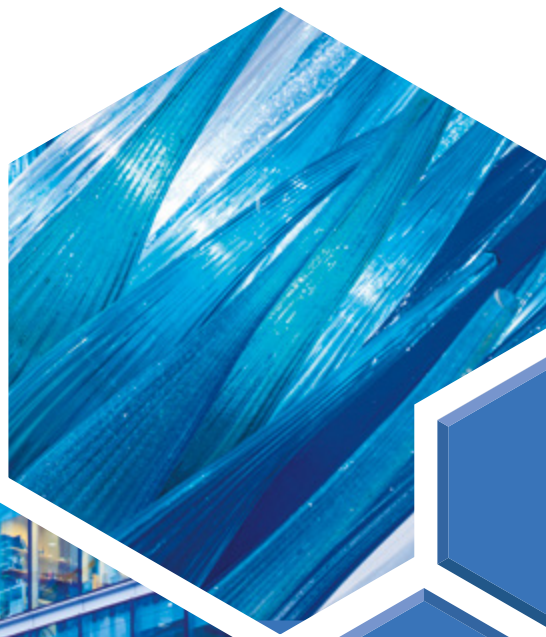
Finally, with a view to identifying suppliers and partners who may represent risks in terms of environmental protection, further proof of the Company's commitment was demonstrated during the year by a review of tender specifications with reference to third-party companies that provide transport services to the Company. Specifically, in addition to meeting all the requirements imposed by current legislation, Poste Italiane also 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.



# Sustainable finance

- Integration of ESG criteria within traditional investment processes
- Adoption of Responsible Investment and Responsible Insurance Policies
- Adoption of Guidelines on voting rights and engagement activities
- New socially responsible mutual investment fund “Poste Investo Sostenibile”









## Sustainable finance

Main types  
of capital

Outcomes

Objectives	Timing	Indicator (KPI)	Target	Implementation status 2019
Monitor the ESG ratings of the issuers present in directly managed portfolios	by 2019	% of issuers under ESG monitoring	100%	100% 
Monitor the ESG ratings of the issuers present in directly managed portfolios	by 2020	% of issuers under ESG monitoring	100%	New
Request third-party managers to adopt Poste Vita's Responsible Investment Policy	by 2019	% of third-party managers involved	100%	100% 
Request third-party managers to adopt Poste Vita's Responsible Investment Policy	by 2020	% of third-party managers involved	100%	New
Development of a new health offer dedicated to employees and retirees of the Poste Italiane Group members of the Poste Italiane Fund	by 2020	No. of products defined	Definition of a product	New
Develop investment products that can also contribute to ESG objectives	By 2022	% of the total AUM of the Funds in placement with: <ul style="list-style-type: none"> <li>• Benchmarks made up of ESG Indices for Benchmark Funds;</li> <li>• Investment policies that provide for specific criteria for selecting financial instruments linked to ESG factors for Funds without Benchmarks.</li> </ul>	50%	New



Financial



Objective achieved



Objective not achieved



Deadline for achieving the objective has not yet expired

## Integration of ESG factors into investment policies



Main related types of capital



One of the main aspects of sustainability policies is the integration of environmental, social and governance (ESG) criteria into traditional investment processes. 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 consolidated by the Poste Italiane Group over time, 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.

As early as 2018, Poste Vita and BancoPosta Fondi SGR chose to adhere to the United Nations Principles for Responsible Investments (PRI), thus formally undertaking to integrate ESG issues into the analysis and decision-making processes regarding investments and to incorporate these issues into their relations with counterparties, as they are convinced that integrating environmental, social and governance factors in investment processes is a necessary element to pursue sustainable performance over time, reduce the risk profile of portfolios and act in line with the principles of Integrity and transparency, as evidenced by the growing trend that has developed in Italy and Europe in recent years in relation to sustainable investments.

[Responsible investment principles, goals and management criteria have been formalised within the Responsible Investment Policies adopted by the Poste Vita Group and BancoPosta Fondi SGR, approved by the Board of Directors of the respective Companies](#)



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 Policies establish 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 Responsible Investment Policies also envisage the establishment of structured processes for effectively managing and monitoring the approach adopted through specific principles, activities, roles and tools.

### 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 51/100 in relation to the assets managed by the Poste Vita Group and 52/100 for those managed by BancoPosta Fondi SGR for corporate issuers and 75/100 in relation to country issuers. This result was higher than the ESG score of a benchmark of MSCI World ETF shares, used for comparison, of 39/100 at the same date.

In addition, during 2019, the Poste Vita Group and Banco Posta Fondi SGR adopted the Guidelines on the exercise of voting rights and engagement activities. The document defines the measures and procedures to ensure that voting rights are exercised in accordance with the objectives set and the corporate regulatory system, with particular reference to the Responsible Investment Policy adopted. The Guidelines also define the provisions adopted in relation to the prevention or management of any conflict of interest resulting from the exercise of voting rights. Through the adoption of the Guidelines, the companies are committed to ongoing dialogue with the issuers in their

portfolios with the aim of promoting the proper management of ESG issues.

Finally, with the objective of monitoring investment activities in risk sectors, the Poste Vita Group and Banco Posta Fondi SGR have adopted the Guidelines for investment in sensitive sectors, defining measures to identify, assess and monitor exposure to activities that present a significant intrinsic risk from an ESG perspective and allowing environmental, social and governance aspects to be incorporated into the investment process.

## Poste promotes knowledge of ESG issues in investment processes

With the aim of disseminating and increasing the know-how of the management classes on the subject, in October 2019, the Group companies, BancoPosta Fondi SGR, Poste Vita and Poste Assicura, held an update session on the subject of responsible investment and ESG management for all the Directors and Statutory Auditors of the respective companies. In addition, the companies spoke at the CSR and SRI 2019 trade fair to talk about impact investing, highlighting how the adoption of a sustainable investment strategy can create value for the investor and the company.

## ESG investment products

Both Group companies that carry out investment activities - Poste Vita and Banco Posta Fondi SGR - have continued to implement responsible investment policies with specific investment products.

Poste Vita's Real Estate fund, Diamond Eurozone Office (DEO), has obtained the highest rating in terms of sustainability from GRESB, an international organisation that analyses and compares Real Estate investments from an environmental, social and governance (ESG) perspective worldwide. The DEO Fund achieved a five-star rating, winning the title of Green Fund and an overall score of 86/100, placing 12th among the 64 unlisted funds in the Eurozone in the Office sector.

In addition, Poste Italiane has designed the new socially responsible mutual fund, Poste Investo Sostenibile, in line with the objectives set out in the ESG Strategic Plan. In line with the responsible investment policy, the basket of securities on which the fund directs investments is selected with specific attention to environmental, social and governance (ESG) factors, combining the best remuneration opportunities with the application of strict parameters linked to the sustainability profile of issuers. The fund is also

distinguished by the presence of a benchmark composed of indices that are "sustainable", as they consist of a limited number of securities selected on the basis of ESG criteria. This allows representing the reference universe of an investment in a clear, transparent and objective manner, without compromising the manager's discretion. The fund is managed by BancoPosta Fondi SGR in partnership with Amundi which, in addition to being Europe's leading asset manager in terms of assets under management and among the top ten in the world, has been active in the world of responsible investment for over 30 years and was one of the first signatories of the Principles for Responsible Investment (PRI) in 2006, the same signed by Poste Italiane through its subsidiaries BancoPosta Fondi SGR and Poste Vita.





## Integration of ESG factors into insurance policies



Main related types of capital



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.

In this context, the Company provides a non-vehicle offer that is characterised by low average premium amounts (the average premium is around €165 per year for coverage related to the property line, i.e., housing, pets, civil liability, and €260 for accident and health coverage). This prerogative allows the different types of customers, even with reduced spending possibilities, to access insurance coverage aimed at protecting their specific needs. Customers are also offered the possibility of splitting the premium (annual,

semi-annual or monthly payment). In addition, two additional investment lines have been added in line with the development of the supplementary pension range implemented in 2019. Specifically, in July 2019, the Postaprevidenza Valore Individual Pension Plan was expanded with two new investment profiles - Dynamic and Guided - in addition to the Guaranteed, with different allocation of contributions paid between the Posta Pensione Separate Management and the Poste Vita Previdenza Flessibile Internal Insurance Fund. The commercial proposition has also been modified through the use of a new dedicated platform that provides an indication of the lines to which the customer can adhere, identifying a hierarchy from the most suitable to the one not recommended.

### Poste Vita Protetti

With the modular offer Poste Vivere Protetti Poste Assicura has decided to completely revise its non-vehicle insurance offer, replacing the entire existing product range with an integrated modular offer; a single product dedicated to retail customers, modular and customisable according to the specific needs of customers. The maximum age of insured persons for all guarantees related to injuries and illness is raised to 79 years of age, offering more opportunities to take out insurance. The modular offer will make it possible to avoid overlapping guarantees and select only the coverages that really meet the customer's needs, with an additional economic advantage. The new offer can also be entered into by foreigners resident in Italy and specific legal protection coverages will be provided for specific cases of interest, innovative and very close to current issues, especially with regard to minors, in relation to: cyberbullying and stalking; criminal defense for crimes committed; online shopping; online reputation and fraudulent use of credit cards.

## 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 8 pillars of the Group's ESG Strategic Plan.

### [GRI 102-7] Widespread presence\*

	2017		2018		2019	
	Category	Personnel	Category	Personnel	Category	Personnel
Operating Area Managers	6	25	6	26	6	19
Branch offices	62	784	64	730	67	740
<b>Total</b>	<b>68</b>	<b>809</b>	<b>70</b>	<b>756</b>	<b>73</b>	<b>759</b>

\* The figures refer to the Group company, SDA SpA.

### [GRI 102-7] Widespread presence\*

	2017		2018		2019	
	Category	Personnel	Category	Personnel	Category	Personnel
Local Operating Centres	12	552	10	519	10	498

\* The figures refer to the Group company Postel SpA.

### [GRI 201-1] Economic value generated, distributed and retained

Economic value generated (€m)	2017	2018	2019
Economic value generated by the Group	10,726	10,863	11,182

Economic value distributed (€m)	2017	2018	2019
Economic value distributed to stakeholders	9,828	9,418	9,634
- Suppliers	2,992	3,118	2,742
- Personnel	5,682	5,584	5,608
- Lenders	153	43	51
- Public Administration	447	92	624
- Community	5	5	7
- Shareholders*	549	576	602

Economic value retained (€m)	2017	2018	2019
Economic value retained within the Group	898	1,445	1,548



## Integrity and transparency

### [GRI 205-1] Companies assessed for risks related to corruption\* and percentage\*\* of operations audited for risks related to corruption

	2017	2018	2019
Total number of Group companies assessed for risks related to corruption	18	18	16
Total number of Group companies	25	25	25
Percentage of Group companies assessed for risks related to corruption	72	72	64
Percentage of operations audited for risk of corruption***			
High coverage	94	68	87
Medium coverage	3	19	13
Low coverage	3	13	-

\* Assessment of Group companies for risks related to 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 index was calculated as the ratio between the relevant audits and the number of audits by activity.

\*\*\* The figures refer to Poste Italiane SpA.

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

	2017	2018	2019
Reports handled	290	230	214
of which relating to corruption	23	7	4*
of which confirmed	-	-	-
of which in-depth relating to corruption	-	-	1

\* For reports in area 4, they have been assessed as potentially relevant to corruption; in particular, 2 reports were found to be unfounded, 1 was rejected and 1 is under investigation at 31 December 2019.

### Cases of bribery and corruption and corrective actions

Number of cases of bribery and corruption and corrective actions	u.m.	2017	2018	2019
Cases of corruption and bribery	No.	0	0	0

### Specific training on procedures and policies of anti-corruption\*

	2017	2018	2019
Total workforce	56,052	40,060	73,081
Of which:			
Executives	261	471	441
Middle managers	6,726	6,383	11,944
Operational staff	49,065	33,206	60,696

\* For 2017-2018, the anti-corruption training provided within the online course "Legislative Decree 231/2001" was considered. For the year 2019, the online course "The Integrated Management System for Quality and Corruption Prevention" was considered, to be provided starting from May.

### Existing tenders which incorporate specific environmental criteria\*

	2017	2018	2019**
Percentage of suppliers selected on the basis of environmental criteria	40.4	34.1	49.1

\* The assessment regards tender processes for amounts above the EU thresholds and is functional to identify tenders 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.).

\*\* For 2019, the scope of the figure includes Poste Italiane and Group companies. The strengthening of the control aimed at increasing the degree of sustainability of the supply chain has led to a significant increase in environmental performance. The 2019 index increased by 15 percentage points compared to 2018 (+44%).

### Existing tenders which incorporate specific social criteria\*

	2017	2018	2019**
Percentage of suppliers selected on the basis of social criteria	39.4	45.5	57.7

\* The assessment regards tender processes for amounts above the EU thresholds and is functional to identify tenders 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).

\*\* For 2019, the scope of the figure includes Poste Italiane and Group companies. The strengthening of the control aimed at increasing the degree of sustainability of the supply chain has led to a significant increase in social performance. The 2019 index increased by 12 percentage points compared to 2018 (+27%).

### [GRI 301-1] Materials used by weight or volume

Type of material/raw material	2017	2018	2019
<b>Renewables</b>	<b>31,675,191</b>	<b>29,862,153</b>	<b>29,210,299</b>
Paper** (kg)	24,887,148	23,739,303	21,676,215
Cardboard (kg)	1,799,060	2,303,294	2,896,414
Wood (kg)	4,988,983	3,819,556	4,637,670
<b>Non-Renewables</b>	<b>2,500,949</b>	<b>2,205,485</b>	<b>2,446,097</b>
Plastic (kg)	2,147,694	1,793,553	1,928,405
Ink/toner (kg)	87,749	59,784	61,146
Glues (kg)	5,149	6,465	6,061
Other* (kg)	260,357	345,683	450,485
<b>Total</b>	<b>34,176,140</b>	<b>32,067,638</b>	<b>31,656,396</b>

\* The item "Other" contains the following materials: labels, bags and seals, parcel string and security pouches.

\*\* For 2019, there was a reduction in paper consumption due to the digitisation process and the decline in the printing business.

### Anti-competitive practices

total sanctions	u.m.	2017	2018	2019
Sanctions for anti-competitive practices/antitrust infringements	€	23,000,000	0	0

### Suppliers with an ISO 14001 or EMAS certified environmental management system

Percentage of suppliers	u.m.	2019
Percentage of qualified suppliers with an ISO 14001 or EMAS certified environmental management system	%	49.1



## People development

### [GRI 412-1] Operations subject to human rights reviews

	2017	2018	2019
<b>Group companies</b>			
Number of Group companies subject to human rights reviews	25	25	25
Total number of Group companies	25	25	25
Total percentage of Group companies subject to human rights reviews	100	100	100

### [GRI 102-8] Number of personnel by contract type and gender, by Strategic Business Unit \*

Contract type	2017			2018			2019		
	Men	Women	Total	Uomo	Women	Total	Men	Women	Total
<b>Permanent**</b>	<b>58,812</b>	<b>68,623</b>	<b>127,435</b>	<b>55,980</b>	<b>66,819</b>	<b>122,799</b>	<b>54,174</b>	<b>65,362</b>	<b>119,536</b>
Of which:									
Mail, Parcels & Distribution	57,600	67,304	124,904	55,256	66,122	121,378	53,512	64,691	118,204
Financial Services***	782	946	1,729	252	258	510	234	230	463
Insurance Services	276	253	529	276	273	549	261	281	542
Payments, Mobile & Digital	154	119	273	197	165	362	167	161	327
<b>Flexible***</b>	<b>5,436</b>	<b>3,684</b>	<b>9,120</b>	<b>5,681</b>	<b>3,858</b>	<b>9,539</b>	<b>4,216</b>	<b>2,693</b>	<b>6,909</b>
Of which:									
Mail, Parcels & Distribution	5,434	3,677	9,111	5,680	3,857	9,537	4,211	2,688	6,899
Financial Services	1	1	2	0	0	0	0	0	0
Insurance Services	0	6	6	1	1	2	4	5	9
Payments, Mobile & Digital	1	0	1	0	0	0	1	0	1
<b>Total</b>	<b>64,248</b>	<b>72,307</b>	<b>136,555</b>	<b>61,661</b>	<b>70,677</b>	<b>132,338</b>	<b>58,390</b>	<b>68,055</b>	<b>126,445</b>

\* The figures are shown in Full Time Equivalent (FTE) terms.

\*\* Includes permanent staff and apprenticeships.

\*\*\* Includes fixed-term and agency staff.

### [GRI 102-8] Number of personnel by type of employment and gender, by Strategic Business Unit \*

	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Full-time</b>	<b>62,557</b>	<b>68,256</b>	<b>130,813</b>	<b>60,166</b>	<b>66,748</b>	<b>126,914</b>	<b>56,680</b>	<b>63,884</b>	<b>120,564</b>
Of which:									
Mail, Parcels & Distribution	61,357	67,000	128,357	59,441	66,076	125,517	56,015	63,235	119,250
Financial Services	770	884	1,654	251	246	497	233	218	451
Insurance Services	275	254	529	277	265	542	265	274	539
Payments, Mobile & Digital	155	118	273	197	161	358	167	157	324
<b>Part-time</b>	<b>3,133</b>	<b>6,828</b>	<b>9,961</b>	<b>2,737</b>	<b>6,507</b>	<b>9,244</b>	<b>3,113</b>	<b>6,847</b>	<b>9,960</b>
Of which:									
Mail, Parcels & Distribution	3,111	6,723	9,834	2,736	6,471	9,207	3,111	6,811	9,922
Financial Services	21	96	117	1	18	19	1	16	17
Insurance Services	1	8	9	0	12	12	0	15	15
Payments, Mobile & Digital	0	1	1	0	6	6	1	5	6
<b>Total</b>	<b>65,690</b>	<b>75,084</b>	<b>140,774</b>	<b>62,903</b>	<b>73,255</b>	<b>136,158</b>	<b>59,793</b>	<b>70,731</b>	<b>130,524</b>

\* The figures refer to the headcount.

## Distribution of employees by educational qualification\*

	2017	2018	2019
University degree (%)	12.2	12.9	15.1
High School Diploma (%)	70.8	70.8	70.3
Middle School certificate (%)	16.8	16.1	14.5
Elementary School certificate (%)	0.2	0.1	0.1
<b>Total (%)</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* The percentages have been calculated for permanent personnel in Head Count.

## Number of participants in development programmes

Development programme	2017	2018	2019
Assessment of potential	477	427	400
Skills Assessment	468	171	1,736
Mentoring and coaching paths	-	109	136
Hackathon	-	310	159
<b>Total</b>	<b>945</b>	<b>1,017</b>	<b>2,431</b>

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

Category	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	27	29	<b>28</b>	26	27	<b>26</b>	43	46	<b>44</b>
Middle managers	52	64	<b>57</b>	60	77	<b>68</b>	68	83	<b>75</b>
Operational staff	21	27	<b>24</b>	16	22	<b>20</b>	30	37	<b>34</b>
<b>Total workforce</b>	<b>24</b>	<b>30</b>	<b>27</b>	<b>22</b>	<b>28</b>	<b>25</b>	<b>35</b>	<b>42</b>	<b>39</b>

## Average training days per employee

Categoria dipendenti	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Average training days provided to employees	4.1	5.0	<b>4.6</b>	3.7	4.6	<b>4.2</b>	5.9	7.0	<b>6.5</b>

## Hours by type of training\*

Type of training	2017	2018	2019
Management	42,000	77,200	33,700
Technical – specialist	1,452,000	966,700	1,875,200
Compliance	2,360,000	2,357,000	3,159,400
<b>Total</b>	<b>3,854,000</b>	<b>3,400,900</b>	<b>5,068,400</b>

\* The figures have been rounded in line with the figures reported last year.

## Training programmes and career development

Training and development programmes	2018	2019
Full Time Equivalents (FTEs)	132,338	126,445
Average hours of training and development	25.85	40.25
Total expenditure on training and development programmes (€)	6,322,559	7,709,433
Average expenditure on training and development programmes (€)	48	61
Percentage of positions filled through internal hiring (%)*	72	39

\* The percentage of positions filled through internal hiring refers to the Parent Company. For the year 2019, it should be noted that the figure was compared to the total entries (internal and external).

## [GRI 401-2] Benefits provided to full-time employees that are not provided to temporary or part-time employees

	2017				2018				2019			
	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
<b>Financial benefits</b>												
Life insurance		YES*		YES*		YES*		YES*		YES*		YES*
Health care		YES*		YES*	YES**	YES		YES*	YES**	YES		YES*
Disability and invalidity insurance		YES*		YES*		YES*		YES*		YES*		YES*
Parental leave	YES**	YES**	YES**	YES**	YES**	YES**	YES**	YES**	YES**	YES**	YES**	YES**
Pension	YES**	YES	YES**	YES	YES**	YES	YES**	YES	YES**	YES	YES**	YES

\* This refers to executives.

\*\* This refers to non-executive personnel.

## Workforce trends

	2017	2018	2019
Total turnover rate (%)*	4.60	4.80	7.30
Voluntary turnover rate (%)*	3.70	4.20	6.80
Average cost of FTEs hired (€)**	-	34,900	36,300

\* 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 voluntary turnover rate is FTEs leaving the Group voluntarily 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 4.8 for 2017, 5.0 for 2018 and 7.5 for 2019. 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 4.0 for 2017, 4.4 for 2018 and 7.0 for 2019.

\*\* The average per capita annual cost of new hires regards all types of contract (permanent, flexible and executives). The per capita figure takes into account the following elements: 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 average cost for FTEs hired refers to the Parent Company.

## Disputes\*

	2017	2018	2019
Disputes with employees	1,167	956	489

\* Periodic trends show a significant decrease in disputes in 2019 and, in fact, in the period of reference, the decrease is about 48%, compared to the same period of the previous year. With regard to the contractual matters, there are 26 new disputes (24 of which relate to Poste Italiane), while in 2018, there were 26 disputes (22 of which relate to Poste Italiane); therefore, the figure is unchanged. Regarding workplace issues, there are 357 new implemented disputes (of which 344 related to Poste Italiane), while in 2018, there were 788 (of which 785 related to Poste Italiane), with a specific percentage decrease of 54%. Finally, with regard to "termination of employment", there were 106 new disputes (of which 100 related to Poste Italiane), while in 2018, there were 142 disputes (of which 129 related to Poste Italiane); the decrease in this type was approximately 29%.

**[GRI 403-2] Type of injury, injury rate, lost day rate, occupational disease rate, absentee rate and work-related fatalities at the Group**

	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Injuries</b>	<b>4,080</b>	<b>4,402</b>	<b>8,482</b>	<b>4,000</b>	<b>4,349</b>	<b>8,349</b>	<b>3,777</b>	<b>4,229</b>	<b>8,006</b>
Of which:									
at work	3,456	3,492	<b>6,948</b>	3,431	3,385	<b>6,816</b>	3,250	3,373	<b>6,623</b>
whilst travelling	624	910	<b>1,534</b>	569	964	<b>1,533</b>	527	856	<b>1,383</b>
<b>Fatalities</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>7</b>	<b>2</b>	<b>9</b>	<b>5</b>	<b>0</b>	<b>5</b>
Of which:									
at work	1	2	<b>3</b>	5	1	<b>6</b>	5	0	<b>5</b>
whilst travelling	3	2	<b>5</b>	2	1	<b>3</b>	0	0	<b>0</b>
Cases of occupational disease	14	10	<b>24</b>	5	7	<b>12</b>	9	5	<b>14</b>
Injury rate*	n/a	n/a	<b>34.89</b>	36.84	33.14	<b>34.90</b>	35.76	33.26	<b>34.44</b>
Lost day rate**	n/a	n/a	<b>1.18</b>	1.24	1.12	<b>1.18</b>	1.04	1.02	<b>1.03</b>
Occupational disease rate***	n/a	n/a	<b>0.12</b>	0.05	0.07	<b>0.06</b>	0.10	0.05	<b>0.07</b>
Absentee rate****	4.36	4.82	<b>4.61</b>	4.60	5.14	<b>4.89</b>	4.21	4.93	<b>4.60</b>

\* no. of workplace injuries divided by the number of hours worked multiplied by 1,000,000. The rate is calculated for permanent and flexible staff.

\*\* no. of days of absence due to workplace injury divided by the number of hours worked multiplied by 1,000. The rate is calculated for permanent and flexible staff.

\*\*\* no. of cases of occupational diseases divided by the number of hours worked multiplied by 1,000,000.

\*\*\*\* no. of days of absence due to illness and injury divided by working days multiplied by 100. The rate is calculated for permanent staff only and does not include managers. The target set for 2019 is 4.70.

Work-related injuries by type	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Falls from a motorcycle	1,119	641	<b>1,760</b>	978	571	<b>1,549</b>	990	605	<b>1,595</b>
Accident involving a Company vehicle	390	344	<b>734</b>	340	305	<b>645</b>	423	335	<b>758</b>
Hit by a car	12	18	<b>30</b>	20	20	<b>40</b>	7	18	<b>25</b>
Accident with a private vehicle	32	31	<b>63</b>	32	36	<b>68</b>	20	37	<b>57</b>
Fall and/or awkward movement	847	1,338	<b>2,185</b>	1,047	1,394	<b>2,441</b>	841	1,338	<b>2,179</b>
Physical attacks	269	275	<b>544</b>	276	335	<b>611</b>	300	348	<b>648</b>
Manual load handling	175	144	<b>319</b>	182	116	<b>298</b>	163	148	<b>311</b>
Robbery	72	144	<b>216</b>	96	111	<b>207</b>	66	87	<b>153</b>
Crushing/bruising	429	440	<b>869</b>	169	165	<b>334</b>	363	371	<b>734</b>
Other causes	111	117	<b>228</b>	291	332	<b>623</b>	77	86	<b>163</b>
<b>Total</b>	<b>3,456</b>	<b>3,492</b>	<b>6,948</b>	<b>3,431</b>	<b>3,385</b>	<b>6,816</b>	<b>3,250</b>	<b>3,373</b>	<b>6,623</b>

**Employees trained on Health and Safety issues**

	2019
Total employees trained on Health and Safety issues	60,065

**Number of cases of non-compliance with labour standards**

	2019
Number of cases of non-compliance with labour standards	0





## Diversity and inclusion

### [GRI 405-1] Composition and breakdown of Poste Italiane SpA Board of Directors by gender and age\*

	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Man	Woman	Total
<b>Board of Directors</b>	<b>5</b>	<b>4</b>	<b>9</b>	<b>5</b>	<b>4</b>	<b>9</b>	<b>5</b>	<b>4</b>	<b>9</b>
< 30 years old	-	-	-	-	-	-	-	-	-
30 – 50 years old	2	2	4	-	2	2	-	2	2
> 50 years old	3	2	5	5	2	7	5	2	7
<b>Board of Directors (%)</b>	<b>55.6</b>	<b>44.4</b>	<b>100</b>	<b>55.6</b>	<b>44.4</b>	<b>100</b>	<b>55.6</b>	<b>44.4</b>	<b>100</b>
< 30 years old	-	-	-	-	-	-	-	-	-
30 – 50 years old	40	50	44.4	-	50	22.2	-	50	22.2
> 50 years old	60	50	55.6	100	50	77.8	100	50	77.8

\* The figures refer to the headcount.

### [GRI 405-1] Classification of employee by category, gender and age group\*

	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Executives</b>	<b>527</b>	<b>182</b>	<b>709</b>	<b>506</b>	<b>167</b>	<b>673</b>	<b>515</b>	<b>160</b>	<b>675</b>
< 30 years old (%)	-	-	-	-	-	-	-	-	-
30 – 50 years old (%)	35.3	37.4	35.8	36.2	40.1	37.1	38	39	39
> 50 years old (%)	64.7	62.6	64.2	63.8	59.9	62.9	62	61	61
<b>Middle managers</b>	<b>8,381</b>	<b>7,109</b>	<b>15,490</b>	<b>8,154</b>	<b>7,045</b>	<b>15,199</b>	<b>7,816</b>	<b>6,897</b>	<b>14,713</b>
< 30 years old (%)	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
30 – 50 years old (%)	37.0	38.8	37.9	37.3	39.4	38.3	41	42	42
> 50 years old (%)	62.7	60.9	61.9	62.4	60.4	61.4	58	58	58
<b>Operational staff</b>	<b>55,340</b>	<b>65,016</b>	<b>120,356</b>	<b>53,001</b>	<b>63,465</b>	<b>116,466</b>	<b>50,059</b>	<b>60,998</b>	<b>111,057</b>
< 30 years old (%)	7.9	4.5	6.0	7.8	4.4	6.0	9	5	7
30 – 50 years old (%)	41.2	47.2	44.4	42.5	46.3	44.6	44	46	45
> 50 years old (%)	50.9	48.3	49.5	49.7	49.3	49.5	46	49	48
<b>Total</b>	<b>64,248</b>	<b>72,307</b>	<b>136,555</b>	<b>61,661</b>	<b>70,677</b>	<b>132,338</b>	<b>58,390</b>	<b>68,055</b>	<b>126,445</b>

\* 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

	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Personnel with disabilities	4,353	2,549	<b>6,902</b>	4,126	2,420	<b>6,546</b>	3,669	2,312	<b>5,981</b>

## Diversity

Women in the workforce by category (%)*	2018	2019
Management positions	30.3	30.0
Top management positions**	19.7	20.2
Junior management positions***	32.1	31.6
Revenue-generating functions****	31.4	32.4

\* 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	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives (%)	90	98	<b>92</b>	92	97	<b>93</b>	93	99	<b>95</b>
Middle managers (%)	97	98	<b>97</b>	98	98	<b>98</b>	98	98	<b>98</b>
Operational staff (%)	91	93	<b>92</b>	87	91	<b>89</b>	84	89	<b>87</b>
<b>Total (%)</b>	<b>92</b>	<b>94</b>	<b>93</b>	<b>88</b>	<b>91</b>	<b>90</b>	<b>86</b>	<b>90</b>	<b>88</b>

\* Data reported refer to permanent staff, the exclusion of flexible staff from the performance assessment process is due to the fact that the annual life cycle of the performance assessment process cannot be reconciled with the timing of flexible contracts. The table also includes the data of Group companies with the exception of the data of Mistral Air (now Poste Air Cargo), as it is not possible to make a comparison of professional levels due to contract differences. The figures do not include approximately 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.



## Support for local communities and the country as a whole

### [GRI 203-1] Corporate giving and/or corporate citizenship initiatives<sup>33</sup>

By type of activity	2018	%	2019	%
Charitable Donations* (€000)	146.5	3	760.81	11.8
Community investments** (€000)	1,400.4	26	2,508.98	38.9
Commercial initiatives*** (€000)	3,860.2	71	3,180.76	49.3
<b>Total</b>	<b>5,407.1</b>	<b>100</b>	<b>6,450.55</b>	<b>100.0</b>
By purpose				
Commercial initiatives (€000)	3,860.2	71	3,180.8	49
Social and cultural initiatives (€000)	1,546.9	29	3,269.8	51
Of which:				
Art, culture and education (€000)	806.5	15	1,475.3	23
Wellbeing and social inclusion (€000)	450.5	8	1,152.1	18
Training and knowledge development (€000)	289.9	5	642.4	10

\* Donations: one-off disbursements made to support charitable organisations.

\*\* Community investments: 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

	2017	2018	2019
<b>Settlements discussed regarding retail postal products</b>	<b>831</b>	<b>795</b>	<b>654</b>
of which settled (%)	84	89	86.7
<b>Settlements discussed regarding business postal products</b>	<b>94</b>	<b>98</b>	<b>115</b>
of which settled (%)	88	88	96.52
<b>Settlements discussed regarding BancoPosta products</b>	<b>370</b>	<b>553</b>	<b>219</b>
of which settled (%)	49	43	62.1
<b>Settlements discussed regarding PosteMobile products</b>	<b>38</b>	<b>53</b>	<b>40</b>
of which settled (%)	61	85	80
<b>Settlements discussed regarding IRS real estate fund (no. of applications)</b>	<b>35</b>	-	-
of which settled (%)	100	-	-
<b>Total settlements discussed</b>	<b>1,368</b>	<b>1,499</b>	<b>1568</b>
of which settled (%)	75	72	73.98

33. Expenditure on corporate giving and corporate citizenship in 2019 amounted to approximately €320,000.

### [FS14] ATMs for inclusion

ATM	2017	2018	2019
ATMs equipped with touchpads for the visually impaired and the blind	7,257	7,279	7,728
Of which:			
ATM with voice guidance	5,847	6,307	7,020
<b>Total</b>	<b>7,257</b>	<b>7,279</b>	<b>7,728</b>

### [FS14] Post Offices for cultural integration

Post Offices	2017	2018	2019
Mono-ethnic	2	2	2
Multi-ethnic	25	25	27
Number of customers served	3,311,214	3,297,724	3,399,110
<b>Total transactions carried out</b>	<b>5,503,076</b>	<b>5,518,522</b>	<b>5,511,870</b>

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

Nuove aperture di conti correnti retail	2017	2018	2019
Percentage of young current account holders (under 35)	25.4	24.9	24.2
Percentage of senior current account holders (over 65)	24.4	23.8	25.9
Percentage of current account holders who are "new Italians"	17.6	17.9	16.4
<b>New standard Postepay cards*</b>			
Percentage of young current account holders (under 35)	38	35.7	28.8
Percentage of senior current account holders (over 65)	7	7.6	9.4
Percentage of current account holders who are "new Italians"	12.6	12.3	9.5
<b>New Postepay Evolution cards*</b>			
Percentage of young current account holders (under 35)	45.9	46.4	42.7
Percentage of senior current account holders (over 65)	5.5	5.6	6.9
Percentage of current account holders who are "new Italians"	20.6	22.1	20.1

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



## Customer experience

### Customer experience in Post Offices

	2017	2018	2019
Average waiting time in Post Offices (minutes)	8.97	9.57	10.95
Customer served within 15 minutes (%)	81.9	80.6	77.9
Customer satisfaction with waiting times (1-10)	8	8	8
Customer satisfaction with overall post office experience	8.7	8.7	8.7

### Customer complaints by type\*

Offici Postali	2017	2018	2019
Complaints received	10,096	10,323	11,698
Average response time (days)	32	21	11
<b>Performance of mail</b>			
Complaints received	89,681	89,596	98,119
Average response time (days)	34	20	19
<b>Performance of parcels**</b>			
Complaints received	122,580	108,372	186,234
Average response time (days)	14	17	12
<b>Financial Services</b>			
Complaints received	76,107	96,410	123,901
Average response time (days)	21	9	4
<b>Insurance Services</b>			
Complaints received	2,577	2,975	2,938
Average response time (days)	16	12	13
Investigations initiated by the Insurance Regulator (no.)	169	169	185
<b>PosteMobile</b>			
Mobile telephone complaints received	33,098	16,045	17,750
Average response time (days)	3	4	6
Fixed line complaints received	469	939	1,110
Average response time (days)	6	10	3

\* The figures on complaints relate to open cases requiring back-office intervention.

\*\* For 2019, complaints relate to the entire logistics network (Poste Italiane, SDA and CLP). Until 2018, the Parcels complaints received were only those of the Poste Italiane network.

### Number of contacts handled\*

Contact Centre	2017	2018	2019
Number of contacts handled (m)	26	24	28

\* The upward trend in 2019 is due to the growth in contacts on financial and postal services.

**Customer satisfaction\***

Satisfied customers	2017	2018	2019
Satisfied customers following Customer Experience surveys (%)	79.1	81.4	82.7
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 2019 is +1.2 percentage points compared with 2018. 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).

**Monthly complaints**

Monthly complaints rate	u.m.	2017	2018	2019
Monthly complaints received	No.	27,884	27,055	36,813

**Resources invested in business continuity plan\***

	2017	2018	2019
Investments (€m)	3.6	7.8	4.2
Drills**	5	4	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. (financial and insurance services segments), PostePay SpA, BancoPosta Fondi SpA SGR.

\*\* 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.

**[GRI 418-1] Privacy violations and data leaks\***

	2017	2018	2019
Total number of complaints received regarding violations of privacy	6	22	50
Of which:			
complaints received from third parties and recognised by the organisation	6	22	49
complaints received from regulatory bodies	-	-	1
Breaches, data theft and leaks of customer data identified	-	205	321

**IT incidents and breaches**

IT incidents and breaches	2017	2018	2019
Total number of IT security breaches/cybersecurity incidents	30	16	33
Total number of IT security breaches involving customers' data	4	9	7
Total amount of fines /penalties paid in relation to IT security breaches or other IT security incidents (€)	24,000	-	-

\* The percentage of customers whose data have been used for secondary purposes is equal to 1% of the total number of customers.

**Number of customers involved in IT security breaches**

Customers involved in IT security breaches	u.m.	2019
Number of customers involved in IT security breaches	No.	755



## Innovation

### Digital services in numbers

	2017	2018	2019
Customers registered on Poste Italiane's digital channels (websites and apps) (millions)	15	17.6	20.8
Digital identities issued (millions)	1.8	2.6	4.1
Postepay apps downloaded (millions)	6.1	8.5	11.2
Bancoposta apps downloaded (millions)	3	4.1	6.1
Post Office apps downloaded (millions)	1.8	3.1	4.6
PostelD apps downloaded (millions)	1.4	2.5	4.8
PosteMobile apps downloaded (millions)	2.7	3.4	4.1
Transactions carried out via consumer digital channels (websites and apps) (millions)	39.3	47.9	57.1

### Dematerialisation of procedures and corresponding transactions

Type of procedure*	2017		2018		2019	
	No. of procedures	% dematerialised	No. of procedures	% dematerialised	No. of procedures	% dematerialised
Certificates	1,289	94	1,643	92	1,958	94
Current accounts	417	86	359	93	327	93
Savings Books	674	93	773	94	746	94
Postepay Evolution	1,227	91	1,715	97	1,519	98
Full Acquiring	-	-	-	-	13	4
Life insurance policies	274	70	540	79	739	82
P&C policies	-	-	-	-	149	76
MiFID	2,571	96	3,292	83	3,320	87
PosteMobile	815	70	955	78	1,123	82
Guided consultation	-	-	-	-	1,436	79
Loans	-	-	-	-	177	78
<b>Total procedures**</b>	<b>7,267</b>	<b>90</b>	<b>9,277</b>	<b>88</b>	<b>11,507</b>	<b>88</b>

\* Figures in thousands.

\*\* The total volumes of procedures have increased mainly due to the introduction of new types of procedures. However, there has been an increase in dematerialisation percentages across the entire range of procedures managed.

Corresponding transactions	2017	2018	2019
Total transactions (€m)	31.5	33.5	33.1
Total electronic transactions (€m)	30.3	32.4	32.0
Dematerialised transactions (%)	96.2	96.7	96.8



## Decarbonisation of real estate facilities and logistics

### [GRI 302-1] Internal Group energy consumption\*

	2017	2018	2019
<b>Consumption of fuel from non-renewable sources (GJ)</b>	<b>2,816,874</b>	<b>1,963,646</b>	<b>2,144,522</b>
Of which:			
LPG (GJ)	35,056	31,381	32,033
Diesel (GJ)	846,051	807,178	857,792
Natural gas (GJ)	657,874	624,541	640,970
Jet fuel (GJ)	1,104,614	343,341	403,770
Petrol (GJ)	173,279	157,205	209,956
<b>Consumption of energy from non-renewable sources (GJ)</b>	<b>106,337</b>	<b>93,603</b>	<b>84,183</b>
Of which:			
Thermal energy (district heating) (GJ)	22,960	20,862	23,122
Electricity supplied by the National Grid (GJ)	83,377	72,741	61,061
<b>Consumption of energy from renewable sources (GJ)</b>	<b>1,812,423</b>	<b>1,742,370</b>	<b>1,697,666</b>
Of which:			
Self-produced photovoltaic electricity (GJ)	7,057	5,907	5,521
Certified guarantee of origin electricity (GJ)	1,805,366	1,736,463	1,692,145
<b>Total energy consumption (GJ)</b>	<b>4,735,634</b>	<b>3,799,619</b>	<b>3,926,371</b>
Of which:			
from renewable sources (GJ)	1,812,423	1,742,370	1,697,666
from non-renewable sources (GJ)	2,923,211	2,057,249	2,228,705

\* Includes energy consumed by real estate and in road transport logistics and passenger transportation (only for 2017) and airmail. Source of factors used in conversion to GJ: GHG Protocol and DEFRA 2012 Guidelines.

### [GRI 302-2] External Group energy consumption

	2017	2018	2019
<b>Total external Group energy consumption* (GJ)</b>	<b>2,214,578</b>	<b>1,774,660</b>	<b>2,270,147</b>
Of which:			
Diesel (GJ)	1,675,733	1,395,456	1,881,742
LPG	-	113	101
Jet fuel (GJ)	538,845	379,090	388,304

\* The target set for 2019 is 1,698,000 GJ (471,800 MWh) for total energy from renewable sources (internal and external) and 4,522,000 GJ (1,349,000 MWh) for total energy from non-renewable sources (internal and external).

### [GRI 303-1] Water withdrawals by source

	2017	2018	2019
<b>Water withdrawals (m3)*</b>	<b>1,938,726</b>	<b>1,758,341</b>	<b>1,776,659</b>
Of which:			
Ground water (m3)	-	1,230	5,935
Municipal water supplies or other public or private water utilities (m3)	1,938,726	1,757,111	1,770,724

\* The target set for 2019 is 1,792,000 cubic metres.

### Wastewater reporting

	2017	2018	2019
<b>Water discharges</b>			
Total wastewater	1,938,726	1,758,341	1,776,659



**[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)**

	2017	2018	2019
<b>Direct emissions – Scope 1* (tCO<sub>2</sub>e)</b>	<b>196,573</b>	<b>134,540</b>	<b>145,747</b>
Of which:			
LPG (tCO <sub>2</sub> e)	2,123	1,914	1,959
Diesel (tCO <sub>2</sub> e)	59,296	57,154	59,979
Natural gas (tCO <sub>2</sub> e)	43,582	40,384	41,122
Jet fuel (tCO <sub>2</sub> e)	80,498	25,020	29,205
Petrol (tCO <sub>2</sub> e)	11,074	10,068	13,483
<b>Indirect emissions – Scope 2 (tCO<sub>2</sub>e)**</b>	<b>10,647</b>	<b>9,266</b>	<b>8,176</b>
Of which:			
Thermal energy	2,286	1,972	2,053
Electricity	8,361	7,294	6,123
<b>Direct emissions – Scope 3 (tCO<sub>2</sub>e)***</b>	<b>156,712</b>	<b>126,440</b>	<b>156,202</b>
Of which:			
Diesel (tCO <sub>2</sub> e)	117,444	98,808	131,575
LPG	-	6.9	6.2
Jet fuel (tCO <sub>2</sub> e)	39,268	27,626	24,621

\* The emission factors used to convert fuels into CO<sub>2</sub>e are as follows: LPG for 2017 1.50 kg CO<sub>2</sub> e/l (source DEFRA 2017), for 2018 1.51 kg CO<sub>2</sub> e/l (source DEFRA 2018) and for 2019 1.52 kg CO<sub>2</sub> e/l (source DEFRA 2019). Diesel for 2017 2.60 kg CO<sub>2</sub> e/l (source DEFRA 2017), for 2018 2.63 kg CO<sub>2</sub> e/l (source DEFRA 2018) and for 2019 2.69 kg CO<sub>2</sub> e/l (source DEFRA 2019). Natural gas for 2017 2.09 kg CO<sub>2</sub> e/m<sup>3</sup> (source DEFRA 2017), for 2018 2.04 kg CO<sub>2</sub> e/m<sup>3</sup> (source DEFRA 2018) and for 2019 2.03 kg CO<sub>2</sub> e/m<sup>3</sup> (source DEFRA 2019). Petrol for 2017 2.19 kg CO<sub>2</sub> e/l (source DEFRA 2017), for 2018 2.2 kg CO<sub>2</sub> e/l (source DEFRA 2018) and for 2019 2.21 kg CO<sub>2</sub> e/l (source DEFRA 2019). The target set for 2019 is 137,900 tCO<sub>2</sub> eq.

\*\* 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 CO<sub>2</sub> emissions emitted by the energy suppliers from which, via a contract, the organisation purchases electricity (in this case renewable energy guarantee of origin certificates), and for the remaining 5%, emission factors from the national electricity grid (emission factor: 0.361 Kg CO<sub>2</sub> e/kWh, source: ISPRA 2017 elaboration). The conversion factors used to convert thermal energy into CO<sub>2</sub> e: 0.2 Kg CO<sub>2</sub> e/kWh, for 2017, 0.19 Kg CO<sub>2</sub> e/kWh and for 2018, 0.18 Kg CO<sub>2</sub> e/kWh and for 2019, 0.17 Kg CO<sub>2</sub> e/kWh.

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 2017 amount to 191,678 tonnes, in 2018, 183,486 tCO<sub>2</sub> e and in 2019 177,855 tCO<sub>2</sub> e. The same emission factors were used as were used for the market-based method. The target set for 2019 is 8,500 tCO<sub>2</sub> eq.

\*\*\* The emission factors used to convert fuels into CO<sub>2</sub> e are as follows: Jet fuel for 2017 2.54 kg CO<sub>2</sub> e/l (source DEFRA 2017), for 2018 2.54 kg CO<sub>2</sub> e/l (source DEFRA 2018) and for 2019 2.21 kg CO<sub>2</sub> e/l (source DEFRA 2019).

**[GRI 306-2] Waste produced by type of method of disposal\***

	2017	2018	2019
<b>Total hazardous waste (t)</b>	<b>346.0</b>	<b>1,096.0</b>	<b>240</b>
Of which:			
Recovered (t)	277.7	339.7	151
Sent to landfill (t)	2.5	699.1	36.1
Incinerated (t)	0.4	-	-
Other types of disposal (t)	65.4	57.3	52.9
<b>Total non-hazardous waste (t)</b>	<b>25,790.6</b>	<b>27,449.5</b>	<b>28,468.8</b>
Of which:			
Recovered (t)	25,190.1	26,129.2	27,718.9
Sent to landfill (t)	182.5	795.8	626.9
Incinerated (t)	-	-	1.82
Other types of disposal (t)	418.0	524.6	121.16
<b>Total waste (t)**</b>	<b>26,136.6</b>	<b>28,545.6</b>	<b>28,708.8</b>

\* The figures for the quantity of waste produced are provided by the companies that provide waste management services.

\*\* The target set for 2019 in relation to waste sent to landfill, incinerated or subject to other types of disposal is 1,000 tonnes.

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

	2017	2018	2019
<b>Consumption of fuel from non-renewable sources (GJ)</b>	<b>715,240</b>	<b>674,802</b>	<b>682,128</b>
Of which:			
LPG (GJ)	11,705	9,094	7,785
Diesel (GJ)	106,214	87,904	91,358
Natural gas (GJ)	597,321	577,804	582,985
<b>Consumption of energy from non-renewable sources (GJ)</b>	<b>106,337</b>	<b>93,603</b>	<b>84,183</b>
Of which:			
Thermal energy (district heating) (GJ)	22,960	20,862	23,122
Electricity supplied by the National Grid (GJ)	83,377	72,741	61,061
<b>Consumption of energy from renewable sources (GJ)</b>	<b>1,810,741</b>	<b>1,741,421</b>	<b>1,696,698</b>
Of which:			
Self-produced photovoltaic electricity (GJ)	7,057	5,907	5,521
Certified guarantee of origin electricity (GJ)	1,803,684	1,735,514	1,691,177
<b>Total energy consumption (GJ)</b>	<b>2,632,318</b>	<b>2,509,826</b>	<b>2,463,009</b>
Of which:			
from renewable sources (GJ)	1,810,741	1,741,421	1,696,697
from non-renewable sources (GJ)	821,577	768,405	766,312

[GRI 305-1; GRI 305-2] Direct and indirect CO<sub>2</sub>e emissions relating to real estate facilities

	2017	2018	2019
<b>Direct emissions – Scope 1 (tCO<sub>2</sub>e)</b>	<b>47,724</b>	<b>44,140</b>	<b>44,266</b>
of which			
LPG (tCO <sub>2</sub> e)	709	555	476
Diesel (tCO <sub>2</sub> e)	7,444	6,224	6,388
Natural gas (tCO <sub>2</sub> e)	39,571	37,361	37,402
<b>Indirect emissions – Scope 2 (market based) (tCO<sub>2</sub>e)</b>	<b>10,647</b>	<b>9,266</b>	<b>8,176</b>
Of which:			
Electricity (tCO <sub>2</sub> e)	8,361	7,294	6,123
Thermal energy (tCO <sub>2</sub> e)	2,286	1,972	2,053

[GRI 302-2; GRI 305-3] External energy consumption and CO<sub>2</sub>e emissions relating to real estate facilities

	2017	2018	2019
<b>Total external Group energy consumption (GJ)</b>	<b>-</b>	<b>113</b>	<b>101</b>
<b>Indirect emissions – Scope 3 (tCO<sub>2</sub>e)</b>	<b>-</b>	<b>6.9</b>	<b>6.2</b>

**[GRI 305-4] Intensity of GHG emissions related to real estate facilities**

	2018	2019
Total GHG emissions Scope 1 (Kg CO <sub>2</sub> e)	44,140,430	44,265,864
Total GHG emissions Scope 2 (Kg CO <sub>2</sub> e)	9,266,311	8,175,899
Total GHG emissions Scope 3 (Kg CO <sub>2</sub> e)	6,889	6,200
Square metres of the Group's properties (m <sup>2</sup> )	5,470,000	5,479,089
<b>Intensity of direct and indirect emissions GHG Scope 1 and Scope 2</b>	<b>9.764</b>	<b>9.571</b>
<b>Intensity of other indirect GHG emissions (Scope 3)</b>	<b>0.001</b>	<b>0.001</b>

**Weight of electricity consumption relating to real estate facilities by type of business**

	2017	2018	2019
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**

	2017	2018	2019
Total expenditure on energy (€)*	98,393,160	95,380,683	101,273,851

\* The target set for 2019 is €102,534,000.

**Corporate fleet data**

	2017	2018	2019
<b>Total km travelled</b>	<b>331,886,754</b>	<b>342,508,496</b>	<b>350,665,071</b>
Total vehicles	38,165	34,102	33,477
Of which:			
traditional vehicles	33,562	29,786	29,119
alternative vehicles	4,603	4,316	4,358
Of which:			
bicycles	324	324	324
electric vehicles	1,025	1,129	1,149
hybrid motor vehicles	102	88	79
petrol-natural gas fuelled vehicles	2,173	1,705	1,726
petrol-LPG fuelled vehicles	979	1,070	1,080
diesel-natural gas fuelled vehicles	-	-	-
LPG fuelled vehicles	-	-	-
Percentage of alternative vehicles (%)	12.1	12.6	13.1

**[GRI 302-1; GRI 305-1; GRI 305-2] Energy consumption and CO<sub>2</sub>e emissions to the company road fleet**

	2017	2018	2019
<b>Total energy consumed (GJ)</b>	<b>998,702</b>	<b>946,453</b>	<b>1,059,592</b>
Of which:			
Diesel (GJ)	739,837	719,274	766,434
Natural gas (GJ)	60,553	46,737	57,985
LPG (GJ)	23,351	22,287	24,248
Petrol (GJ)	173,279	157,205	209,956
Certified guarantee of origin electricity (GJ)	1,682	950	968
<b>Direct emissions – Scope 1 (tCO<sub>2</sub>e)</b>	<b>68,351</b>	<b>65,379</b>	<b>72,276</b>
<b>Indirect emissions – Scope 2 (tCO<sub>2</sub>e)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**[GRI 302-2; GRI 305-3] Energy consumption and CO<sub>2</sub>e emissions to contracted road logistics**

	2017	2018	2019
<b>Total external Group energy consumption* (GJ)</b>	<b>1,675,733</b>	<b>1,395,456</b>	<b>1,881,742</b>
<b>Indirect emissions – Scope 3 (tCO<sub>2</sub>e)</b>	<b>117,444</b>	<b>98,808</b>	<b>131,575</b>

\* Road vehicles used by logistics contractors are diesel-fuelled. For 2019, the increase in consumption is in part justified by an increase in parcel volumes and traction.

**Air transport fleet data**

	2017	2018	2019
Number of aircraft	25	23	15
AirMail (hours)	3,247	4,823	6,799
Charter (hours)	9,512	2,799	158

**[GRI 302-1; GRI 305-1] Energy consumption and emissions by the mail and charter fleet**

	2017	2018	2019
<b>Total internal Group energy consumption (GJ)</b>	<b>1,104,614</b>	<b>343,341</b>	<b>403,770</b>
<b>Direct emissions – Scope 1 (tCO<sub>2</sub>e)</b>	<b>80,498</b>	<b>25,020</b>	<b>29,205</b>

**[GRI 302-2; GRI 305-3] Energy consumption and emissions by mail and charter transport**

	2017	2018	2019
<b>Total external Group energy consumption (GJ)</b>	<b>538,845</b>	<b>379,090</b>	<b>388,304</b>
<b>Indirect emissions – Scope 3 (tCO<sub>2</sub>e)</b>	<b>39,268</b>	<b>27,626</b>	<b>24,621</b>

## Other direct emissions from logistics activities

	2019
<b>Total Fuel emissions from non-renewable sources – Scope 1 (tNO<sub>x</sub>)*</b>	<b>365.47</b>
Natural gas (GJ)	1.44
LPG	1.62
Diesel (GJ)	299.42
Petrol (GJ)	22.61
Jet Fuel	40.38

\* The emission factors used to convert fuels into NO<sub>x</sub> are as follows: natural gas 0.0249 t NO<sub>x</sub>/TJ. LPG 0.0299 t NO<sub>x</sub>/TJ. Diesel for cars 0.2557 t NO<sub>x</sub>/TJ, for light commercial vehicles 0.33 t NO<sub>x</sub>/TJ, for heavy trucks 0.4845 t NO<sub>x</sub>/TJ. Petrol for cars 0.0637 t NO<sub>x</sub>/TJ, for light commercial vehicles 0.0782 t NO<sub>x</sub>/TJ, for motorcycles 0.1250 t NO<sub>x</sub>/TJ. Source: ISPRA, database of average emission factors of road transport in Italy. Jet fuel 100 g NO<sub>x</sub>/GJ. source: ISPRA, Emission factors for stationary combustion sources in Italy.

	2019
<b>Total Fuel emissions from non-renewable sources – Scope 1 (tSO<sub>2</sub>)*</b>	<b>39.05</b>
Diesel (GJ)	0.39
Petrol (GJ)	0.08
Jet Fuel	38.58

\* The emission factors used to convert fuels into SO<sub>2</sub> are as follows: diesel 0.0004 t SO<sub>2</sub>/TJ. Petrol 0.0003 t SO<sub>2</sub>/TJ. Source: ISPRA, database of average emission factors of road transport in Italy. Jet fuel 96 gSO<sub>2</sub>/GJ. Source: ISPRA, Emission factors for stationary combustion sources in Italy.

	2019
<b>Total Fuel emissions from non-renewable sources – Scope 1 (VOC)*</b>	<b>97.72</b>
Natural gas (GJ)	3.24
LPG	2.38
Diesel (GJ)	7.73
Petrol (GJ)	83.16
Jet Fuel	1.21

\* The emission factors used to convert fuels into VOC are as follows: natural gas 0.0558 t VOC/TJ. LPG 0.0439 t VOC/TJ. Diesel for cars 0.0037 t VOC/TJ, for light commercial vehicles 0.0131 t VOC/TJ, for heavy trucks 0.0211 t VOC/TJ. Petrol for cars 0.1945 t VOC/TJ, for light commercial vehicles 0.1245 t VOC/TJ, for motorcycles 0.8961 t VOC/TJ. Source: ISPRA, database of average emission factors of road transport in Italy. Jet fuel 3 g NMVOC/GJ. Source: ISPRA, Emission factors for stationary combustion sources in Italy.

## Other indirect emissions from logistics activities

	2019
<b>Total Fuel emissions from non-renewable sources – Scope 3 (tNO<sub>x</sub>)</b>	<b>789.70</b>
Diesel (GJ)	789.70

	2019
<b>Total Fuel emissions from non-renewable sources – Scope 3 (tSO<sub>2</sub>)</b>	<b>0.69</b>
Diesel (GJ)	0.69

	2019
<b>Total Fuel emissions from non-renewable sources – Scope 3 (VOC)</b>	<b>33.22</b>
Diesel (GJ)	33.22

## Business Travel

	2017	2018	2019
<b>Total emissions tCO<sub>2</sub>e</b>	<b>12,187</b>	<b>10,475</b>	<b>10,616</b>
Automotive	8,553	7,427	7,947
Petrol (GJ)	2,736	2,044	2,135
Diesel (GJ)	5,818	5,383	5,812
Train	1,308	511	470
Plane	2,326	2,537	2,199
international - short haul	347	243	170
international - long haul	27	229	357
national (domestic)	1,951	2,065	1,672

## Employee commuting

	2018	2019
<b>Total emissions tCO<sub>2</sub>e</b>	<b>32,572*</b>	<b>31,787**</b>

\* The value indicated refers to the estimate of the polluting emissions generated by the home-work travel of Poste Italiane employees applied in the offices of more than 300 resources which, at present, amount to 38 located in 18 cities in Italy, for a sample of 26,466 total resources.

\*\* The value indicated refers to the estimate of the polluting emissions generated by the home-work travel of Poste Italiane employees applied in the offices of more than 300 resources which, at present, amount to 36 located in 19 cities in Italy, for a sample of 25,558 total resources.

## 6. Outlook

The Poste Italiane Group will continue to engage in implementing the objectives outlined in the five-year Deliver 2022 Plan, approved by the Board of Directors on 26 February 2018.

The **Mail, Parcels and Distribution** Strategic Business Unit will continue to optimise its operational efficiency, including by strengthening the integration of the logistics networks which deliver parcels and mail. In addition, as part of the process of modernising its vehicle fleet, the Group will continue with the introduction of 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 Unit will also continue with the adoption of new automation technologies to support operating processes, with the aim of boosting the efficiency and quality of sorting processes.

The aim of this investment is 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.

The **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, the Group intends to lead changes in the habits of consumers, businesses and the Public Administration, creating new integrated products and services.

The promotion of mobile telecommunications services as part of the integrated Postepay Connect offering will continue in 2020. The bundle offering aims to meet the needs of different customer target markets and take advantage of customer loyalty through innovative pricing strategies and by attracting new online customers via a fully digital acquisition process.

In the Payments area, the Postepay card top-up service will be expanded, giving customers the option to make automatic top-ups based on time as well as value.

The year 2020 will also be an important one for debit cards, which it will be possible to manage in the Postepay app to make in-store payments using the Postepay Code. A new debit card will be launched as well, for use with BancoPosta accounts, giving current account holders access to the PostePay ecosystem.

In terms of Acquiring, with respect to the partnership for the remote distribution of Postepay acquiring services in the network of designated Lottomatica tobacconists, in the course of 2020 the physical acquiring service as well as the Postepay Code will begin to be marketed. In addition, it will be possible to make payment slip payments using the Postepay Code in authorised outlets. Furthermore, in 2020 the partnership with ENI will continue for the provision of a number of services in its network of service stations, with the possibility to accept payment transactions in the traditional manner, through physical POSs, and digitally, through the Paga con Postepay solution, available in the ENI app. The agreement also covers the management of "cashback", an innovative service not yet launched in Italy by any operator or financial intermediary, which is basically a transaction that enables the cardholder to obtain cash from a merchant when making a payment with a debit/prepaid card, through a single payment transaction made at the POS.

In line with the Deliver 2022 Plan, the **Financial Services** SBU will continue with initiatives designed to take advantage of the opportunities resulting from the recent regulatory changes brought about by MiFID II and IDD, by leveraging the customer base, the distribution network and the brand.

Within the scope of Postal Savings, as set forth in the agreement with CDP, development will continue on the "Postal Savings Relaunch Programme", with the introduction of new products.

With regard to consumer current accounts, in the first quarter of 2020 the commercial offering will be strengthened with the introduction of the possibility to make online requests to open current accounts.

In the Business and Public Administration current accounts area, to improve relationships with customers, operational and process simplification initiatives will continue in both the opening and management of current accounts.

With regard to the Public Administration segment, 2020 will see the extension of the Treasury service to targets in addition to Municipalities with fewer than 5 thousand inhabitants.

In loan products, promotion and placement activities subject to agreements with partners for property mortgages and personal loans will continue. For the latter, there will be a focus on expanding the product range through the introduction of online solutions.

In keeping with 2019, the offering of the **Insurance Services** Strategic Business Unit will aim to consolidate the Group's leadership in the Italian market, supported by a progressive rebalancing of the offering to provide products with greater value added (multiclass), but that have risk-return profiles that are still moderate, in keeping with the type of customer served by the Group.

With respect to Protection services, in 2020 the adoption of the tailor made model will result in a modular integrated offering strategy, superseding an approach focused on individual products, which will consist of personalised, modular protection, assistance and service solutions for individuals, assets and property that can be integrated with each other. In addition, the Group will be engaged in continuing to achieve growth in the welfare and non-vehicle P&C sectors by exploiting unrealised potential. The investment and protection insurance offer will be enhanced with functions that can be used from digital channels. The inclusion of ESG (Environmental, Social and Governance) Sustainability criteria is planned in all areas of the investment product offer, both mutual funds and insurance policies, in line with the orientations of the Group.

Lastly, the Group's technological platforms will continue to evolve towards cloud solutions.

At present it is not possible to make a reasonable estimate of the possible medium-term impacts of the spread in Italy of the COVID-19 coronavirus. However, it is important to note that in its response to this situation Poste Italiane will be able to bring to bear various specific strengths relating to its multi-channel structure and the growth of its digital business, which ensure that service is also available outside traditional post office channels. The majority of the Group's overall revenue will not be linked to short-term commercial activities and the business model of BancoPosta is capital light, not assuming credit risk. In addition, its cash flow generation is solid and it continues to hold net cash. The Group is actively involved in daily monitoring of the evolution of the virus, for the proactive management of the relative effects.



# 7. Consolidated non-financial statement

## Introduction



Poste Italiane's Consolidated non-financial statement (NFS or Statement) for the year ended 31 December 2019 has been drafted on the basis of the 8 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 stakeholders.

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 organisational 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 paragraph "Sustainability topics relevant to 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 chapter "Performance" 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 in the paragraphs of the chapter "Performance", which describes the main initiatives for the year, and in the 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.

SCOPES OF LEGISLATIVE DECREE 254/2016	CHAPTERS/PARAGRAPHS INCLUDED IN THE NFS	TOPICS AND ADDITIONAL INFORMATION INCLUDED IN OTHER 2019 DOCUMENTS <sup>34</sup>	
Company organisational and management model <i>[Art. 3, paragraph 1, letter a]</i>	<ul style="list-style-type: none"> <li>▪ Sustainability topics relevant to Poste Italiane Incorporating sustainability within Poste Italiane's strategy</li> <li>▪ Poste Italiane's business model</li> <li>▪ Poste Italiane's integrated internal control and risk management system</li> </ul>	Report on Corporate Governance and the Ownership Structure	<ul style="list-style-type: none"> <li>▪ 3. Corporate Governance Model - Company Structure</li> <li>▪ 6. Board of Directors; 6.1 Current composition and term of office</li> <li>▪ 7. Committees</li> <li>▪ 8. Board of Statutory Auditors</li> <li>▪ 9. Internal Control and Risk Management System; 9.2 Organisational, management and control model pursuant to Legislative Decree 231/2001</li> </ul>
Policies <i>[Art. 3, paragraph 1, letter b]</i>	<ul style="list-style-type: none"> <li>▪ The Group's sustainability policies</li> <li>▪ Performance</li> </ul>	-	-
Main risks and related management systems <i>[Art. 3, paragraph 1, letter c]</i>	<ul style="list-style-type: none"> <li>▪ Sustainability topics relevant to Poste Italiane</li> <li>▪ Poste Italiane's integrated internal control and risk management system</li> </ul>	Report on Corporate Governance and the Ownership Structure	9. Internal Control and Risk Management System
Efforts to combat active and passive corruption <i>[Art. 3, paragraph 1]</i>	<ul style="list-style-type: none"> <li>▪ Integrity and transparency</li> <li>▪ Legality and incorporation of ESG criteria within the procurement processes</li> <li>▪ Integration of ESG factors into insurance policies</li> <li>▪ Integration of ESG factors into investment policies</li> </ul>	Report on Corporate Governance and the Ownership Structure	9. Internal Control and Risk Management System
Personnel <i>[Art. 3, paragraph 1]</i>	<ul style="list-style-type: none"> <li>▪ Protection of human rights</li> <li>▪ Equal career development opportunities</li> <li>▪ Staff training and development</li> <li>▪ Staff welfare and wellbeing</li> <li>▪ Relations with social partners</li> <li>▪ Occupational health and safety</li> </ul>	-	-
Respect for human rights <i>[Art. 3, paragraph 1]</i>	<ul style="list-style-type: none"> <li>▪ Legality and incorporation of ESG criteria within the procurement processes</li> <li>▪ Protection of human rights</li> <li>▪ Equal career development opportunities</li> <li>▪ Integration of ESG factors into investment policies</li> <li>▪ Integration of ESG factors into insurance policies</li> </ul>	-	-
Environment <i>[Art. 3, paragraph 1]</i>	<ul style="list-style-type: none"> <li>▪ Legality and incorporation of ESG criteria within the procurement processes</li> <li>▪ Environmental impacts of real estate facilities</li> <li>▪ Environmental impacts of logistics</li> <li>▪ Integration of ESG factors into investment policies</li> <li>▪ Integration of ESG factors into insurance policies</li> </ul>	-	-
Social <i>[Art. 3, paragraph 1]</i>	<ul style="list-style-type: none"> <li>▪ The economic value generated and distributed by the Poste Italiane Group</li> <li>▪ Legality and incorporation of ESG criteria within the procurement processes</li> <li>▪ Support for the socio-economic development of local communities</li> <li>▪ Dialogue and transparency in relations with the authorities</li> <li>▪ Financial inclusion</li> <li>▪ Quality and customer experience</li> <li>▪ Innovation and digitisation of products, services and processes</li> <li>▪ Cybersecurity, IT security and privacy</li> <li>▪ Integration of ESG factors into investment policies</li> <li>▪ Integration of ESG factors into insurance policies</li> </ul>	-	-

In addition to the information included in the above table, the content of the NFS has been integrated in the paragraph "The Group's Organisation and operating segments".

34. The section includes other corporate documents used as reference and the corresponding chapters.

# Reporting standards and policies



Poste Italiane's Consolidated non-financial statement (NFS) 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 2020 Annual Report 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 5 March 2020 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 "Sustainability topics relevant to 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.

The information and the figures reported refer to 2019, and where available to the 2017-2019 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.

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 figures provided refer to the group companies consolidated with the integral method for financial reporting, as indicated in the table "List of the fully consolidated equity investments". Exceptions to the perimeter included are explicitly reported in the document. The NFS includes term Poste Italiane, Group, or Company to indicate the Poste Italiane Group.

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.

**Table showing the link with the scope of the Decree, Poste Italiane's material topics and the GRI Standards.**

Scopes of Legislative Decree 254/2016	Material topics	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	-
	Staff welfare and wellbeing	▪ 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	Protection of human rights	▪ GRI 405 Diversity and Equal Opportunity ▪ GRI 412 Human Rights Assessment	Poste Italiane Group	Suppliers and business partners
Environment	Legality and incorporation of ESG criteria within the procurement processes	▪ GRI 301 Materials	Poste Italiane Group	Suppliers and business partners
	Environmental impacts of real estate facilities	▪ GRI 302 Energy ▪ GRI 303 Water ▪ GRI 305 Emissions ▪ GRI 306 Effluents and Waste	Poste Italiane Group	-
	Environmental impacts of logistics	▪ GRI 302 Energy ▪ GRI 305 Emissions	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 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	-
	Cybersecurity, IT security and privacy	▪ GRI 418 Customer Privacy	Poste Italiane Group	-
	Integration of ESG factors into investment policies	▪ FS 11 Percentage of asset positive and negative environmental/social screening	Poste Italiane Group	-
	Integration of ESG factors into insurance policies	▪ FS 11 Percentage of asset positive and negative environmental/social screening	Poste Italiane Group	-

# GRI-Standards Content Index



GRI Standard	Number and description of indicator	Section	
<b>GRI 101: Foundation 2016</b>			
<b>GRI 102: GENERAL DISCLOSURES</b>			
<b>GRI 102: General Standards</b>	<b>Organisational profile</b>		
	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: Introduction	
	102-4 Location of operations	Report on Operations: Multichannel commercial strategy	
	102-5 Ownership and legal form	Report on Operations: Chapter 4. Governance	
	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: Profit or loss, Financial position and cash flow of Poste Italiane SpA; 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	Chapter 5, Indicators tables – Protection of human rights	
	102-9 Supply chain	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.  Report on Operations: The management and reporting of climate change risks according to the indications of the Task Force on Climate-related Financial Disclosures	
	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	
	<b>Strategy</b>		
	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: Sustainability topics relevant to Poste Italiane; Poste Italiane's integrated internal control and risk management system	
	<b>Ethics and Integrity</b>		
102-16 Values, principles, standards and norms of behaviour	Report on Operations: Risk management and risk assessment; Integrity and transparency		
<b>Corporate Governance</b>			
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		

GRI Standard	Number and description of indicator	Section
	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; Chapter 5 Indicators tables – People development; Link: <a href="https://www.posteitaliane.it/it/consiglio-di-amministrazione.html">https://www.posteitaliane.it/it/consiglio-di-amministrazione.html</a> 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-bis), 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: 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	Number and description of indicator	Section
	<b>Stakeholder Engagement</b>	
	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
	102-44 Key topics and concerns that have been raised through stakeholder engagement and related actions	Report on Operations: The Multi-stakeholder Forum 2019
	<b>Reporting practice</b>	
	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: Sustainability topics relevant to Poste Italiane; 7. Consolidated non-financial statement
	102-47 List of material topics	Report on Operations: Sustainability topics relevant to Poste Italiane
	102-48 Restatements of information provided in previous reports and reasons for doing so	Report on Operations: 7. Consolidated non-financial statement
	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	2018 Integrated Report
	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 Standards 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
<b>Material topics</b>			
<b>GRI 200: ECONOMIC PERFORMANCE INDICATORS</b>			
<b>Economic performance</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 201: Economic performance</b>	201-1 Direct economic value generated and distributed	The economic value generated and distributed by the Poste Italiane Group	
<b>Indirect economic impacts</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 203: Indirect economic impacts</b>	203-1 Investment in communities	Chapter 5. Indicators tables	
<b>Anti-corruption</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 205: Anti-corruption</b>	205-1 Operations assessed for risks related to corruption	Chapter 5. Indicators tables	
	205-3 Confirmed incidents of corruption and actions taken	Chapter 5. Indicators tables	
<b>GRI 300: ENVIRONMENTAL PERFORMANCE INDICATORS</b>			
<b>Materials</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 301: Materials</b>	301-1 Materials used by weight or volume	Chapter 5. Indicators tables	
<b>Energy</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 302: Energy</b>	302-1 Energy consumption within the organisation	Chapter 5. Indicators tables	
	302-2 Energy consumption outside of the organisation	Chapter 5. Indicators tables	



GRI Standard	Number and description of indicator	Section and/or page number	Notes/omissions
<b>Water</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 303: Water</b>	303-1 Water withdrawals by source	Chapter 5. Indicators tables	
<b>Emissions</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 305: Emissions</b>	305-1 Direct (Scope 1) GHG emissions	Chapter 5. Indicators tables	
	305-2 Indirect (Scope 2) GHG emissions	Chapter 5. Indicators tables	
	305-3 Other indirect GHG (Scope 3) emissions	Chapter 5. Indicators tables	
	305-4 Emission intensity GHG	Chapter 5. Indicators tables	
<b>Effluents and waste</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 306: Effluents and waste</b>	306-2 Waste by type and disposal method	Chapter 5. Indicators tables	
<b>Environmental assessment of suppliers</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	Materiality matrix Poste Italiane's sustainability strategy Legality and incorporation of ESG criteria within the procurement processes Chapter 5. Indicators tables	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
<b>GRI 400: SOCIAL PERFORMANCE INDICATORS</b>			
<b>Employment</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 401: Employment</b>	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Chapter 5. Indicators tables	
<b>Labour/management relations</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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 Standard	Number and description of indicator	Section and/or page number	Notes/omissions
<b>GRI 402: Labour/management relations</b>	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 Contract: four weeks (25 working days from the date of the first meeting with the Labour Unions, including Saturday) for talks at national level; a further 2 weeks (13 working days, including Saturday) is provided for in order to endorse any agreement reached by trade union representation (RSU) Coordination; an additional week (7 working days, including Saturday) for talks at local level. Poste Welfare Servizi: 4 (25 days) Poste Air Cargo: NIL	
<b>Health and safety</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 403: Health and safety</b>	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Materiality matrix Poste Italiane's sustainability strategy Occupational health and safety	Partially available indicator. The current reporting system did not allow reporting disclosure on contractors. We expect to report this information in the next cycles of disclosure.
<b>Training and education</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 404: Training</b>	404-1 Average hours of training per year per employee	Chapter 5. Indicators tables	
	404-3 Percentage of employees receiving regular performance and career development reviews	Chapter 5. Indicators tables	
<b>Diversity and equal opportunity</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 405: Diversity and equal opportunity</b>	405-1 Diversity of governance bodies and employees	Chapter 5. Indicators tables	
<b>Human rights assessment</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	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		
<b>GRI 412: Human rights assessment</b>	412-1 Operations that have been subject to human rights reviews or impact assessments	Chapter 5. Indicators tables	

GRI Standard	Number and description of indicator	Section and/or page number	Notes/omissions
<b>Supplier social assessment</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	Materiality matrix Poste Italiane's sustainability strategy	
	103-2 The management approach and its components	Legality and incorporation of ESG criteria within the procurement processes	
	103-3 Evaluation of the management approach		
<b>Customer privacy</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	Materiality matrix Poste Italiane's sustainability strategy	
	103-2 The management approach and its components	Cybersecurity, IT security and privacy	
	103-3 Evaluation of the management approach		
<b>GRI 418: Customer privacy</b>	418-1 Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	Chapter 5. Indicators tables	
<b>Active ownership</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	Materiality matrix Poste Italiane's sustainability strategy	
	103-2 The management approach and its components	Integration of ESG factors into investment policies Integration of ESG factors into insurance policies	
	103-3 Evaluation of the management approach		
	FS11 Percentage of assets subject to positive and negative environmental or social screening	In 2019, 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 97% of Poste Vita's total AuM and 96.7% of BancoPosta Fondi SGR's total AuM.	
<b>Local communities</b>			
<b>GRI 103: General requirements for reporting the management approach</b>	103-1 Explanation of the material topic and its boundary	Materiality matrix Poste Italiane's sustainability strategy	
	103-2 The management approach and its components	Financial inclusion	
	103-3 Evaluation of the management approach		
	FS14 Initiatives to improve access to financial services for disadvantaged people	Chapter 5. Indicators tables	

## Other standards and reference Guidelines used in the Integrated Report

### Table showing links between “Toward common metrics and consistent reporting of sustainable value creation” of the world economic forum and GRI indicators in the Integrated Report

In line with the main trends for greater uniformity and consistency in the disclosure of non-financial information, the document includes a correlation table relating to the alignment of GRI indicators to the non-financial “material ESG metrics” defined during the World Economic Forum and specified in the document “Toward Common Metrics and Consistent Reporting of Sustainable Value Creation”.

The document also includes a correlation table between the SASB indicators and the non-financial indicators used. Finally, the Integrated Financial Statements also took as a reference the indications of the Official Journal C209 of the European Union of 20 June 2019 on “Guidelines on the disclosure of non-financial information: Integration concerning the provision of climate-related information”.

In January 2020, the document “Toward Common Metrics and Consistent Reporting of Sustainable Value Creation” was presented at the World Economic Forum in Davos, which defines a set of universal indicators (core set of material ESG metrics) that can be applied by all companies, regardless of the characteristics of the company and with a view to comparability of disclosures. The indicators are organised in four pillars that are linked to the ESG dimensions (Governance, Planet, People and Prosperity).

Taking into consideration the indications provided by the World Economic Forum, the table below shows the “material ESG metrics” outlined in this Integrated Report.

Pillar	Topic	Description	GRI indicators in the Sections of the Report
Governance	Governing Purpose	Definition of the purpose	GRI 102-26
	Quality of Governing Body	Composition of the Board	GRI 102-22, GRI 405-1a
	Stakeholder engagement	Impact of material problems on stakeholders	GRI 102-47
	Ethical behavior	Anti-corruption	GRI 205-3
	Stakeholder engagement	Process to involve stakeholders	GRI 102-43
Planet	Climate change	Greenhouse Gas Emissions (GHG)	GRI 305-1
	Water pollution	Nutrients	GRI 303-1
People	Health and Well Being	Health and safety (%)	GRI 403-2 a
	Skills for the Future	Training provided (#)	GRI 404-1
Prosperity	Wealth creation and employment	Net economic contribution	GRI 201-1








## Table showing links between SASB indicators and indicators of the Integrated Report of Poste Italiane


GRI (Global Reporting Initiative) and SASB (Sustainability Accounting Standards Board) are the most internationally recognised standards for the definition of sustainability reporting strategies and systems. In view of the growing importance of SASB reporting for investors, the following table shows the correspondence with the indicators used in the 2019 Integrated Report.

SASB		2019 Integrated Report
Topic	Indicator	Reference to paragraphs/indicators
<b>Settore – INSURANCE</b>		
<i>Transparent Information &amp; Fair Advice for Customers</i>	FN-IN-270a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Quality and customer experience</li> <li>▪ Monthly complaints</li> <li>▪ Customer complaints by type</li> </ul>
<i>Incorporation of ESG Factors in Investment Management</i>	FN-IN-410a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Integration of ESG factors into investment policies</li> <li>▪ Integration of ESG factors into insurance policies</li> <li>▪ Percentage of assets subject to positive and negative environmental or social screening regarding social/environmental aspects</li> </ul>
<i>Policies Designed to Incentivize Responsible Behavior</i>	FN-IN-410b	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ ESG investment products</li> <li>▪ Insurance products with social and environmental value</li> </ul>
<i>Environmental Risk exposure</i>	FN-IN-450a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ The management and reporting of climate change risks according to the indications of the Task Force on Climate-related Financial Disclosures</li> </ul>
<i>Systemic Risk Management</i>	FN-IN-550a	<ul style="list-style-type: none"> <li>▪ Outlook: emerging risk management</li> </ul>
<b>Sector – ASSET MANAGEMENT</b>		
<i>Transparent Information &amp; Fair Advice for Customers</i>	FN-AC-270a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Quality and customer experience</li> <li>▪ Monthly complaints</li> <li>▪ Customer complaints by type</li> </ul>
<i>Employee Diversity &amp; Inclusion</i>	FN-AC-330a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Diversity and inclusion</li> <li>▪ Classification of employee by category, gender and age group</li> <li>▪ Number of personnel by other diversity indicators</li> <li>▪ Number of personnel by type of employment and gender, by Strategic Business Unit</li> <li>▪ Number of personnel by type of contract and gender, by Strategic Business Unit</li> </ul>
<i>Incorporation of ESG Factors in Investment Management &amp; Advisory</i>	FN-AC-410a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Integration of ESG factors into investment policies</li> <li>▪ Integration of ESG factors into insurance policies</li> <li>▪ Percentage of assets subject to positive and negative environmental or social screening regarding social/environmental aspects</li> </ul>
<i>Business Ethics</i>	FN-AC-510a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Work with transparency and integrity</li> <li>▪ Poste Italiane's commitment to managing human rights risks</li> <li>▪ Companies assessed for risks related to corruption and percentage of operations audited for risks related to corruption</li> <li>▪ Reports managed by the Whistleblowing Committee</li> <li>▪ Anti-competitive practices</li> <li>▪ Specific training on procedures and policies of anti-corruption</li> <li>▪ Cases of bribery and corruption and corrective actions</li> </ul>
<i>Systemic Risk Management</i>	FN-AC-550a	<ul style="list-style-type: none"> <li>▪ Risk management and risk assessment</li> </ul>

SASB		2019 Integrated Report
Topic	Indicator	Reference to paragraphs/indicators
<b>Sector – AIR FREIGHT &amp; LOGISTICS</b>		
<i>Greenhouse Gas Emissions</i>	TR-AF-110a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Decarbonisation of real estate facilities and logistics</li> <li>▪ Total direct GHG emissions (Scope 1)</li> <li>▪ Total indirect GHG emissions (Scope 2)</li> <li>▪ Intensity of GHG emissions related to real estate facilities</li> <li>▪ Internal Group energy consumption</li> <li>▪ External Group energy consumption</li> </ul>
<i>Air Quality</i>	TR-AF-120a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Other direct emissions from logistics activities</li> <li>▪ Other indirect emissions from logistics activities</li> </ul>
<i>Labor Practices</i>	FN-AC-510a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Relations with social partners</li> <li>▪ Protection of human rights</li> <li>▪ Number of disputes with employees</li> </ul>
<i>Employee Health &amp; Safety</i>	TR-AF-320a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Occupational health and safety</li> <li>▪ Type of injury, injury rate, lost day rate, occupational disease rate, absentee rate and work-related fatalities at the Group</li> </ul>
<i>Supply Chain Management</i>	TR-AF-430a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Environmental impacts of logistics</li> <li>▪ Other total indirect GHG emissions</li> </ul>
<b>Sector – COMMERCIAL BANKS</b>		
<i>Data Security</i>	FN-CB-230a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Risk management and risk assessment</li> <li>▪ Cybersecurity, IT Security and Privacy</li> <li>▪ Privacy violations and data leaks</li> <li>▪ IT security and cybersecurity breaches</li> <li>▪ Number of customers involved in IT security breaches</li> </ul>
<i>Financial Inclusion &amp; Capacity Building</i>	FN-CB-240a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Financial inclusion</li> <li>▪ New customers in the categories most at risk of financial exclusion as a percentage of total new acquisitions</li> <li>▪ ATMs for inclusion</li> <li>▪ Post offices for cultural integration</li> </ul>
<i>Business Ethics</i>	FN-AC-510a	<ul style="list-style-type: none"> <li>▪ Poste Italiane's sustainability strategy</li> <li>▪ Work with transparency and integrity</li> <li>▪ Companies assessed for risks related to corruption and percentage of operations audited for risks related to corruption</li> <li>▪ Reports managed by the Whistleblowing Committee</li> <li>▪ Anti-competitive practices</li> <li>▪ Specific training on procedures and policies of anti-corruption</li> <li>▪ Cases of bribery and corruption and corrective actions</li> </ul>
<i>Systemic Risk Management</i>	FN-AC-550a	<ul style="list-style-type: none"> <li>▪ Risk management and risk assessment</li> </ul>

# Table showing links between the SDGS and the GRI Indicators

SDG	Topic	GRI Standard Disclosure
 <p><b>Goal 1 – Zero Poverty</b> End poverty in all its forms everywhere</p>	<ul style="list-style-type: none"> <li>Access to financial services</li> </ul>	<ul style="list-style-type: none"> <li>FS14</li> </ul>
 <p><b>Goal 2 – Zero Hunger</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture.</p>	<ul style="list-style-type: none"> <li>Infrastructure investment</li> </ul>	<ul style="list-style-type: none"> <li>201-1</li> <li>203-1</li> </ul>
 <p><b>Goal 3 – Good health and wellbeing</b> Ensure healthy lives and promote wellbeing for all at all ages.</p>	<ul style="list-style-type: none"> <li>Air quality</li> <li>Waste</li> <li>Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>305-1</li> <li>305-2</li> <li>305-3</li> <li>306-2</li> <li>403-2</li> </ul>
 <p><b>Goal 4 – Quality education</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>	<ul style="list-style-type: none"> <li>Employee training and education</li> </ul>	<ul style="list-style-type: none"> <li>404-1</li> <li>404-3</li> </ul>
 <p><b>Goal 5 – Gender equality</b> Achieve gender equality and empower all women and girls.</p>	<ul style="list-style-type: none"> <li>Gender equality</li> <li>Infrastructure investment</li> </ul>	<ul style="list-style-type: none"> <li>405-1</li> <li>201-1</li> <li>203-1</li> </ul>
 <p><b>Goal 6 – Clean water and sanitation</b> Ensure availability and sustainable management of water and sanitation for all.</p>	<ul style="list-style-type: none"> <li>Sustainable water withdrawals</li> <li>Waste</li> </ul>	<ul style="list-style-type: none"> <li>303-1</li> <li>306-2</li> </ul>
 <p><b>Goal 7 – Affordable and clean energy</b> Ensure access to affordable, reliable, sustainable and modern energy for all.</p>	<ul style="list-style-type: none"> <li>Energy efficiency</li> <li>Infrastructure investment</li> <li>Renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>302-1</li> <li>302-2</li> <li>201-1</li> <li>203-1</li> <li>302-1</li> <li>302-2</li> </ul>

SDG	Topic	GRI Standard Disclosure
 <p><b>Goal 8 – Decent work and economic growth</b></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"> <li>▪ Access to financial services</li> <li>▪ Diversity and equal opportunity</li> <li>▪ Earnings, wages and benefits</li> <li>▪ Economic performance</li> <li>▪ Employee training and education</li> <li>▪ Energy efficiency</li> <li>▪ Materials efficiency</li> <li>▪ Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>▪ FS14</li> <li>▪ 405-1</li> <li>▪ 401-2</li> <li>▪ 201-1</li> <li>▪ 404-1</li> <li>▪ 404-3</li> <li>▪ 302-1</li> <li>▪ 302-2</li> <li>▪ 301-1</li> <li>▪ 403-2</li> </ul>
 <p><b>Goal 9 – Industry, innovation and infrastructure</b></p> <p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.</p>	<ul style="list-style-type: none"> <li>▪ Infrastructure investment</li> <li>▪ Research and development</li> </ul>	<ul style="list-style-type: none"> <li>▪ 201-1</li> <li>▪ 203-1</li> <li>▪ 201-1</li> </ul>
 <p><b>Goal 10 – Reduced inequalities</b></p> <p>Reduce inequality within and among countries.</p>	<ul style="list-style-type: none"> <li>▪ Access to financial services</li> <li>▪ Economic development in areas of high poverty</li> <li>▪ Responsible finance</li> </ul>	<ul style="list-style-type: none"> <li>▪ FS14</li> <li>▪ 203-1</li> <li>▪ FS11</li> </ul>
 <p><b>Goal 11 – Sustainable cities and communities</b></p> <p>Make cities and human settlements inclusive, safe, resilient and sustainable.</p>	<ul style="list-style-type: none"> <li>▪ Infrastructure investment</li> </ul>	<ul style="list-style-type: none"> <li>▪ 201-1</li> <li>▪ 203-1</li> </ul>
 <p><b>Goal 12 – Responsible consumption and production</b></p> <p>Ensure sustainable consumption and production patterns.</p>	<ul style="list-style-type: none"> <li>▪ Air quality</li> <li>▪ Energy efficiency</li> <li>▪ Materials efficiency/recycling</li> <li>▪ Waste</li> <li>▪ Water withdrawals by source</li> </ul>	<ul style="list-style-type: none"> <li>▪ 305-1</li> <li>▪ 305-2</li> <li>▪ 305-3</li> <li>▪ 302-1</li> <li>▪ 302-2</li> <li>▪ 301-1</li> <li>▪ 306-2</li> <li>▪ 303-1</li> </ul>
 <p><b>Goal 13 – Climate action</b></p> <p>Take urgent action to combat climate change and its impacts.</p>	<ul style="list-style-type: none"> <li>▪ Energy efficiency</li> <li>▪ GHG emissions</li> </ul>	<ul style="list-style-type: none"> <li>▪ 302-1</li> <li>▪ 302-2</li> <li>▪ 305-1</li> <li>▪ 305-2</li> <li>▪ 305-3</li> <li>▪ 305-4</li> </ul>
 <p><b>Goal 14 – Life below water</b></p> <p>Conserve and sustainably use the oceans, seas and marine resources.</p>	<ul style="list-style-type: none"> <li>▪ Ocean acidification</li> </ul>	<ul style="list-style-type: none"> <li>▪ 305-1</li> <li>▪ 305-2</li> <li>▪ 305-3</li> <li>▪ 305-4</li> </ul>
 <p><b>Goal 15 – Life on land</b></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"> <li>▪ Forest degradation</li> </ul>	<ul style="list-style-type: none"> <li>▪ 305-1</li> <li>▪ 305-2</li> <li>▪ 305-3</li> <li>▪ 305-4</li> </ul>
 <p><b>Goal 16 - Peace, justice and strong institutions</b></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"> <li>▪ Anti-corruption</li> <li>▪ Protection of privacy</li> </ul>	<ul style="list-style-type: none"> <li>▪ 205-1</li> <li>▪ 205-3</li> <li>▪ 418-1</li> </ul>



## 8. Summary of the resolutions of the ordinary Shareholders' Meeting

The ordinary Shareholders' Meeting of Poste Italiane SpA held in Rome in single call on 15 May 2020 at the premises of the Company located in viale Europa n. 175, adopted the following resolutions:

1. approved the financial statements of Poste Italiane SpA for the year ended 31 December 2019; and took note of the results of the consolidated financial statements of the Poste Italiane Group, also for the year ended 31 December 2019, which closed with net income for the year of euro 1,342.5 million;
2. resolved:
  - i. to allocate the net income of BancoPosta's Ring-fenced Capital, amounting to 610,685,913 euro, as follows:
    - to the reserve named "Retained Earnings" for 85,000,000 euro;
    - to the disposal of the Company for the possible distribution for 525,685,913 euro;
  - ii. to allocate Poste Italiane SpA's net income for 2019, amounting to 660,531,453 euro, as follows:
    - to the aforementioned reserve named "Retained Earnings" of BancoPosta's Ring-fenced Capital for 85,000,000 euro;
    - to the not available reserve for 23,626,168 euro<sup>35</sup>;
    - to the distribution to the Shareholders for the remaining amount of 551,905,285 euro;
  - iii. in light of the above, to distribute a total dividend of 0.463 euro per share, using (i) Poste Italiane SpA's net income for 2019, available for distribution, equal to 551,905,285 euro, and (ii) for the remaining part, whose exact amount will be determined at the time of the payment of the balance of the dividend on the base of the shares in circulation on the ex-dividend date, an amount deriving from the partial distribution of the available reserves (amounting to 1,065,059,585 euro as of 31 December 2019);
  - iv. to distribute the aforementioned dividend of 0.463 euro per share as follows:
    - the amount of 0.154 euro for each ordinary shares in circulation on the ex-dividend date, excluding treasury shares on that date to cover the interim dividend payable from 20 November 2019, with the ex-dividend date of coupon no. 5 having fallen on 18 November 2019 and the "record date" (i.e. the date of the title to the payment of the dividend, pursuant to Article 83-terdecies of the Legislative Decree no. 58 of February 24, 1998 and to Article 2.6.6, paragraph 2, of the Rules of the Markets organized and managed by Borsa Italiana SpA) falling on 19 November 2019, for an overall amount of 200,331,213 euro;
    - the amount of 0.309 euro for each ordinary shares in circulation on 22 June 2020, the day scheduled as the ex-dividend date, excluding treasury shares on that date, as the balance of the dividend;
  - v. to pay the aforesaid balance of the dividend for 2019 of 0.309 euro per ordinary share – before withholding tax, if any – from 24 June 2020, with the "ex-dividend" date of coupon n. 6 falling on 22 June 2020 and the record date (i.e., the date of entitlement to the payment of the aforesaid dividend pursuant to article 83-terdecies of Legislative Decree n. 58 of 24 February 1998 and article 2.6.6, paragraph 2, of the Regulations of the markets organized and managed by Borsa Italiana SpA) falling on 23 June 2020;

35. The amount of €23,626,168 refers to the income not available for distribution recognised in profit and loss for the fair measurement of Visa Preferred Stock shares which - in application of Legislative Decree 38/2005 - cannot be the subject of distribution until actually realised.

3. appointed the new Board of Directors, which will remain in office until the approval of the financial statements for 2022, in the persons of:
  - Maria Bianca Farina, Chairwoman
  - Matteo Del Fante, Director
  - Giovanni Azzone, Director
  - Bernardo De Stasio, Director
  - Daniela Favrin, Director
  - Davide Iacovoni, Director
  - Mimi Kung, Director
  - Elisabetta Lunati, Director
  - Roberto Rossi, Directorsetting the related compensation at euro 60,000 gross per year for the Chairwoman and euro 40,000 gross per year for the other Directors;
4. approved the Report on the policy regarding remuneration for the year 2020 – including the guidelines on the policies of remuneration and incentive plans of BancoPosta's Ring-Fenced Capital, which are attached to the Report on the policy regarding remuneration – which explains (i) the Company's policy regarding the remuneration for members of the Board of Directors, the general manager and other executives with strategic responsibilities, and the members of control body, as well as (ii) the procedures used for the adoption and implementation of such policy;
5. resolved in favor of the Report on amounts paid in the year 2019, which are provided (i) by name, for the members of the administrative and auditing bodies, and the general manager, and (ii) in aggregate form, for executives with strategic responsibilities;
6. approved the 2020 equity-based Incentive Plan for the material risk takers of the BancoPosta's Ring-Fenced Capital, whose features are described in a document prepared pursuant to article 84-*bis*, paragraph 1, of CONSOB Resolution n. 11971 of May 14, 1999, attributing to the board of directors all the powers necessary to concretely implement such Incentive plan;
7. resolved, upon proposal formulated by the Board of Statutory Auditors, to supplement the fee for the assignment to perform the statutory audit of the accounts entrusted to PricewaterhouseCoopers SpA for the financial year 2019, following the entry into force of new accounting principles.

## 9. Other information

### Events after 31 December 2019

Events after the end of the reporting period to which the 2019 Annual Report refers are described in other sections of this document. Further information is provided in Poste Italiane Financial Statements for the year ended 31 December 2019.

### Related party transactions

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 2019.

### Transactions of greater importance

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 and 27 June 2019, having obtained the consent of the Related and Connected Parties Committee, 12 repurchase agreements and 4 Interest Rate Swaps for hedging purposes, as well as 39 trades in government securities were carried out at 31 December 2019.

Within the scope of the transactions with Cassa Depositi e Prestiti authorised by the Board of Directors on 11 October 2016 and 27 June 2019, having obtained the consent of the Related and Connected Parties Committee, 2 repurchase agreements were entered into at 31 December 2019.

### 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 2019, compared with the statement at 31 December 2018, is included in Poste Italiane Financial Statements for the year ended 31 December 2019 (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 transactions<sup>36</sup> in 2019.

36. 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.

## 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 the International Financial Reporting Standards (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:

**NET WORKING CAPITAL** - this indicator represents 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 shown separately for each Strategic Business Unit.

**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 shown separately for each Strategic Business Unit.

**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 shown separately for each Strategic Business Unit.

**CET 1 CAPITAL** - this indicator includes initial capital and retained earnings (Tier 1 capital), applied on a transitional basis (EU Regulation 2017/2395).

**CET 1 RATIO** - this ratio measures the adequacy of Tier 1 capital with respect to Pillar 1 risks (operational, credit, counterparty and foreign exchange). It is the ratio of CET1 Capital to total Risk Weighted Assets (RWA).

**COMBINED RATIO** - it 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.

**EBIT (*Earning before interest and taxes*)** - this is an indicator of operating profit before financial expenses and taxation.

**EBIT margin** - this is an indicator of the operating performance and is calculated as the ratio of operating profit (EBIT) to total revenue. This indicator is also shown separately for each Strategic Business Unit.

**EBITDA (*Earnings Before Interest, Taxes, Depreciation and Amortization*)** - this is an indicator of operating profit before financial expenses and taxation, and depreciation, amortisation and impairments of non-current assets.

**EXPENSE RATIO** is calculated as the ratio of total expenses (operating costs and fees and commissions) and gross premium revenue.

**LAPSE RATE** - this is an indirect measure of customer loyalty. It is based on surrenders during the period as a percentage of mathematical provisions at the beginning of the period. It is calculated as Surrenders/Mathematical Provisions (on a linear basis over 12 months).

**LEVERAGE RATIO** - this is the ratio of CET1 Capital to total assets, the latter after adjustments for derivative financial instruments and off-balance sheet exposures.

**LOSS RATIO** is a measure of the technical performance of an insurance company providing P&C cover and is calculated as the ratio of total losses incurred (including claims expenses) and gross earned premiums.

**GROUP NET CASH POSITION** - 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.

**NET CASH POSITION 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.

**TOTAL ASSETS** - total assets in the Balance Sheet of BancoPosta RFC.

**RWA (Risk Weighted Assets)** - this indicator measures the risk exposure of assets in accordance with Basel III regulations. Risk-Weighted Assets, or RWA, are calculated by applying a weighting to assets that takes into account the level of exposure to credit, counterparty, market and operational risk.

**TSR (Total Shareholder Return)** - measures the total annual return for an investor and is calculated by adding the increase in the share price over a determinate period of time to the impact of dividends per share paid in the same period.

**EBIT and ADJUSTED PROFIT** - to provide an improved basis for assessment and comparison, the following statement shows the reconciliation of reported EBIT and net profit and adjusted EBIT and net profit:

Reconciliation of values from reported to adjusted	2018	2019
<b>Reported revenue</b>	<b>10,864</b>	<b>11,038</b>
<b>Adjustment</b>	<b>532</b>	<b>379</b>
Capital gains	404	353
Visa - Fair value measurement pursuant to IFRS 9	9	25
Visa - capital gain on sale of shares	0	1
Capital gain on sale of shares in Anima SGR to Anima Holding	120	0
<b>Adjusted revenue</b>	<b>10,332</b>	<b>10,659</b>
<b>Reported costs</b>	<b>9,366</b>	<b>9,264</b>
<b>Adjustment</b>	<b>706</b>	<b>370</b>
Early retirement incentives	619	342
Provision made for Real estate funds	21	0.2
Capital losses	25	13
Reversal of Visa revenue (Fair value measurement pursuant to IFRS 9)	9	0
Change in fair value of derivative shares VISA	0	15
Impairment of Postel goodwill	33	0
<b>Adjusted costs</b>	<b>8,659</b>	<b>8,894</b>
<b>Reported EBIT</b>	<b>1,499</b>	<b>1,774</b>
<b>Total ADJ items</b>	<b>174</b>	<b>(9)</b>
<b>Adjusted EBIT (€m)</b>	<b>1,673</b>	<b>1,765</b>
<b>Reported financial management</b>	<b>(8)</b>	<b>99</b>
<b>Adjustment</b>	<b>(62)</b>	<b>42</b>
Impairment of financial receivable from sale MCC	(20)	0
Anima impairment	(42)	0
Impairment of IRES interest	0	(46)
SIA write-back	0	88
<b>Adjusted financial management</b>	<b>54</b>	<b>57</b>
<b>Reported EBT</b>	<b>1,490</b>	<b>1,873</b>
<b>Adjusted EBT</b>	<b>1,726</b>	<b>1,822</b>
<b>Reported net result</b>	<b>1,399</b>	<b>1,342</b>
<b>Adjustment</b>	<b>(227)</b>	<b>(85)</b>
ADJ over EBIT (net of the tax effect)	101	(9)
ADJ over Financial management (net of the tax effect)	57	(53)
DTA Poste Vita	(385)	(23)
<b>Adjusted net result</b>	<b>1,172</b>	<b>1,258</b>

# Appendix

## Consolidated statement of profit or loss

### Reclassified Consolidated statement of profit or loss

(€m)	2019	2018	Changes		4Q 2019	4Q 2018	Changes	
<b>Revenue</b>	<b>11,038</b>	<b>10,864</b>	<b>174</b>	<b>1.6%</b>	<b>2,949</b>	<b>2,913</b>	<b>36</b>	<b>1.2%</b>
<i>of which:</i>								
Mail, Parcels and Distribution Services	3,492	3,580	(88)	-2.5%	937	991	(54)	-5.4%
Payments, Mobile and Digital Services	664	592	71	12.1%	187	158	29	18.2%
Financial Services	5,213	5,221	(8)	-0.2%	1,376	1,342	34	2.5%
<i>of which capital gains</i>	353	404	(51)	-12.6%	92	0	92	-
Insurance Services	1,669	1,470	199	13.5%	450	422	28	6.6%
<b>Costs</b>	<b>8,490</b>	<b>8,796</b>	<b>(306)</b>	<b>-3.5%</b>	<b>2,516</b>	<b>2,759</b>	<b>(243)</b>	<b>-8.8%</b>
<i>of which:</i>								
Total personnel expenses	5,896	6,137	(241)	-3.9%	1,776	1,986	(211)	-10.6%
<i>of which ordinary personnel expenses</i>	5,561	5,524	37	0.7%	1,452	1,401	51	3.6%
<i>of which early retirement incentives</i>	342	619	(277)	-44.8%	328	590	(262)	-44.4%
<i>of which disputes and other extraordinary items</i>	(6)	(5)	(1)	14.5%	(5)	(5)	0	-3.7%
Other operating costs	2,594	2,659	(65)	-2.4%	740	773	(33)	-4.2%
<b>EBITDA</b>	<b>2,548</b>	<b>2,068</b>	<b>480</b>	<b>23.2%</b>	<b>433</b>	<b>154</b>	<b>280</b>	<b>182.1%</b>
Depreciation, amortisation and impairments	774	570	205	35.9%	200	164	36	22.0%
<b>EBIT</b>	<b>1,774</b>	<b>1,499</b>	<b>275</b>	<b>18.4%</b>	<b>234</b>	<b>(10)</b>	<b>244</b>	<b>-2448.6%</b>
<b>EBIT Margin</b>	<b>16.1%</b>	<b>13.8%</b>			<b>7.9%</b>	<b>-0.3%</b>		
Finance income/(costs)	99	(8)	107	-1289.6%	76	(52)	128	-247.1%
<b>Gross profit</b>	<b>1,873</b>	<b>1,490</b>	<b>382</b>	<b>25.7%</b>	<b>310</b>	<b>(62)</b>	<b>372</b>	<b>-602.6%</b>
Income tax expense	530	92	439	479.0%	51	(404)	455	-112.5%
<b>Net profit</b>	<b>1,342</b>	<b>1,399</b>	<b>(56)</b>	<b>-4.0%</b>	<b>259</b>	<b>343</b>	<b>(83)</b>	<b>-24.3%</b>
<b>Net earnings per share (€)</b>	<b>1.03</b>	<b>1.07</b>	<b>(0.04)</b>	<b>-3.6%</b>	<b>0.20</b>	<b>0.26</b>	<b>(0.06)</b>	<b>-24.0%</b>

## Contribution of Strategic Business Units to the Consolidated statement of profit or loss

2019 (€m)	Mail, Parcels and Distribution	Payments, Mobile and Digital	Financial	Insurance	Adjustments and eliminations	Total
<b>Total revenue</b>	<b>8,215</b>	<b>1,039</b>	<b>5,926</b>	<b>1,670</b>	<b>(5,812)</b>	<b>11,038</b>
Revenue from third parties	3,492	664	5,213	1,669		11,038
Intersegment revenue	4,723	375	712	1	(5,812)	-
<b>Total costs</b>	<b>8,562</b>	<b>798</b>	<b>5,051</b>	<b>664</b>	<b>(5,812)</b>	<b>9,264</b>
Total personnel expenses	5,782	31	43	40		5,896
<i>of which ordinary personnel expenses</i>	5,448	31	42	40		5,561
<i>of which early retirement incentives</i>	340	0	2	0		342
<i>of which disputes and other extraordinary items</i>	(6)	0	0	0		(6)
Other operating costs	1,985	322	185	102		2,594
Depreciation, amortisation and impairments	724	27	0	24	(1)	774
Intersegment costs	72	418	4,822	499	(5,811)	-
<b>EBIT</b>	<b>(347)</b>	<b>241</b>	<b>874</b>	<b>1,006</b>		<b>1,774</b>
<b>EBIT MARGIN</b>	<b>-4.2%</b>	<b>23.2%</b>	<b>14.8%</b>	<b>60.2%</b>		<b>16.1%</b>
Finance income/(costs)	(36)	99	6	30		99
<b>Gross profit</b>	<b>(384)</b>	<b>340</b>	<b>881</b>	<b>1,035</b>		<b>1,873</b>
Income tax expense	(77)	68	240	298		530
<b>Net profit</b>	<b>(306)</b>	<b>272</b>	<b>640</b>	<b>737</b>		<b>1,342</b>

## Statements of profit or loss by Strategic Business Unit

### Statement of profit or loss for the Mail, Parcels and Distribution Strategic Business Unit

(€m)	2019	2018	Changes		4Q 2019	4Q 2018	Changes	
<b>Revenue</b>	<b>8,215</b>	<b>8,210</b>	<b>5</b>	<b>0.1%</b>	<b>2,156</b>	<b>2,096</b>	<b>60</b>	<b>2.9%</b>
Mail	2,456	2,621	(166)	-6.3%	623	694	(71)	-10.2%
Parcels	852	761	91	11.9%	253	233	20	8.5%
Other revenue	185	198	(13)	-6.7%	60	63	(3)	-4.7%
Intersegment revenue	4,723	4,630	93	2.0%	1,219	1,105	114	10.3%
<b>Costs</b>	<b>7,838</b>	<b>8,112</b>	<b>(274)</b>	<b>-3.4%</b>	<b>2,321</b>	<b>2,551</b>	<b>(230)</b>	<b>-9.0%</b>
<i>of which:</i>								
Total personnel expenses	5,782	5,989	(208)	-3.5%	1,746	1,961	(215)	-11.0%
<i>of which ordinary personnel expenses</i>	5,448	5,386	62	1.1%	1,423	1,377	47	3.4%
<i>of which early retirement incentives</i>	340	608	(268)	-44.1%	328	589	(262)	-44.4%
<i>of which disputes and other extraordinary items</i>	(6)	(5)	(1)	14.5%	(5)	(5)	(0)	-1.1%
Other operating costs	1,985	2,056	(71)	-3.5%	557	574	(17)	-3.0%
Intersegment costs	72	67	5	6.7%	18	16	2	10.3%
<b>EBITDA</b>	<b>377</b>	<b>98</b>	<b>279</b>	<b>284.9%</b>	<b>(165)</b>	<b>(455)</b>	<b>290</b>	<b>63.8%</b>
Depreciation, amortisation and impairments	724	528	196	37.1%	186	152	34	22.4%
<b>EBIT</b>	<b>(347)</b>	<b>(430)</b>	<b>83</b>	<b>19.3%</b>	<b>(351)</b>	<b>(608)</b>	<b>256</b>	<b>42.2%</b>
<b>EBIT Margin</b>	<b>-4.2%</b>	<b>-5.2%</b>			<b>-16.3%</b>	<b>-29.0%</b>		
Finance income/(costs)	(36)	(31)	(5)	-17.0%	(43)	(15)	(28)	-190.7%
<b>Gross profit</b>	<b>(384)</b>	<b>(462)</b>	<b>78</b>	<b>16.9%</b>	<b>(394)</b>	<b>(622)</b>	<b>228</b>	<b>36.7%</b>
Income tax expense	(77)	(89)	12	13.4%	(98)	(155)	57	37.0%
<b>Net profit</b>	<b>(306)</b>	<b>(372)</b>	<b>66</b>	<b>17.7%</b>	<b>(296)</b>	<b>(467)</b>	<b>171</b>	<b>36.6%</b>

## Statement of profit or loss for the Payments, Mobile and Digital Strategic Business Unit

(€m)	2019	2018	Changes		4Q 2019	4Q 2018	Changes	
<b>Revenue</b>	<b>1,039</b>	<b>952</b>	<b>87</b>	<b>9.1%</b>	<b>280</b>	<b>252</b>	<b>28</b>	<b>11.3%</b>
E-Money	338	291	48	16.5%	91	79	13	15.9%
Other payments	86	85	1	0.9%	29	25	3	12.5%
<i>Mobile</i>	240	217	23	10.6%	67	54	13	24.4%
Intersegment revenue	375	360	16	4.3%	94	94	(0)	-0.4%
<b>Costs</b>	<b>771</b>	<b>725</b>	<b>46</b>	<b>6.4%</b>	<b>212</b>	<b>197</b>	<b>15</b>	<b>7.4%</b>
<i>of which:</i>								
Total personnel expenses	31	31	1	2.7%	8	8	(0)	-1.0%
<i>of which ordinary personnel expenses</i>	31	31	1	2.1%	7	8	(0)	-3.6%
<i>of which early retirement incentives</i>	0	0	0	-	0	0	0	-
Other operating costs	322	304	17	5.7%	101	89	12	13.8%
Intersegment costs	418	390	28	7.2%	103	101	2	2.4%
<b>EBITDA</b>	<b>268</b>	<b>227</b>	<b>41</b>	<b>18.0%</b>	<b>68</b>	<b>55</b>	<b>14</b>	<b>25.3%</b>
Depreciation, amortisation and impairments	27	24	3	13.2%	7	6	1	9.7%
<b>EBIT</b>	<b>241</b>	<b>203</b>	<b>38</b>	<b>18.6%</b>	<b>61</b>	<b>48</b>	<b>13</b>	<b>27.4%</b>
<b>EBIT Margin</b>	<b>23.2%</b>	<b>21.4%</b>			<b>21.9%</b>	<b>19.1%</b>		
Finance income/(costs)	99	4	95	2274.5%	93	2	91	3858.5%
<b>Gross profit</b>	<b>340</b>	<b>208</b>	<b>133</b>	<b>63.8%</b>	<b>155</b>	<b>51</b>	<b>104</b>	<b>206.0%</b>
Income tax expense	68	55	14	25.6%	17	14	3	18.3%
<b>Net profit</b>	<b>272</b>	<b>153</b>	<b>119</b>	<b>77.4%</b>	<b>138</b>	<b>36</b>	<b>101</b>	<b>280.9%</b>

## Statement of profit or loss for the Financial Services Strategic Business Unit

(€m)	2019	2018	Changes		4Q 2019	4Q 2018	Changes	
<b>Revenue</b>	<b>5,926</b>	<b>5,871</b>	<b>55</b>	<b>0.9%</b>	<b>1,553</b>	<b>1,503</b>	<b>50</b>	<b>3.4%</b>
Gross capital gains	353	404	(51)	-12.6%	92	0	92	-
Interest income	1,636	1,555	81	5.2%	403	404	(2)	-0.5%
Postal savings deposits	1,799	1,827	(27)	-1.5%	469	483	(14)	-2.9%
Collection and payment services	1,013	965	48	4.9%	303	242	60	24.9%
Distribution of third party products	313	263	51	19.3%	85	70	15	21.8%
Savings management	100	209	(109)	-52.2%	25	142	(117)	-82.5%
Intersegment revenue	712	649	63	9.7%	177	161	17	10.4%
<b>Costs</b>	<b>5,052</b>	<b>5,011</b>	<b>40</b>	<b>0.8%</b>	<b>1,305</b>	<b>1,228</b>	<b>77</b>	<b>6.3%</b>
<i>of which:</i>								
Total personnel expenses	43	80	(36)	-45.5%	11	8	3	34.7%
<i>of which ordinary personnel expenses</i>	42	70	(28)	-40.3%	11	8	3	38.6%
<i>of which early retirement incentives</i>	2	10	(8)	-82.9%	0	1	(0)	-18.8%
Other operating costs	185	214	(28)	-13.3%	43	85	(41)	-48.9%
Intersegment costs	4,822	4,718	105	2.2%	1,251	1,135	116	10.2%
<b>EBITDA</b>	<b>874</b>	<b>859</b>	<b>15</b>	<b>1.7%</b>	<b>248</b>	<b>275</b>	<b>(27)</b>	<b>-9.8%</b>
Depreciation, amortisation and impairments	0.0	0.0	0.0	21.1%	0.0	0.0	(0)	-38.9%
<b>EBIT</b>	<b>874</b>	<b>859</b>	<b>15</b>	<b>1.7%</b>	<b>248</b>	<b>275</b>	<b>(27)</b>	<b>-9.8%</b>
<b>EBIT Margin</b>	<b>14.8%</b>	<b>14.6%</b>			<b>15.9%</b>	<b>18.3%</b>		
Finance income/(costs)	6	(32)	38	119.8%	11	(40)	50	126.3%
Gross profit	881	827	53	6.4%	258	235	24	10.0%
Income tax expense	240	210	30	14.3%	58	44	13	29.9%
<b>Net profit</b>	<b>640</b>	<b>617</b>	<b>23</b>	<b>3.7%</b>	<b>200</b>	<b>190</b>	<b>10</b>	<b>5.4%</b>



## Statement of profit or loss for the Insurance Services Strategic Business Unit

(€m)	2019	2018	Changes		4Q 2019	4Q 2018	Changes	
<b>Revenue</b>	<b>1,670</b>	<b>1,472</b>	<b>197</b>	<b>13.4%</b>	<b>450</b>	<b>423</b>	<b>28</b>	<b>6.6%</b>
Up Front Life	339	341	(2)	-0.6%	73	78	(5)	-6.5%
Financial margin life	1,131	1,011	120	11.9%	344	303	41	13.5%
Protection margin life	42	30	12	40.9%	15	12	3	24.2%
Change to other technical provisions and other technical income/expenses	(1)	(46)	45	97.4%	(24)	(9)	(15)	-163.6%
<b>Net income life</b>	<b>1,511</b>	<b>1,336</b>	<b>175</b>	<b>13.1%</b>	<b>408</b>	<b>384</b>	<b>24</b>	<b>6.2%</b>
Insurance premium revenue	222	168	54	32.3%	58	44	14	32.4%
Change in technical provisions and other claim expenses	(66)	(35)	(30)	-85.5%	(20)	(7)	(13)	-200.6%
Reinsurance results	(12)	(8)	(4)	-53.2%	0	(0)	0	167.5%
Net P&C income	3	(1)	5	337.5%	2	(2)	4	174.4%
<b>Net P&amp;C revenue</b>	<b>148</b>	<b>123</b>	<b>24</b>	<b>19.7%</b>	<b>40</b>	<b>35</b>	<b>5</b>	<b>14.2%</b>
Other operating income	10	11	(1)	-7.6%	2	3	(1)	-24.3%
Intersegment revenue	1	2	(1)	-63.7%	0	0	(0)	-27.1%
<b>Costs</b>	<b>640</b>	<b>589</b>	<b>51</b>	<b>8.7%</b>	<b>168</b>	<b>143</b>	<b>25</b>	<b>17.9%</b>
<i>of which:</i>								
Total personnel expenses	40	38	2	5.9%	11	10	1	15.0%
<i>of which ordinary personnel expenses</i>	40	37	3	8.8%	11	9	2	21.2%
<i>of which early retirement incentives</i>	0	1	(1)	-100.0%	0	0	(0)	-100.0%
Other operating costs	102	84	17	20.6%	39	25	14	54.0%
Intersegment costs	499	467	32	6.8%	118	108	10	9.6%
<i>of which commission</i>	470	431	38	8.9%	110	102	8	8.2%
<b>EBITDA</b>	<b>1,029</b>	<b>883</b>	<b>146</b>	<b>16.5%</b>	<b>282</b>	<b>280</b>	<b>2</b>	<b>0.8%</b>
Depreciation, amortisation and impairments	24	17	6	37.2%	6	5	1	25.9%
<b>EBIT</b>	<b>1,006</b>	<b>866</b>	<b>140</b>	<b>16.1%</b>	<b>276</b>	<b>275</b>	<b>1</b>	<b>0.4%</b>
<b>EBIT Margin</b>	<b>60.2%</b>	<b>58.8%</b>			<b>61.3%</b>	<b>65.1%</b>		
Finance income/(costs)	30	51	(21)	-41.4%	15	1	14	2417.6%
<b>Gross profit</b>	<b>1,035</b>	<b>917</b>	<b>119</b>	<b>12.9%</b>	<b>291</b>	<b>276</b>	<b>15</b>	<b>5.6%</b>
Income tax expense	298	(84)	383	454.4%	73	(308)	382	123.9%
<b>Net profit</b>	<b>737</b>	<b>1,001</b>	<b>(264)</b>	<b>-26.4%</b>	<b>218</b>	<b>584</b>	<b>(366)</b>	<b>-62.7%</b>

# Financial position

## Net invested capital and related funding

(€m)	31/12/2019	31/12/2018	Changes	
Tangible fixed assets	2,059	1,993	66	3.3%
Intangible fixed assets	648	545	103	18.9%
Right-of-use assets	1,254	-	1,254	-
Investments	617	497	120	24.1%
<b>Non-current assets</b>	<b>4,578</b>	<b>3,035</b>	<b>1,543</b>	<b>50.8%</b>
Trade receivables, Other receivables and assets and Inventories	6,978	6,914	64	0.9%
Trade payables and Other liabilities	(5,262)	(5,282)	20	-0.4%
Current tax assets/(liabilities)	(222)	105	(327)	-311.4%
<b>Net working capital</b>	<b>1,494</b>	<b>1,737</b>	<b>(243)</b>	<b>-14.0%</b>
<b>Gross invested capital</b>	<b>6,072</b>	<b>4,772</b>	<b>1,300</b>	<b>27.2%</b>
Provisions for risks and charges	(1,218)	(1,519)	301	-19.8%
Employee termination benefits	(1,135)	(1,187)	52	-4.4%
Prepaid/deferred tax assets/(liabilities)	312	666	(354)	-53.2%
<b>Net invested capital</b>	<b>4,031</b>	<b>2,732</b>	<b>1,299</b>	<b>47.5%</b>
<b>Equity</b>	<b>9,698</b>	<b>8,105</b>	<b>1,593</b>	<b>19.7%</b>
<i>of which profit for the period</i>	1,342	1,399	(57)	-4.1%
<i>of which fair value reserve</i>	1,018	(69)	1,087	-1574.2%
Financial liabilities	79,516	66,929	12,587	18.8%
Net technical provisions for insurance business	140,203	125,076	15,127	12.1%
Financial assets	218,934	(190,864)	(28,070)	14.7%
Cash and deposits attributable to BancoPosta	(4,303)	(3,318)	(985)	29.7%
Cash and cash equivalents	(2,149)	(3,195)	1,046	-32.7%
<b>Net debt/(funds)</b>	<b>(5,667)</b>	<b>(5,372)</b>	<b>(295)</b>	<b>5.5%</b>

31/12/2019 (€m)	Mail, Parcels and Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Netting and adjustments	Consolidated
Tangible fixed assets	2,023	25	1	10	-	2,059
Intangible fixed assets	576	21	-	51	-	648
Right-of-use assets	1,218	9	1	27	(1)	1,254
Investments	1,434	393	221	157	(1,588)	617
<b>Non-current assets</b>	<b>5,251</b>	<b>448</b>	<b>223</b>	<b>245</b>	<b>(1,589)</b>	<b>4,578</b>
Trade receivables, Other receivables and assets and Inventories	2,720	233	2,843	2,428	(1,246)	6,978
Trade payables and Other liabilities	(3,048)	(398)	(2,078)	(984)	1,246	(5,262)
Current tax assets/(liabilities)	(149)	(9)	1	(65)	-	(222)
<b>Net working capital</b>	<b>(477)</b>	<b>(174)</b>	<b>766</b>	<b>1,379</b>	<b>-</b>	<b>1,494</b>
<b>Gross invested capital</b>	<b>4,774</b>	<b>274</b>	<b>989</b>	<b>1,624</b>	<b>(1,589)</b>	<b>6,072</b>
Provisions for risks and charges	(857)	(10)	330	(21)	-	(1,218)
Employee termination benefits	(1,126)	(3)	(3)	(3)	-	(1,135)
Prepaid/deferred tax assets/(liabilities)	392	16	(349)	253	-	312
<b>Net invested capital</b>	<b>3,183</b>	<b>277</b>	<b>307</b>	<b>1,853</b>	<b>(1,589)</b>	<b>4,031</b>
<b>Equity</b>	<b>2,368</b>	<b>479</b>	<b>3,987</b>	<b>4,452</b>	<b>(1,588)</b>	<b>9,698</b>
of which profit for the period	(306)	271	640	737	-	1,342
of which fair value reserve	6	-	971	41	-	1,018
Financial liabilities	3,061	5,539	78,219	295	(7,598)	79,516
Net technical provisions for insurance business	-	-	-	140,203	-	140,203
Financial assets	(1,395)	(5,645)	(77,078)	(141,936)	7,120	(218,934)
Cash and deposits attributable to BancoPosta	-	-	(4,303)	-	-	(4,303)
Cash and cash equivalents	(851)	(96)	(518)	(1,161)	477	(2,149)
<b>Net debt/(funds)</b>	<b>815</b>	<b>(202)</b>	<b>(3,680)</b>	<b>(2,599)</b>	<b>(1)</b>	<b>(5,667)</b>

31/12/2018 (€m)	Mail, Parcels and Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Netting and adjustments	Consolidated
Tangible fixed assets	1,957	23	-	12	1	1,993
Intangible fixed assets	467	30	-	48	-	545
Right-of-use assets	-	-	-	-	-	-
Investments	1,434	280	214	157	(1,588)	497
<b>Non-current assets</b>	<b>3,858</b>	<b>333</b>	<b>214</b>	<b>217</b>	<b>(1,587)</b>	<b>3,035</b>
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/(liabilities)	86	(3)	1	22	(1)	105
<b>Net working capital</b>	<b>(639)</b>	<b>(123)</b>	<b>882</b>	<b>1,619</b>	<b>(2)</b>	<b>1,737</b>
Gross invested capital	3,219	210	1,096	1,836	(1,589)	4,772
Provisions for risks and charges	(980)	(16)	(512)	(11)	(1)	(1,519)
Employee termination benefits	(1,178)	(2)	(5)	(2)	1	(1,187)
Prepaid/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
of which profit for the period	(372)	153	617	1,001	(0)	1,399
of which fair value reserve	4	-	(71)	(1)	-	(69)
Financial liabilities	1,259	4,307	67,022	1,035	(6,693)	66,929
Net technical provisions for 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 equivalents	(973)	(246)	(1,323)	(1,574)	921	(3,195)
<b>Net debt/(funds)</b>	<b>(1,131)</b>	<b>(36)</b>	<b>(2,197)</b>	<b>(2,008)</b>	<b>-</b>	<b>(5,372)</b>

Difference 2019 vs 2018 (€m)	Mail, Parcels and Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Netting and adjustments	Consolidated
Tangible fixed assets	66	2	1	(2)	(1)	66
Intangible fixed assets	109	(9)	-	3	-	103
Right-of-use assets	1,218	9	1	27	(1)	1,254
Investments	-	113	7	-	-	120
<b>Non-current assets</b>	<b>1,393</b>	<b>115</b>	<b>9</b>	<b>28</b>	<b>(2)</b>	<b>1,543</b>
Trade receivables, Other receivables and assets and Inventories	186	(149)	45	(5)	(14)	64
Trade payables and Other liabilities	211	104	(161)	(148)	15	20
Current tax assets/(liabilities)	(235)	(6)	-	(87)	1	(327)
<b>Net working capital</b>	<b>162</b>	<b>(51)</b>	<b>(116)</b>	<b>(240)</b>	<b>2</b>	<b>(243)</b>
<b>Gross invested capital</b>	<b>1,555</b>	<b>64</b>	<b>(107)</b>	<b>(212)</b>	<b>-</b>	<b>1,300</b>
Provisions for risks and charges	123	6	182	(10)	1	301
Employee termination benefits	52	(1)	2	(1)	(1)	52
Prepaid/deferred tax assets/(liabilities)	3	1	(484)	126	(1)	(354)
<b>Net invested capital</b>	<b>1,733</b>	<b>70</b>	<b>(407)</b>	<b>(97)</b>	<b>(1)</b>	<b>1,299</b>
<b>Equity</b>	<b>(213)</b>	<b>236</b>	<b>1,076</b>	<b>494</b>	<b>-</b>	<b>1,593</b>
<i>of which profit for the period</i>	66	118	23	(264)	0	(57)
<i>of which fair value reserve</i>	2	-	1,042	42	-	1,087
Financial liabilities	1,802	1,232	11,197	(740)	(905)	12,587
Net technical provisions for insurance business	-	-	-	15,127	-	15,127
Financial assets	22	(1,548)	(12,500)	(15,391)	1,347	(28,070)
Cash and deposits attributable to BancoPosta	-	-	(985)	-	-	(985)
Cash and cash equivalents	122	150	805	413	(444)	1,046
<b>Net debt/(funds)</b>	<b>1,946</b>	<b>(166)</b>	<b>(1,483)</b>	<b>(591)</b>	<b>(1)</b>	<b>(295)</b>

## Net cash position of the Mail, Parcels and Distribution SBU

ESMA net debt/(funds) (€m)	31 December 2019	31 December 2018	Changes	
<b>A. Liquidity</b>	<b>(851)</b>	<b>(973)</b>	<b>122</b>	<b>-12.5%</b>
<b>B. Current loans and receivables</b>	<b>(135)</b>	<b>(57)</b>	<b>(78)</b>	<b>136.8%</b>
C. Current bank borrowings	1	201	(200)	-99.5%
D. Current lease payables	215	-	215	-
E. Current portion of non-current debt	-	-	-	-
F. Other current financial liabilities	15	23	(8)	-34.8%
<b>G. Current financial debt (C+D+E+F)</b>	<b>231</b>	<b>224</b>	<b>7</b>	<b>3.1%</b>
<b>H. Current net debt/(funds) (A+B+G)</b>	<b>(755)</b>	<b>(806)</b>	<b>51</b>	<b>-6.3%</b>
I. Non-current bank borrowings	573	-	573	-
L. Bonds issued	50	50	-	-
M. Non-current lease payables	1,036	-	1,036	-
N. Other non-current liabilities	18	27	(9)	-33.3%
<b>O. Non-current financial debt (I+L+M+N)</b>	<b>1,677</b>	<b>77</b>	<b>1,600</b>	<b>2077.9%</b>
<b>P. Net debt/(funds) (ESMA) (H+O)</b>	<b>922</b>	<b>(729)</b>	<b>1,651</b>	<b>-226.5%</b>
Non-current financial assets	(474)	(570)	96	-16.8%
<b>Net debt/(funds)</b>	<b>448</b>	<b>(1,299)</b>	<b>1,747</b>	<b>-134.5%</b>
Intersegment loans and receivables and financial liabilities	367	168	199	118.5%
<b>Net debt/(funds) including intersegment transactions</b>	<b>815</b>	<b>(1,131)</b>	<b>1,946</b>	<b>-172.1%</b>

## 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)	FY 2019	FY 2018	Changes	
Revenue from sales and services	198,068	195,725	2,343	1.2%
Operating income	1,411	(20,134)	21,545	n/s
Net result	383	(16,141)	16,524	n/s
Capital expenditure	7,220	6,706	514	7.7%
Equity	83,798	83,962	(164)	-0.2%
Permanent workforce - average	1,007	1,052	(45)	-4.3%
Flexible workforce - average	37	25	12	48.0%

n/s: not significant

### SDA Express Courier SpA

(€000)	FY 2019	FY 2018	Changes	
Revenue from sales and services	683,863	578,164	105,699	18.3%
Operating income	(38,500)	(51,155)	12,655	-24.7%
Net result	(32,091)	(39,711)	7,620	-19.2%
Capital expenditure	32,243	19,813	12,430	62.7%
Equity	14,177	22,514	(8,337)	-37.0%
Permanent workforce - average	1,214	1,309	(95)	-7.3%
Flexible workforce - average	55	111	(56)	-50.5%

### Europa Gestioni Immobiliari SpA

(€000)	FY 2019	FY 2018	Changes	
Revenue from sales and services	97,764	91,234	6,530	7.2%
Operating income	2,844	3,068	(224)	-7.3%
Net result	755	431	324	75.2%
Capital expenditure	475	271	204	75.3%
Equity	238,413	237,674	739	0.3%
Permanent workforce - average	29	28	1	3.6%
Flexible workforce - average	-	1	(1)	n/s

n/s: not significant

**Poste Air Cargo Srl**

(€000)	FY 2019	FY 2018	Changes	
Revenue from sales and services	49,035	59,015	(9,980)	-16.9%
Operating income	1,648	(5,182)	6,830	n/s
Net result	395	(4,279)	4,674	n/s
Capital expenditure	42	73	(31)	-42.5%
Equity	1,213	845	368	43.6%
Permanent workforce - average	84	105	(21)	-20.0%
Flexible workforce - average	4	18	(14)	-77.8%

n/s: not significant

**BancoPosta Fondi SpA SGR**

(€000)	FY 2019	FY 2018	Changes	
Fee income	115,872	104,491	11,381	10.9%
Net fee and commission income	44,874	45,432	(558)	-1.2%
Net result	16,145	22,529	(6,384)	-28.3%
Financial assets (liquidity and securities*)	56,812	70,827	(14,015)	-19.8%
Equity	47,516	60,709	(13,193)	-21.7%
Permanent workforce - average	47	54	(8)	-14.4%
Flexible workforce - average	-	0	(0)	n/s

At 31 December 2019, the company declared dividends totalling €30 million.

n/s: not significant

**Poste Vita SpA\***

(€000)	FY 2019	FY 2018	Changes	
Insurance premium revenue**	17,732,079	16,609,902	1,122,177	6.8%
Net result	680,403	949,761	(269,358)	-28.4%
Financial assets***	141,575,299	126,263,345	15,311,954	12.1%
Technical provisions for insurance business	140,053,883	124,965,928	15,087,955	12.1%
Equity	4,294,623	3,862,261	432,362	11.2%
Permanent workforce - average	394	396	(2)	-0.5%
Flexible workforce - average	5	3	2	66.7%

\* The figures shown have been prepared in accordance with IFRS and therefore may not coincide with those in the Interim Report prepared in accordance with the Italian Civil Code and under Italian GAAP.

\*\* Premium revenue is reported gross of outward reinsurance premiums.

\*\*\* At 31 December 2019, the company declared dividends totalling €285 million.

**Poste Assicura SpA\***

(€000)	FY 2019	FY 2018	Changes	
Insurance premium revenue**	222,451	168,157	54,294	32.3%
Net result	49,346	45,658	3,688	8.1%
Financial assets	361,260	281,905	79,355	28.1%
Technical provisions for insurance business	206,709	183,077	23,632	12.9%
Equity	194,730	139,723	55,007	39.4%
Permanent workforce - average	62	59	3	5.1%
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

**PostePay SpA**

(€000)	FY 2019	FY 2018	Changes	
Revenue from sales and services	1,032,799	431,931	600,868	139.1%
Operating income	241,395	76,719	164,676	214.6%
Net result	172,636	54,509	118,127	216.7%
Capital expenditure	29,561	30,613	(1,052)	-3.4%
Equity	382,223	243,059	139,164	57.3%
Permanent workforce - average	321	232	89	38.4%
Flexible workforce - average	1	-	1	n/s

At 31 December 2019, the company declared dividends totalling €33 million.

n/s: not significant

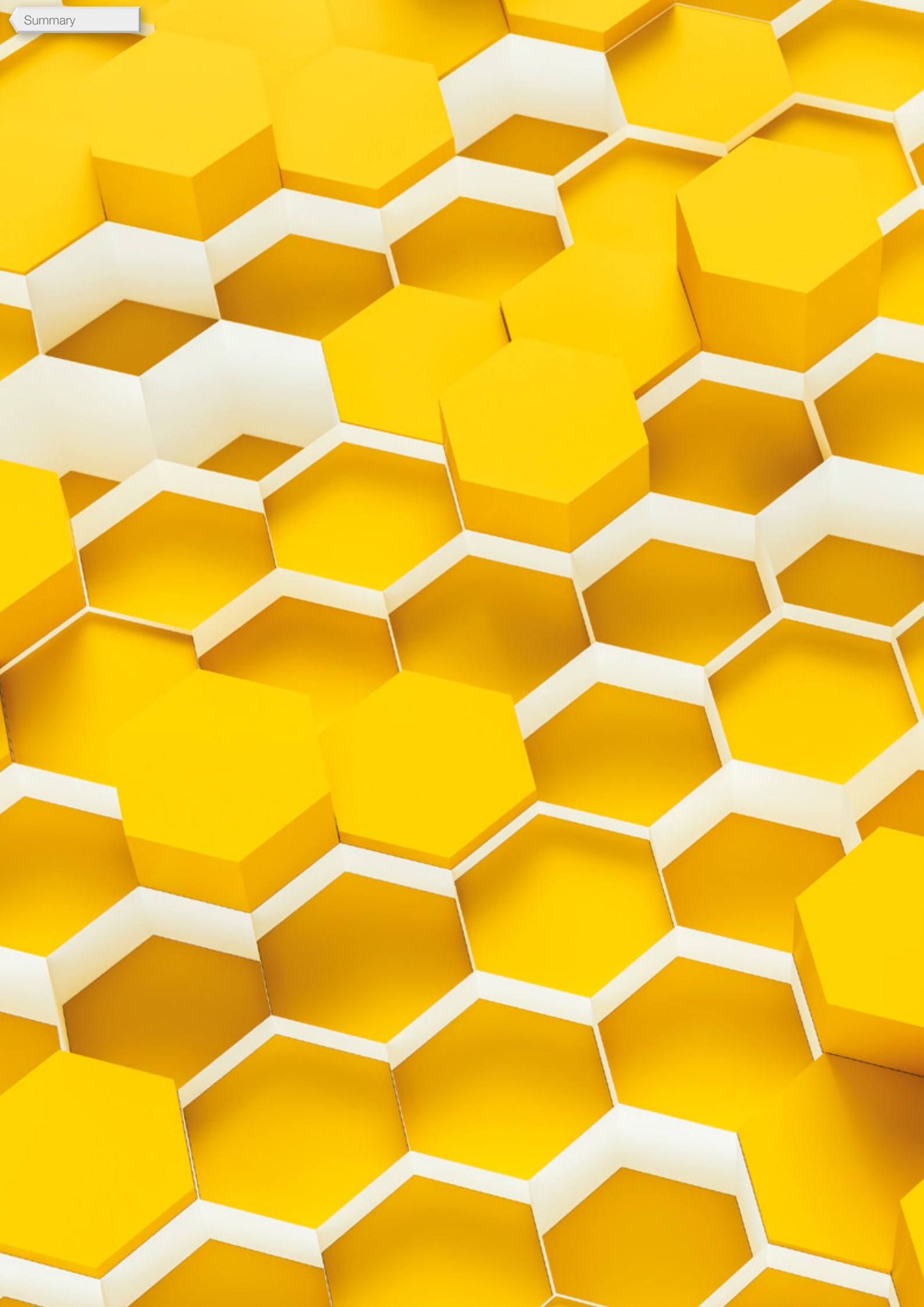


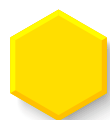




# 02

## FINANCIAL STATEMENTS OF POSTE ITALIANE AT 31 DECEMBER 2019





**02** FINANCIAL STATEMENTS  
OF POSTE ITALIANE  
**AT 31 DECEMBER 2019**

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# 1. Introduction

**Poste Italiane SpA** (the “Parent Company”) is the company formed following conversion of the former Public Administration entity, “Poste Italiane”, under Resolution 244 of 18 December 1997. Its registered office is at Viale Europa 190, Rome (Italy).

Poste Italiane’s shares have been listed on the Mercato Telematico Azionario (the MTA, an electronic stock exchange) since 27 October 2015. At 31 December 2019, the Company is 35% owned by CDP and 29.3% owned by the MEF, with the remaining shares held by institutional and retail investors. Poste Italiane SpA continues to be under the control of the MEF. At 31 December 2019, the Parent Company holds 5,257,965 of its treasury shares (equal to 0.4026% of the share capital).

The **Poste Italiane Group** (the “Group”) provides a universal postal service in Italy as well as integrated communication, logistics, financial and insurance products and services throughout the country via its national network of approximately 13,000 post offices.

The Group’s business is assessed and presented on the basis of four operating segments: (i) Mail, Parcels and Distribution, (ii) Payments, Mobile and Digital (PMD), (iii) Financial Services and (iv) Insurance Services.

The Mail, Parcels and Distribution segment includes letter post, express delivery, logistics, parcels and philately, in addition to the activities conducted by various units of Poste Italiane SpA for other segments in which the Group operates. The Payments, Mobile and Digital segment includes revenue from payment services, card payments and mobile telecommunications services. Financial Services regard the activities of BancoPosta, which include the collection of all forms of savings deposits, the provision of payment services (of which some are outsourced to the Payments, Mobile and Digital segment), foreign currency exchange, the promotion and arrangement of loans issued by banks and other authorised financial institutions, the provision of investment services and the activities of BancoPosta Fondi SpA SGR. Insurance Services regard the activities of Poste Vita SpA, which operates in ministerial life assurance Classes I, III and V, and of its direct subsidiaries, Poste Assicura SpA, which operates in P&C insurance, and Poste Welfare Servizi Srl, which provides services to the segment in question.

This section of the Annual Report for the year ended 31 December 2019 includes the consolidated financial statements of the Poste Italiane Group, the separate financial statements of Poste Italiane SpA and BancoPosta RFC’s Separate Report. The Report has been prepared in euros, the currency of the economy in which the Group operates.

The Group’s consolidated financial statements consist of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements. All amounts in the consolidated financial statements and the notes are shown in millions of euros, unless otherwise stated.

The separate financial statements of Poste Italiane SpA consist of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes. Amounts in the financial statements are shown in euros (except for the statement of cash flows, which is shown in thousands of euros), whilst those in the notes are shown in millions of euros, unless otherwise stated.

The consolidated and separate financial statements contain notes applicable to both sets of financial statements, providing information on matters common to both the Group and Poste Italiane SpA. The relevant matters specifically regard

- the basis of presentation used and accounting standards adopted;
- disclosure of the sources and the procedures used in determining fair value;
- financial risk disclosures;
- a summary of the principal proceedings pending and relations with the authorities at 31 December 2019;
- and, in general, certain additional disclosures required by accounting standards, whose presentation in a single section is designed to provide the reader with better information (e.g. the analysis of net debt, key performance indicators for investee companies, etc.).

BancoPosta RFC’s Separate Report, which forms an integral part of Poste Italiane SpA’s financial statements, prepared in accordance with the specific financial reporting rules laid down by the applicable banking regulations, is dealt with separately in this Section.

## 2. Basis of preparation and significant accounting policies

### 2.1 Compliance with IAS/IFRS

The annual accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and endorsed by the European Union (EU) in EC Regulation 1606/2002 of 19 July 2002, and in accordance with Legislative Decree 38 of 28 February 2005, which introduced regulations governing the adoption of IFRS in Italian law.

The term IFRS includes all the International Financial Reporting Standards, International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC, previously known as the Standing Interpretations Committee or SIC), adopted by the European Union and contained in the EU regulations published as of 5 March 2020, the date on which the Board of Directors of Poste Italiane SpA approved the annual accounts.

### 2.2 Basis of presentation

The accounting standards described below reflect the Group's and Poste Italiane SpA's **full operating performance** in the foreseeable future and are applied on a **going concern** basis.

The statement of financial position has been prepared on the basis of the "**current/non-current distinction**"<sup>37</sup>. In the statement of profit or loss, expenses are classified according to their nature. The cash flow statement has been prepared under the **indirect method**<sup>38</sup>.

The accounting standards and the recognition, measurement and classification criteria adopted in these annual accounts are consistent with those used to prepare the annual accounts at 31 December 2018, without prejudice to the changes introduced to the body of accounting standards, applied from the year under review; please refer to note 2.6 - *New Accounting standards and interpretations and those soon to be effective* and, with regard to the new accounting rules on lease contracts (IFRS 16), to note 3 - *Changes to accounting policies*.

In preparing the annual accounts, the CONSOB regulations contained in Resolution 15519 of 27 July 2006 and in Ruling DEM/6064293 of 28 July 2006 have been taken into account.

In accordance with CONSOB Resolution 15519 of 27 July 2006, the statement of financial position, the statement of profit or loss and the statement of cash flows show **amounts deriving from related party transactions**. The statement of profit or loss also shows, where applicable, **income and expenses deriving from material non-recurring transactions**, or transactions that occur infrequently in the normal course of business. Given the diverse nature and frequency of transactions conducted by Group companies, numerous income and expense items of a non-regular nature may occur with considerable frequency. These items of income and expense are only presented separately when they are both of an exceptional nature and were generated by a materially significant transaction.

In order to allow for a uniform comparison with the figures for 2019, certain figures and notes for the comparison year have been reclassified.

37. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting period (IAS 1 (revised), paragraph 68).

38. Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferral or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities

Pursuant to article 2447-*septies* of the Italian Civil Code, following the creation of BancoPosta's ring-fenced capital in 2011, the assets and contractual rights included therein (hereafter: "BancoPosta RFC") are shown separately in Poste Italiane SpA's statement of financial position, in a specific supplementary statement, and in the notes to the financial statements.

With regard to the interpretation and application of newly published, or revised, international accounting standards, and to certain aspects of taxation<sup>39</sup> where the related interpretations are based on examples of best practice or case-law that cannot yet be regarded as exhaustive, the financial statements have been prepared on the basis of the relevant best practices. Any future changes or updated interpretations will be reflected in subsequent reporting periods, in accordance with the specific procedures provided for by the related standards.

## 2.3 Summary of significant accounting policies and measurement criteria

The Poste Italiane Group's financial statements have been prepared on a historical cost basis, with the exception of certain items for which **fair value** measurement is obligatory.

The principal accounting policies adopted by the Poste Italiane Group are described below.

### Property, plant and equipment

Property, plant and equipment is stated at acquisition or construction cost, less accumulated depreciation and any accumulated impairment losses. This cost is increased for charges directly related to the purchase or construction of the asset, including - where identifiable and measurable - that relating to employees involved in the planning and/or preparation for use phase. Interest expense incurred by the Group for loans specifically for the acquisition or construction of property, plant and equipment is capitalised together with the value of the asset; all other interest expense is recognised as finance costs in profit and loss for the year in question. Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in profit or loss in the related year. The capitalisation of costs attributable to the extension, modernisation or improvement of assets owned by Group companies or held under lease is carried out to the extent that they qualify for separate recognition as an asset or as a component of an asset, applying the component approach, which requires each component with a different estimated useful life and value to be recognised and amortised separately.

The original cost is depreciated on a straight-line basis from the date the asset is available and ready for use, based on the asset's expected useful life. Land is not depreciated.

39. The tax authorities have issued regular official interpretations only in respect of certain of the tax-related effects of the measures contained in Legislative Decree 38 of 28 February 2005, Law 244 of 24 December 2007 (the 2008 Budget Law) and the Ministerial Decree of 1 April 2009, implementing the 2008 Budget Law, which introduced numerous changes to IRES and IRAP. The MEF Decree issued on 8 June 2011 contains instructions regarding the coordinated application of EU-endorsed international accounting standards coming into effect between 1 January 2009 and 31 December 2010, in addition to regulations governing determination of the tax bases for IRES and IRAP. In addition, the new standards are subject to the rules contained in the endorsement tax decrees issued by the Ministry of the Economy and Finance, in application of the provisions of Law no. 10 of 26 February 2011 (Decreto milleproroghe).



The Poste Italiane Group has estimated the following useful lives for the various categories of property, plant and equipment:

Category	Years
Buildings	25-33
Structural improvements to own assets	20
Plant	4-10
Light constructions	10
Equipment	3-10
Furniture and fittings	3-8
Electrical and electronic office equipment	3-10
Motor vehicles, automobiles, motorcycles	4-10
Leasehold improvements	estimated lease term*
Other assets	3-5

\* Or the useful life of the improvement if shorter than the estimated lease term.

Property and any related fixed plant and machinery located on land held under concession or sub-concession, which is to be returned free of charge to the grantor at the end of the concession term, are accounted for, based on the nature of the asset, within property, plant and equipment and depreciated on a straight-line basis over the shorter of the useful life of the asset and the residual concession term.

At each reporting date, property, plant and equipment is analysed in order to identify the existence of any indicators of impairment (in accordance with IAS 36 - *Impairment of Assets*; please refer to the treatment of impairment of assets).

Gains and losses deriving from the disposal or retirement of an asset are calculated as the difference between the disposal proceeds and the net carrying amount of the asset retired or sold, and are recognised in profit or loss in the period in which the transaction occurs.

## Investment property

Investment property relates to land or buildings held with a view to earn rental or lease income or for capital appreciation or both; in both cases such property generates cash flows that are largely independent of other assets. The same accounting treatment is applied to investment property as to property, plant and equipment.

## Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, which is controllable and capable of generating future economic benefits. The initial book value is adjusted for accumulated amortisation, where an amortisation process is envisaged, and for any impairment losses.

In particular, **Industrial patents, intellectual property rights**, licences and similar rights are initially valued at purchase cost. This cost is increased for charges directly related to the purchase or preparation for use of the asset. Interest expense that the Group may incur for loans specifically for the purchase of industrial patents, intellectual property rights, licenses and similar rights are capitalised together with the value of the asset; all other interest expense is recognised as finance costs in profit and loss for the year. Amortisation starts once the asset is available for use. Amortisation is applied on a straight-line basis, in order to distribute the purchase cost over the shorter of the expected useful life of the asset and any related contract terms, from the date the entity has the right to use the asset.

Industrial patents, intellectual property rights, licenses and similar rights include costs directly associated with the internal production of unique and identifiable software products that will generate future economic benefits with a time horizon of more than one year. Direct costs include - where identifiable and measurable - the charge related to employees involved in software development. Costs incurred for the maintenance of internally developed software products are charged to profit and loss for the year in question. Amortisation begins when the asset is available for use and extends, systematically and on a straight-line basis, over its estimated useful life (normally 3 years). Any research costs are not capitalised.

Among the Group's intangible assets, **Goodwill** represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the company or business acquired, at the date of acquisition. Goodwill attributable to investments accounted for using the equity method is included in the carrying amount of the equity investment. Goodwill is not amortised on a systematic basis, but is tested periodically for impairment in accordance with IAS 36. This test is performed with reference to the cash generating unit ("CGU") to which the goodwill is attributable. The method applied in conducting impairment tests and the impact on the accounts of any impairment losses are described in the paragraph "Impairment of assets".

## Leased assets

The accounting treatment for lease arrangements, modified following the entry into effect of the new accounting standard IFRS 16 - Leasing, is described in note 3, "Changes to accounting policies".

The Group avails itself of the option granted by the principle of non-application of the new provisions to short-term contracts (with a duration of no more than twelve months) and to contracts in which the individual underlying asset is of low value (up to \$5,000); for these contracts, the Group continues to adopt IAS 17 by recognising on a straight-line basis in the profit and loss lease payments as matching entry to short-term trade payables.

## Impairment of assets

At the end of each reporting period, property, plant, equipment and intangible assets with finite lives are analysed to assess whether there is any indication that an asset may be impaired (as defined by IAS 36). If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss to be recognised in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use, represented by the present value of the future cash flows expected to be derived from the asset. In calculating value in use, future cash flow estimates are discounted using a rate that reflects current market assessments of the time value of money, the period of the investment and the risks specific to the asset. The realisable value of assets that do not generate separate cash flows is determined with reference to the cash generating unit (CGU) to which the asset belongs.

Regardless of any impairment indicator, the assets listed below are tested for impairment every year:

- intangible assets with an indefinite useful life or that are not yet available; the impairment test can take place at any time during the year, provided that it is performed at the same time in each of the following years;
- goodwill acquired in a business combination.

An impairment loss is recognised in profit or loss for the amount by which the net carrying amount of the asset, or the CGU to which it belongs, exceeds its recoverable amount. In particular, if the impairment loss regards goodwill and is higher than the related carrying amount, the remaining amount is allocated to the assets included in the CGU to which the goodwill has been allocated, in proportion to their carrying amount<sup>40</sup>. Except in the case of goodwill, if the impairment indicators no longer exist, the carrying amount of the asset or CGU is reinstated and the reversal recognised in profit or loss. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and depreciation or amortisation been charged.

40. If the amount of the impairment loss is greater than the carrying amount of the asset or CGU, in accordance with IAS 36, no liability is recognised, unless recognition of a liability is required by an international accounting standard other than IAS 36.

## Investments

In the Poste Italiane Group's consolidated financial statements, investments in subsidiaries that are not significant (individually or in the aggregate) and are not consolidated, and those in companies over which the Group exerts significant influence ("associates") and in joint ventures, are accounted for using the equity method. See note 2.4 – Basis of consolidation

In Poste Italiane SpA's separate financial statements, investments in subsidiaries and associates are accounted for at cost (including any directly attributable incidental expenses), after adjustment for any impairments. Investments in subsidiaries and associates are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment losses (or subsequent reversals of impairment losses) are recognised in the same way and to the same extent described with regard to property, plant and equipment and intangible assets in the paragraph, "Impairment of assets".

## Financial instruments

In accordance with IFRS 9 - Financial instruments, the classification of financial assets and liabilities is determined at the time of initial recognition and at the relative fair value, according to the purpose for which they were acquired. The purchase and sale of financial instruments is recognised by category, either on the date on which the Group commits to purchase or sell the asset (the transaction date), or, in the case of insurance transactions and BancoPosta's operations, at the settlement date<sup>41</sup>. Any changes in fair value between the transaction date and the settlement date are recognised in the financial statements.

On the other hand, trade receivables are recognised at their transaction price, in accordance with IFRS 15 - Revenue from Contracts with Customers.

On initial recognition, **financial assets** are classified in one of the following categories, based on the business model adopted to manage them and the characteristics of their contractual cash flows.

- Financial assets measured at amortised cost  
This category reflects financial assets held to collect the contractual cash flows (the held to collect or HTC business model) representing solely payments of principal and interest (SPPI). These assets are measured at amortised cost, that is the value assigned to the financial asset or liability on initial recognition, net of any principal reimbursement, plus or minus the cumulative amortisation by using the effective interest rate method on the difference between the initial value and the value at maturity, after deducting any impairment. The business model on which the classification of financial assets is based permits the sale of such assets; if the sales are not occasional, and are not immaterial in terms of value, consistency with the HTC business model should be assessed.
- Financial assets measured at fair value through other comprehensive income (FVTOCI)  
This category includes financial assets held both to collect the relevant contractual cash flows and for sale (the held to collect and sell or HTC&S business model), with the contractual cash flows representing solely payments of principal and interest. These financial assets are measured at fair value and, until they are derecognised or reclassified, gains or losses from valuation are recognised in other comprehensive income. Exceptions to this are gains and losses due to impairment and foreign exchange gains and losses recognised in the profit and loss in the year in question. If the financial asset is derecognised, the accumulated gains/(losses) recognised in OCI are recycled to profit or loss.  
This category also includes equity instruments that would otherwise be recognised through profit or loss, for which the irrevocable election was made to recognise changes in fair value through OCI (the FVTOCI option). This option entails the recognition of dividends alone through profit or loss.

41. This is possible for transactions carried out on organised markets (regular way).

- Financial assets measured at fair value through profit or loss

This category includes: (a) financial assets primarily held for trading; (b) those that qualify for designation at fair value through profit or loss, exercising the fair value option; (c) financial assets that must be recognised at fair value through profit or loss; (d) derivative instruments, with the exception of the effective portion of those designated as cash flow hedges. Financial assets belonging to the category in question are measured at fair value and the related changes are recognised in profit and loss. Derivative instruments at fair value through profit or loss are recognised as assets or liabilities depending on whether the fair value is positive or negative.; positive and negative fair values deriving from transactions with the same counterparty are offset during the collateralisation/liquidation phase, where contractually provided for.

The classification as “current” or “non-current” of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income depends on the contractual maturity of the instrument, since current assets are those whose realisation is expected within twelve months of the reporting date. Financial assets measured at fair value through profit or loss are, on the other hand, classified as “current” if held for trading and are expected to be sold within twelve months of the reporting date.

An expected credit loss (ECL) provision must be made for financial assets recognised at amortised cost and financial assets at fair value through OCI, as follows: (i) specific provisions for doubtful debts are made for expected losses on financial assets measured at amortised cost; (ii) expected losses on financial assets measured at fair value through other comprehensive income are recognised in profit or loss, with a contra entry in the fair value reserve in equity. The method utilised is the “General impairment model”, whereby:

- If on the reporting date the credit risk of a financial instrument has not increased significantly since initial recognition, a 12-month ECL is recognised (stage 1). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- If on the reporting date the credit risk of the financial instrument has increased significantly since initial recognition, a lifetime ECL is recognised (stage 2). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- If a financial instrument is already impaired on initial recognition or shows objective evidence of impairment as at the reporting date, lifetime expected losses are recognised. Interest is calculated on amortised cost (stage 3), i.e. on the basis of the exposure value - determined on the basis of the effective interest rate - adjusted for expected losses.

In determining whether credit risk has increased significantly, it is necessary to compare the risk of default of the financial instrument as at the reporting date with the risk of default of the financial instrument on initial recognition. However, there is a rebuttable default presumption if the financial instrument is more than 90 days past due, unless there is reasonable and supportable information to demonstrate that a default criterion with greater lag is more appropriate. Regarding trade receivables, a simplified approach is applied to measure the expected credit loss, if these receivables do not contain a significant financing component pursuant to IFRS 15. The simplified approach is based on a matrix of observed historical losses.

In the very rare circumstance in which the entity decides to modify its business model, previously recognised financial assets are reclassified to the new accounting category; the effects of the reclassification are recognised only prospectively, and therefore, the previously recognised gains/losses and interest must not be restated. The effects of the reclassification are as follows:

- if the financial asset is reclassified from amortised cost to fair value through profit or loss, the fair value of the asset is determined on the reclassification date. Gains and losses resulting from the difference between the previous amortised cost and fair value are recognised through profit or loss;
- if the financial asset is reclassified from fair value through profit or loss to amortised cost, the fair value on the reclassification date becomes the new gross carrying amount;
- if the financial asset is reclassified from amortised cost to fair value through other comprehensive income, the fair value of the asset is determined on the reclassification date. Gains and losses resulting from the difference between the previous amortised cost and fair value are recognised through other comprehensive income. The effective interest rate and the expected credit loss are not adjusted following reclassification;
- if the financial asset is reclassified from fair value through other comprehensive income to amortised cost, the cumulative gain (loss) recognised previously through other comprehensive income is derecognised from equity through an adjustment to the fair value of the financial asset on the reclassification date. Consequently, the financial asset is reported as though it had always been reported at amortised cost, by not changing the effective interest rate and the expected credit loss;
- if the financial asset is reclassified from fair value through profit or loss to fair value through other comprehensive income, the financial asset continues to be measured at fair value;
- if the financial asset is reclassified from fair value through other comprehensive income to fair value through profit or loss, the financial asset continues to be measured at fair value. The cumulative gain (loss) recognised previously through other comprehensive income is recycled to profit or loss on the reclassification date.

Financial assets are derecognised when there is no longer a contractual right to receive cash flows from the investment or when all the related risks and rewards and control have been substantially transferred. If it is not possible to ascertain the substantial transfer of risks and benefits, financial assets are derecognised if no control is maintained over them. Finally, assets sold are derecognised if the contractual right to receive their cash flows is maintained. However, at the same time a contractual obligation is assumed to pay said flows to a third party, without delay and only to the extent of those received.

In addition, for impaired financial assets, derecognition may take place following write-off thereof, following the acknowledgement that there are no reasonable expectations of recovery (e.g. prescription).

**Financial liabilities**, including borrowings, trade payables and other payment obligations, are carried at amortised cost using the effective interest method. If there is a change in the expected cash flows and they can be reliably estimated, the value of borrowings is recalculated to reflect the change on the basis of the present value of estimated future cash flows and the internal rate of return initially applied. Financial liabilities are classified as current liabilities, unless there is an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

When required by the applicable IFRS (e.g. in the case of derivative liabilities), or when the irrevocable fair value option is exercised, financial liabilities are recognised at fair value through profit or loss. In this case, changes in fair value attributable to changes in own credit risk are recognised directly in equity, unless this treatment creates or enhances an accounting asymmetry, whereby the residual amount of the changes in the fair value of liabilities is recognised through profit or loss.

Financial liabilities are derecognised when they are extinguished or when the obligation specified in the contract expires, is cancelled or discharged.

For **hedge accounting transactions**, the Poste Italiane Group has elected to use the option made available by IFRS 9 and has retained the accounting treatments provided for by IAS 39. In accordance with this standard, derivatives are initially recognised at fair value on the date the derivative contract is executed and if they do not qualify for hedge accounting treatment, gains and losses arising from changes in fair value are accounted for in profit or loss for the period.

If, on the other hand, derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with IAS 39 – Financial Instruments: Recognition and Measurement, as described below.

The relationship between each hedging instrument and the hedged item is documented, as well as the risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at designation of each derivative instrument as hedging instrument, and during its life.

■ Fair value hedge<sup>42</sup>

When the hedge is related to recognised assets or liabilities, or an unrecognised firm commitment, the changes in fair value of both the hedging instrument and the hedged item are recognised in profit or loss. When the hedging transaction is not fully effective, resulting in differences between the above changes, the ineffective portion represents a loss or gain recognised separately in profit or loss for the period.

IAS 39 allows, in addition to individual assets and liabilities, the designation of a cash amount, representing a group of financial assets and liabilities (or portions thereof) as the hedged item in such a way that a group of derivative instruments may be used to reduce exposure to fair value interest rate risk (a so-called macro hedge). Macro hedges cannot be used for net amounts deriving from differences between assets and liabilities. Like micro hedges, macro hedges are deemed highly effective if, at their inception and throughout the term of the hedge, changes in the fair value of the cash amount are offset by changes in the fair value of the hedges, and if the effective results fall within the interval required by IAS 39.

■ Cash flow hedge<sup>43</sup>

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve, with movements in the reserve accounted for in “Other comprehensive income” (the “Cash flow hedge reserve”). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in profit or loss for the period. Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affects profit or loss. In particular, in the case of hedges associated with a highly probable forecast transaction (such as the purchase of fixed

42. A hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on profit or loss.

43. A hedge of the exposure to the variability of cash flows attributable to a particular risk associated with an asset or liability or with a highly probable forecast transaction, and that could have an impact on profit or loss.

income debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).

If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassified to profit or loss for the period. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

## Classification of receivables and payables attributable to BancoPosta RFC

Receivables and payables attributable to BancoPosta RFC are treated as financial assets and liabilities if related to BancoPosta's typical deposit-taking and lending activities, or services provided under authority from customers. The related operating expenses and income, if not settled or classifiable in accordance with Bank of Italy Circular 272 of 30 July 2008 – The Account Matrix, are accounted for in trade receivables and payables.

## Own use exemption

The standards establishing the principles for the recognition and measurement of financial instruments are also applied to derivative contracts to buy or sell non-financial items that are settled net in cash or in another financial instrument, with the exception of contracts entered into, and that continue to be held, for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements (the own use exemption). This exemption applies to the recognition and measurement of forward electricity contracts entered into by the subsidiary EGI SpA if the following conditions have been met:

- the contract involves the physical supply of a commodity;
- the entity has not entered into an offsetting contract;
- the transaction must be entered into in accordance with expected purchase and/or sale or usage requirements.

## Income tax expense

Current income tax expense (IRES and IRAP) is based on the best estimate of taxable profit for the period and the related regulations, applying the rates in force. Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets and liabilities are not recognised if the temporary differences derive from investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary difference is controlled by the Group or it is probable that the temporary difference will not reverse in the foreseeable future (IAS 12 paragraphs 39 and 40). In accordance with IAS 12, deferred tax liabilities are not recognised on goodwill deriving from a business combination.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised in profit or loss, with the exception of taxes charged or credited directly to equity, in which case the tax effect is recognised directly in equity. Current and deferred tax assets and liabilities are offset when they are applied by the same tax authority to the same taxpaying entity, which has the legally exercisable right to offset the amounts recognised, and the entity has the intention of exercising this right. As a result, tax liabilities accruing in interim periods that are shorter than the tax year are not offset against related assets deriving from withholding tax or advances paid.

The Group's taxation and accounting standards take account of the effects of Poste Italiane SpA's participation in the national tax consolidation scheme, for which the option has been exercised in accordance with the law, together with the following subsidiaries: Poste Vita SpA, SDA Express Courier SpA, Poste Air Cargo Srl, Postel SpA, Risparmio Holding SpA (liquidated in the first half of 2019), Europa Gestioni Immobiliari SpA, Poste Welfare Servizi Srl, Poste Assicura SpA, BancoPostaFondi SpA SGR and PostePay SpA. The tax consolidation arrangement is governed by Group regulations based on the principles

of neutrality and equality of treatment, which are intended to ensure that the companies included in the tax consolidation are in no way penalised as a result. Following adoption of the tax consolidation arrangement, the Parent Company's tax expense is determined at consolidated level on the basis of the tax expense or tax losses for the period for each company included in the consolidation, taking account of any withholding tax or advances paid. Poste Italiane SpA posts its IRES tax expense to income taxes for the period, after adjustments to take account of the positive or negative impact of tax consolidation adjustments. Should the reductions or increases in tax expense deriving from such adjustments be attributable to the companies included in the tax consolidation, Poste Italiane SpA attributes such reductions or increases in tax expense to the companies in question. The economic benefits deriving from the offset of tax losses transferred to the consolidating entity by the companies participating in the tax consolidation arrangement are recognised in full by Poste Italiane SpA. Other taxes not related to income are included in "Other operating costs".

## Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of interchangeable items and goods for resale is calculated using the weighted average cost method. In the case of non-interchangeable items, cost is measured on the basis of the specific cost of the item at the time of purchase. The value of the inventories is adjusted, if necessary, by provisions for obsolete or slow-moving stock. When the circumstances that previously led to recognition of the above provisions no longer exist, or when there is a clear indication of an increase in the net realisable value, the provisions are fully or partly reversed, so that the new carrying amount is the lower of cost and net realisable value at the end of the reporting period. Assets are not, however, recognised in the statement of financial position when the Group has incurred an expense that, based on the best information available at the date of preparation of the financial statements, is deemed unlikely to generate economic benefits for the Group after the end of the reporting period.

In the case of properties held for sale<sup>44</sup>, if present, cost is represented by the fair value of each asset at the date of acquisition, plus any directly attributable transaction costs, whilst the net realisable value is based on the estimated sale price under normal market conditions, less direct costs to sell.

Long-term contract work is measured using the percentage of completion method, using cost to cost accounting<sup>45</sup>.

## Green Certificates (Emission Allowances)

With reference to Group companies subject to these rules<sup>46</sup>, Green Certificates (or Emission Allowances) are a means of reducing greenhouse gas emissions, introduced into Italian and European legislation by the Kyoto Protocol with the aim of improving the technologies used in the production of energy and in industrial processes.

The European Emissions Trading System, which works on the basis of the cap and trade principle, has capped annual greenhouse gas emissions at European level. This corresponds to the issue, free of charge, of a set number of emission allowances by the competent national authorities. During the year, depending on the effective volume of greenhouse gas emissions produced with respect to the above cap, each company has the option of selling or purchasing emission allowances on the market.

In compliance with the requirements of the OIC (the Italian accounting standards setter) regarding "Greenhouse gas emissions allowances", in addition to being best practice for the principal IAS adopters, the accounting treatment is as follows.

The issue, free of charge, of emission allowances involves a commitment to produce, in the relevant year, a quantity of greenhouse gas emissions in proportion to the emission allowances received: this commitment, commensurate with the market value of the emission allowances at the time of allocation, is disclosed in the notes to the financial statements. At the end of the year, the commitment is reduced or derecognised in proportion to the greenhouse gas emissions effectively produced and any residual value is reported in the section, "Additional information", in the Annual Report. The purchase and sale of emission allowances are accounted for in profit or loss in the year in which the transaction occurs. At the end of the year, any surplus emission allowances deriving from purchases are accounted for in closing inventory at the lower of cost and net realisable value. Any surplus emission allowances allocated free of charge are not accounted for in closing inventory. In the event of a shortfall in emission allowances the resulting charge and related liability are accounted for at the end of the year at fair value.

44. These are properties held by EGI SpA and not accounted for in "Investment property" as they were purchased for sale or subsequently reclassified as held for sale.

45. This method is based on the ratio of costs incurred as of a given date divided by the estimated total project cost. The resulting percentage is then applied to estimated total revenue, obtaining the value to be attributed to the contract work completed and accrued revenue at the given date.

46. The subsidiary Poste Air Cargo Srl.

## Cash and deposits attributable to BancoPosta

Cash and securities held at post offices, and bank deposits attributable to the operations of BancoPosta RFC, are accounted for separately from cash and cash equivalents as they derive from deposits subject to investment restrictions, or from advances from the Italian Treasury to ensure that post offices can operate. This cash may only be used in settlement of these obligations.

## Cash and cash equivalents

Cash and cash equivalents refer to cash in hand, deposits held at call with banks, amounts that at 31 December 2019 the Parent Company has temporarily deposited with the MEF and other highly liquid short-term investments with original maturities of ninety days or less. Current account overdrafts are accounted for in current liabilities.

## Non-current assets (or disposal groups) classified as held for sale and discontinued operations

In compliance with IFRS 5, non-current assets, disposal groups and discontinued operations are measured at the lower of their carrying amount and fair value, less costs to sell.

When it is highly probable that the carrying amount of a non-current asset, or a disposal group, will be recovered, in its present condition, principally through a sale transaction or other form of disposal, rather than through continuing use, and the transaction is likely to take place in the short term, the asset or disposal group is classified as held for sale or as a discontinuing operation in the statement of financial position. The transaction is deemed to be highly probable, when the Parent Company's Board of Directors, or, when so authorised, the board of directors of a subsidiary, has committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan has been initiated. Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance.

Non-current assets and net assets in a disposal group held for sale are recognised as discontinued operations if one of the following conditions is met: i) they represent a major line of business or geographical area of operation, ii) they are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or, iii) they are subsidiaries acquired exclusively with a view to resale. The profit or loss from discontinued operations, and any gains or losses following the sale, are presented separately in a specific item in profit or loss, after the related taxation. The economic values of discontinued operations are also shown for the years under comparison.

If the commitment to a plan to sell is assumed after the end of the reporting period, and/or the asset or disposal group can only be included in the transaction under conditions that are different from the current conditions, the Group does not proceed with reclassification and discloses the necessary information.

If, after the date of preparation of the financial statements, an asset (or disposal group) no longer meets the conditions for classification as held for sale, it must be reclassified following measurement at the lower of:

- the carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation, impairments or reversals of impairments that would have been recognised if the asset (or disposal group) had not been classified as held for sale;
- the recoverable amount, calculated at the date on which the decision not to sell was made.

Any adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in "Profit/(Loss) for the year from continuing operations" in the period in which it no longer meets the conditions for classification as held for sale. If an individual asset or liability is removed from the disposal group classified as held for sale, the remaining assets and liabilities in the disposal group continue to be measured as a single group only if they continue to meet the conditions for classification as held for sale.



## Equity

### Share capital

Share capital is represented by Poste Italiane SpA's subscribed and paid-up capital. Incremental costs directly attributable to the issue of new shares are recognised as a reduction of the share capital, net of any deferred tax effect.

### Reserves

Reserves include capital and revenue reserves. They include, the BancoPosta ring-fenced capital reserve (hereafter "BancoPosta RFC"), representing the dedicated assets attributed to BancoPosta RFC, the Parent Company's legal reserve, the fair value reserve, relating to items recognised at fair value through equity, and the cash flow hedge reserve, reflecting the effective portion of hedging instruments outstanding at the end of the reporting period.

### Retained earnings/(Accumulated losses)

This relates to the portion of profit for the period and for previous periods which has not been distributed or taken to reserves or used to cover losses and actuarial gains and losses deriving from the calculation of the liability for employee termination benefits. This item also includes transfers from other equity reserves, when they have been released from the restrictions to which they were subjected.

## Insurance contracts

The following policies and classification and measurement criteria refer specifically to the operations of the Poste Italiane Group's insurance companies.

Insurance contracts are classified and measured as insurance contracts or finance contracts, based on their prevalent features. Contracts issued by Poste Vita SpA primarily relate to life assurance. In 2010 Poste Assicura SpA began operating in the P&C sector.

The Group applies the following bases for classification and measurement of these contracts.

**Contracts classified as insurance contracts in accordance with IFRS 4:** include Class I and Class V life insurance policies, Class III policies that qualify as insurance contracts and P&C insurance contracts. These products are accounted for as follows:

- insurance premiums are accounted for when the policies are written, recognised as income and classified in revenue; they include annual or single premiums accruing during the period and deriving from insurance contracts outstanding at the end of the reporting period, net of cancellations;
- technical provisions are made in respect of earned premiums to cover obligations to policyholders; such provisions are calculated on an analytical basis for each contract using the prospective method, based on actuarial assumptions appropriate to cover all outstanding obligations. The changes in the technical provisions and the charges relating to claims are as follows and recorded with the relevant sign as positive income components.

**In the case of contracts for separately managed accounts with discretionary participation features<sup>47</sup>** (as defined in Appendix A of IFRS 4), IFRS 4 makes reference to national GAAP. The contracts are classified as "financial", but accounted for as "insurance" as follows:

- premiums, movements in technical provisions and other claims expenses are recognised in the same way as the insurance contracts described above;
- unrealised gains and losses attributable to policyholders are assigned to them and recognised in technical provisions (deferred liabilities payable to policyholders) under the shadow accounting method (IFRS 4.30).

47. A contractual right of investors to receive returns on the separately managed account.

The calculation technique used in applying the shadow accounting method is based on the prospective yield on each separately managed account, considering a hypothetical realisation of unrealised gains and losses over a period which is consistent with the characteristics of the assets and liabilities held in the portfolio. The amount to be recognised as a deferred liability also takes account, for each separately managed account, of contractual obligations, the level of minimum returns guaranteed at the time of concluding the contract and any financial guarantees provided.

## Provisions for risks and charges

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur. Provisions for risks and charges are made when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the use of resources required to settle the obligation. The value of the liability is discounted at a rate that reflects current market values and takes into account the risks specific to the liability. With regard to the risks for which the occurrence of a liability is only possible, specific information is provided without making any provision. In those rare cases in which disclosure of some or all of the information regarding the risks in question could seriously prejudice the Group's position in a dispute or in ongoing negotiations with third parties, the Group exercises the option granted by the relevant accounting standards to provide limited disclosure.

## Employee benefits

**Short-term employee benefits** are those that will be fully paid within twelve months of the end of the year in which the employee provided his or her services. Such benefits include wages, salaries, social security contributions, holiday pay and sick pay. The undiscounted value of short-term employee benefits to be paid to employees in consideration of employment services provided over the relevant period is accrued as personnel expenses.

There are two types of **post-employment benefit**:

- **Defined benefit plans**

Defined benefit plans include employee termination benefits payable to employees in accordance with article 2120 of the Italian Civil Code.

As a result of the supplementary pension reform, for all companies with at least 50 employees, from 1 January 2007 vesting employee termination benefits (TFR) must be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. Accordingly, the company's defined benefit liability is applicable only to the provisions made up to 31 December 2006<sup>48</sup>. In the case of companies with less than 50 employees, vested employee termination benefits continue to fully increase the accumulated liability for the company.

Under these plans, given that the amount of the benefit to be paid is only quantifiable following the termination of employment, the related effects on profit or loss or the financial position are recognised on the basis of actuarial calculations in compliance with IAS 19. In particular, the liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the financial statements is based on calculations performed by independent actuaries. The calculation takes into account the employee termination benefits accrued for work already performed and is based on actuarial assumptions that mainly concern: demographic assumptions (such as employee turnover and mortality) and financial assumptions (such as rate of inflation and a discount rate consistent with that of the liability). In the case of companies with at least 50 employees, as the company is not liable for employee termination benefits accruing after 31 December 2006, the actuarial calculation of employee termination benefits no longer takes account of future salary increases. Actuarial gains and losses at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the Group's obligations at the end of the period, due to changes in the actuarial assumptions, are recognised directly in Other comprehensive income.

- **Defined contribution plans**

TFR falls within the scope of defined contribution plans provided the benefits vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Contributions to defined contribution plans are recognised in profit or loss when incurred, based on their nominal value.

48. Where, following entry into effect of the new legislation, the employee has not exercised any option regarding the investment of vested employee termination benefits, the Group has remained liable to pay the benefits until 30 June 2007, or until the date, between 1 January 2007 and 30 June 2007, on which the employee exercised a specific option. Where no option was exercised, from 1 July 2007 vested employee termination benefits have been paid into a supplementary pension fund.

**Termination benefits payable to employees** are recognised as a liability when the entity gives a binding commitment, also on the basis of consolidated relationships and mutual undertakings with union representatives, to terminate the employment of an employee, or group of employees, prior to the normal retirement date or, alternatively, an employee or group of employees accepts an offer of benefits in consideration of a termination of employment. Termination benefits payable to employees are immediately recognised as personnel expenses.

**Other long-term employment benefits** consist of benefits not payable within twelve months of the end of the reporting period during which the employees provided their services. The net change in the value of any of the components of the liability during the reporting period is recognised in full in profit or loss. Measurement of the other long-term employee benefits liability is recognised in the financial statements also on the basis of calculations performed by independent actuaries.

## Share-based payments

Share-based payment transactions may be settled in cash, equity instruments, or other financial instruments. Goods or services received or acquired through a share-based payment transaction are recognised at their fair value.

In the case of cash-settled share-based payment transactions:

- a liability is recognised as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the liability;
- the fair value of the liability must be remeasured at the end of each reporting period, recognising any changes in fair value in profit or loss for the period.

In the case of equity-settled share-based payment transactions:

- an increase in shareholders' equity is recorded as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the equity instruments granted at the grant date.

In the case of employee benefits, the expense is recognised in personnel expenses over the period in which the employee renders the relevant service.

## Translation of items denominated in currencies other than the euro

Transactions in currencies other than the euro are translated to euro using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in currencies other than the euro are recognised in profit or loss.

## Revenue recognition

In accordance with IFRS 15 – Revenue from Contracts with Customers, revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (the transaction price).

Revenue is recognised on the basis of a 5-step framework, which consists of the following:

- identify the contract with the customer (sales contracts except lease contracts, insurance contracts, financial instruments and non-monetary exchanges);
- identify the performance obligations, which can be defined as the explicit or implicit promise to transfer a distinct good or service to the customer;
- determine the transaction price;

- in the case of bundles of goods or services involving different performance obligations, allocate the transaction price to the performance obligation; to that end, it is necessary to estimate the stand-alone selling price of each component;
- recognise revenue when or as the entity fulfils the performance obligation, that is upon delivery of the good or service to the customer. Performance obligations can be fulfilled:
  - “at a point in time”: in the case of obligations fulfilled at a point in time, revenue is recognised only as control over the good or service is passed to the customer. In that respect, consideration is given not only to the significant exposure to the risks and benefits related to the good or service but also physical possession, customer’s acceptance, the existence of legal rights, etc.;
  - “over time”: in the case of obligations fulfilled over time, the measurement and recognition of revenue reflect, virtually, the progress of the customer’s satisfaction. An appropriate approach is defined to measure progress of the performance obligation (the output method).

Every single supplier obligation with the customer is considered, measured and recognised separately. This approach involves a preliminary accurate analysis of the contract to identify every “single product/service” or every “single component” of a product/service that the supplier promises to provide, attributing to each the relevant consideration, and to monitor each such obligation during the life of the contract (in terms both of manner and timing of fulfilment and the customer’s level of satisfaction)

For revenue recognition purposes, the principle provides for the identification and quantification of the so-called variable components of the consideration (discounts, rebates, price concessions, incentives, penalties and other similar) to include them to supplement or adjust the transaction price. Of the elements of variable consideration, particularly important are penalties (other than those related to compensation for damages), for which IFRS 15 provides for an innovative accounting discipline with respect to the pre-existing one: these negative income components are recorded as a direct decrease in revenue, instead of allocating them to a provision for risks and charges.

In the presence of multiple performance obligations, the total transaction price is allocated to each performance obligation to the extent of the consideration that the entity is entitled to receive for the transfer of the relevant goods and services to the customer. The transaction price will be allocated on the basis of the standalone selling price of the goods and services associated with the performance obligation. The standalone selling price is the price at which an entity would sell the goods and services separately to the customer, under similar circumstances and to similar customers. If the standalone selling price is not observable, the Company would need to estimate it considering all the information available (market conditions, information on the customer or the class of customers) and the estimation methods used in similar circumstances.

The incremental costs of obtaining a contract are capitalised and amortised over the useful life of the contract, if longer than 12 months, while any non-incremental costs of obtaining a contract are expensed as incurred. Costs incurred to fulfil performance obligations related to a contract that do not qualify for treatment under other standards (IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets) are capitalised only if the following conditions are met:

- the costs related directly to a contract (general and administrative costs are not capitalised);
- the costs generate or enhance resources;
- the costs are expected to be recovered.

The Group recognises the obligation to transfer to the customer goods or services for which payment has already been obtained (or for which the customer’s consideration is due before the goods and services are provided) classified as liability deriving from the contract.

Revenue from activities carried out in favour of or on behalf of the state is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the provisions contained in legislation regarding the public finances. The return on the current account deposits held by the MEF is determined using the effective interest method and is recognised as revenue from financial services. The same classification is applied to income from Eurozone government securities, in which deposits paid into accounts by private customers are invested

## Government grants

Government grants are recognised once they have been formally allocated to the Group by the public entity concerned and only if, based on the information available at the end of the year, there is reasonable assurance that the project to which the grant relates will be effectively carried out and completed in accordance with the conditions attached to the grant. Grants are recognised in profit and loss under Other operating income as follows: operating grants in proportion to the costs actually incurred for the project and accounted for and approved to the public entity; grants related to property, plant and equipment are recognised in proportion to the depreciation charged on the assets acquired and used to carry out the project and whose costs have been accounted for and approved to the public entity.

## Finance income and costs

Finance income and costs are recognised on an accruals basis based on the effective interest method, i.e. using an interest rate that discounts all cash flows relating to a given transaction in the same way.

Dividends are recognised as finance income when the right to receive payment is established, which generally corresponds with approval of the distribution by the Shareholders Meeting of the investee company. Otherwise, dividends from subsidiaries are accounted for as “Other operating income”.

## Earnings per share

In the Poste Italiane Group’s consolidated financial statements, earnings per share is determined as follows:

**Basic:** basic earnings per share is calculated by dividing the Group’s profit for the year by the weighted average number of Poste Italiane SpA’s ordinary shares in issue during the period.

**Diluted:** At the date of preparation of these financial statements no financial instruments have been issued which have potentially dilutive characteristics<sup>49</sup>.

## Related parties

Related parties within the Group refer to Poste Italiane SpA’s direct and indirect subsidiaries and associates. Related parties external to the Group include the MEF and its direct or indirect subsidiaries and associates. The Group’s key management personnel are also classified as related parties, as are funds providing post-employment benefits to the Group’s employees and the related entities. The state and Public Administration entities other than the MEF are not classified as related parties. Related party transactions do not include those deriving from financial assets and liabilities represented by instruments traded on organised markets.

## 2.4 Basis of consolidation

The Poste Italiane Group’s consolidated financial statements include the financial statements of Poste Italiane SpA and of the companies over which the Parent Company directly or indirectly exercises control, as defined by IFRS 10, from the date on which control is obtained until the date on which control is no longer held by the Group. The Group controls an entity when it simultaneously:

- has power over the investee;
- is exposed, or has rights to, variable returns from its involvement with the investee;
- has the ability to influence those returns through its power over the investee.

Control is exercised both via direct or indirect ownership of voting shares, and via the exercise of dominant influence, defined as the power to govern the financial and operating policies of the entity, including indirectly based on legal agreements, obtaining the related benefits, regardless of the nature of the equity interest. In determining control, potential voting rights exercisable at the end of the reporting period are taken into account.

The consolidated financial statements have been specifically prepared at 31 December 2019, after appropriate adjustment, where necessary, to align accounting policies with those of the Parent Company.

Subsidiaries that, in terms of their size or operations, are, either individually or taken together, irrelevant to a true and fair view of the Group’s results of operations and financial position are not included within the scope of consolidation.

49. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of all instruments which can be converted into ordinary shares issued by the Parent Company. The calculation is based on the ratio of profit attributable to the Parent Company, adjusted to take account of any costs or income deriving from the conversion, net of any tax effect, and the weighted average number of shares outstanding, assuming conversion of all convertible securities.

The criteria used for line-by-line consolidation are as follows:

- the assets, liabilities, costs and revenue of consolidated entities are accounted for on a line-by-line basis, separating where applicable the equity and profit/(loss) amounts attributable to non-controlling interests in consolidated equity and consolidated profit or loss;
- business combinations, in which control over an entity is acquired, are accounted for using the acquisition method. The cost of a business combination is represented by the current value (fair value) at the date of acquisition of the assets sold, the liabilities assumed, the equity instruments issued and any other directly attributable accessory charges; any difference between the cost of acquisition and the fair values of the assets and liabilities acquired, following review of their fair value, is recognised as goodwill arising from consolidation (if positive), or recognised in profit or loss (if negative);
- acquisitions of non-controlling interests in entities already controlled by the Group are not accounted for as acquisitions, but as equity transactions; in the absence of a relevant accounting standard, the Group recognises any difference between the cost of acquisition and the related share of net assets of the subsidiary in equity;
- any significant gains and losses (and the related tax effects) on transactions between companies consolidated on a line-by-line basis, to the extent not yet realised with respect to third parties, are eliminated, as are intercompany payables and receivables, costs and revenue, and finance costs and income;
- gains and losses deriving from the disposal of investments in consolidated companies are recognised in profit or loss based on the difference between the sale price and the corresponding share of consolidated equity disposed of.

Investments in subsidiaries that are not significant and are not consolidated, and those in companies over which the Group exerts significant influence (assumed when the Group holds an interest of between 20% and 50%), hereinafter “associates”, and joint ventures are accounted for using the equity method. At the time of acquisition, the investment is accounted for using the equity method. Any difference between the cost of acquisition of the investment and the net fair value of the investee’s identifiable assets and liabilities is accounted for as follows:

- a. goodwill related to an associate or a joint venture is included in the carrying amount of the investment. Amortisation of such goodwill is not permitted;
- b. in determining the initial value of the entity’s investment, any excess of the entity’s interest in the net fair value of investee’s identifiable assets and liabilities over cost is recognised as income in determining the acquirer’s interest in the profit (loss) for the period of the associate or joint venture in the period in which the interest is acquired.

After acquisition, appropriate adjustments are made to the entity’s share of the profits or losses of the associate or joint venture to account, for example, for additional depreciation or amortisation of the investee’s depreciable or amortisable assets, based on the excess of their fair values over their carrying amounts at the time the investment was acquired, and of any impairment losses on goodwill or property, plant and equipment. The equity method is as follows:

- the Group’s share of an entity’s post-acquisition profits or losses is recognised in profit or loss from the date on which significant influence or control is obtained until the date on which significant influence or control is no longer exerted by the Group; provisions are made to cover a company’s losses that exceed the carrying amount of the investment, to the extent that the Group has legal or constructive obligations to cover such losses; changes in the equity of companies accounted for using the equity method not related to the profit/(loss) for the year are recognised directly in equity;
- unrealised gains and losses on transactions between the Parent Company/subsidiaries and the company accounted for using the equity method are eliminated to the extent of the Group’s interest in the associate; unrealised losses, unless relating to impairment, are eliminated.

The following table shows the number of subsidiaries by method of consolidation and measurement:

Subsidiaries and joint ventures	31/12/2019	31/12/2018
Consolidated on a line-by-line basis	15	14
Accounted for using the equity method	4	6
<b>Total companies</b>	<b>19</b>	<b>20</b>

## 2.5 Use of estimates

Preparation of the annual accounts requires the application of accounting standards and methods that are at times based on complex subjective judgements and estimates based on historical experience, and assumptions that are considered reasonable and realistic under the circumstances. Use of such estimates and assumptions affects the final amounts reported in the financial statements and related disclosures. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods.

This section provides a description of accounting treatments that require the use of subjective estimates and for which a change in the conditions underlying the assumptions used could have a material impact on the Group's financial statements.

### Revenue and receivables due from the State

Revenue from activities carried out in favour of or on behalf of the State and Public Administration entities is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the instructions contained in legislation regarding the public finance. The legal framework of reference is still subject to change and, as has at times been the case, circumstances were such that estimates made in relations to previous financial statements, with effects on the statement of profit and loss, had to be changed. The complex process associated with the determination of receivables, which has not been completed yet, may result in changes in the results for the accounting periods after the period ended 31 December 2019 to reflect variations in estimates, due to future regulatory enactments or following the finalisation of expired agreements to be renewed.

At 31 December 2019, Poste Italiane Group's receivables outstanding with central and local authorities amounted to €693 million (€881 million at 31 December 2018), gross of provisions for doubtful debts.

The table below summarises receivables due from the State.

Receivables (€m)	31/12/2019	31/12/2018
Universal Service expense	31	31
Remuneration of current account deposits	28	39
Delegated services	15	28
Electoral subsidies	1	1
Other	2	1
<b>Trade receivables due from the MEF</b>	<b>77</b>	<b>100</b>
<b>Shareholder transactions:</b>		
Amount due from MEF following cancellation of Decision EC 16/07/2008	39	39
<b>Total amounts due from the MEF</b>	<b>116</b>	<b>139</b>
Receivables due from Ministries and Public Administration entities: Chair of the Board of Ministers for editorial benefits	50	104
Receivables due from Ministries and Public Administration entities: Ministry for Econ. Dev.	80	78
Other trade receivables due from Public Administration entities	390	490
<b>Trade receivables due from Public Administration entities</b>	<b>520</b>	<b>672</b>
<b>Other receivables and assets:</b>		
Sundry receivables due from Public Administration entities	1	3
Amounts receivable for IRES refund	55	55
Amounts receivable for IRAP refund	1	12
<b>Current tax assets and related interest</b>	<b>56</b>	<b>67</b>
<b>Total receivables due from MEF and the Public Administration</b>	<b>693</b>	<b>881</b>

At 31 December 2019, provisions for doubtful debts reflect receivables for which no provision had been made in the state budget and uncertainty regarding past due amounts due from the Public Administration. For further details, see notes A8 - Trade receivables and A9 - Other receivables and assets.

## Revenue from contracts with customers

The main factors in the recognition of revenue from contracts with customers include elements of variable consideration, particularly penalties (other than those related to compensation for damages). Elements of variable consideration are identified at the inception of the contract and estimated as of every close of the accounts for the entire contract term, to take into account new circumstances and changes in the circumstances already considered for the previous estimations. Elements of variable consideration include refund liabilities.

## Provisions for risks and charges

The Group makes provisions for probable liabilities deriving from disputes with staff, suppliers, and third parties and, in general, for liabilities deriving from present obligations. These provisions cover the liabilities that could result from legal action of varying nature, the impact on profit or loss of seizures incurred and not yet definitively assigned, and amounts expected to be refundable to customers where the final amount payable has yet to be determined.

Determination of the provisions involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing these financial statements.

## Impairment and stage allocation for financial instruments

For the purposes of calculating impairment and determining the stage allocation, the main factors estimated by the Poste Italiane Group are as follows, relating to the internal model developed for Sovereign, Banking and Corporate counterparties:

- estimates of ratings by counterparty;
- estimation of the probability of default "PD" for counterparties.

## Impairment tests of goodwill, cash generating units and equity investments

Goodwill and other non-current assets are tested for impairment in accordance with IAS 36 – Impairment of Assets. Impairment testing involves the use of estimates based on variable factors over time, potentially resulting in effects that may be significantly different from prior year estimates.

The impairment tests at 31 December 2019 were performed on the basis of the five-year business plans of the CGUs (cash generating units) concerned or the latest available projections. Where required, the Discounted Cash Flow (DCF) method was applied to the resulting amounts. For the determination of value in use, NOPLAT (Net Operating Profit Less Adjusted Taxes) was capitalised using an appropriate growth rate and discounted using the related WACC (Weighted Average Cost of Capital).<sup>50</sup>

For the Parent Company, the impairment test was carried out on the cash flow generating unit represented by the Mail, Parcels and Distribution segment to which Goodwill is not allocated. Each of the other Group companies is considered a separate CGU.

50. In the test carried out at 31 December 2019, use was made of an assumed long-term growth rate of between 1.14% and 1.32%, while the WACCs, determined in accordance with best market practices and for each operating segment, ranged from a minimum of 5.21% to 7.28%. The cost of equity (Ke) is estimated as 7.18% for banking activities and 7.54% for asset management activities.



With regard to Poste Italiane SpA alone, impairment tests were carried out on investments. The methods and criteria used to carry out the tests are in line with those described in relation to goodwill and other intangible assets.

In particular, with regard to the impairment test of the investment in FSIA Investimenti Srl, given the absence of reliable medium-term projections, the fair value of the investment at 31 December 2019 was determined (level 3 in the hierarchy) using market multiples. To identify the market multiple to use, reference was made to a study of a comparable company by a leading investment bank. The multiple used was 16.5 based on EV/EBITDA for 2020. Figures from the last year of the plan, or the latest available projections, were used in determining the terminal value.

## Impairment test of the Mail, Parcels and Distribution segment

The current environment - which has resulted in highly volatile markets and great uncertainty with regard to economic projections - and the decline of the postal market in which the Group operates, make it difficult to produce forecasts that can, with certainty, be defined as reliable. In this context, at 31 December 2019, in part in view of the content of the Group's Strategic Plan for 2018-2022, approved by the Parent Company's Board of Directors on 26 February 2018, and the ongoing decline of the postal sector, the Parent Company's Mail, Parcels and Distribution CGU was tested for impairment in order to determine a value in use to compare with the total carrying amount of net invested capital. In estimating the CGU's value in use, reference was made to revenue and cost projections in the Strategic Plan for 2018-2022, updated to take into account the actual results for 2019 and best estimates for 2020<sup>51</sup>. The terminal value, on the other hand, which was determined on the basis of data for the latest explicit projection period, was based on normalised earnings, taking into account the existence of potential positive elements whose value was not reflected in the explicit projections over the life of the plan. Reference was also made to the transfer prices that BancoPosta RFC is expected to pay for the services provided by Poste Italiane's distribution network. A WACC of 5.21% was used. The impairment test determined that the related carrying amounts are fair.

In addition, in assessing the value of non-current assets of the Mail, Parcels and Distribution segment, account was taken of any effect on the value in use of certain properties, should such properties no longer be used in operations in future, making adjustments to certain impairment losses taken in the past. The fair value of the Parent Company's properties used in operations continued to be higher than their carrying amount, as confirmed by the property valuations carried out. As in the past, in determining the value of properties used as post offices and sorting centres, Poste Italiane SpA's universal service obligation was taken into account, as was the inseparability of the cash flows generated from the properties that provide this service, (which the Parent Company is required to operate throughout the country regardless of the expected profitability of each location); the unique nature of the operating processes involved and the substantial overlap between postal and financial activities within the same outlets, represented by post offices, were also considered. On this basis, the value in use of the Parent Company's land and buildings used in operations is relatively unaffected by changes in the commercial value of the properties concerned and, in certain critical market conditions, certain properties may have values that are significantly higher than their market value, without this having any impact on the cash flows or results of the Mail, Parcels and Distribution segment.

## Depreciation and amortisation of property, plant and equipment and intangible assets

The cost of these assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life is determined at the time of acquisition and is based on historical experience of similar investments, market conditions and expectations regarding future events that may have an impact, such as technological developments. The actual useful life may, therefore, differ from the estimated useful life.

In the case of assets to be handed over, located on land held under concession or sub-concession, on expiry of the concession term, or whilst awaiting confirmation of renewal, any additional depreciation of assets takes into account the probable residual duration of the right to use the assets to provide public services, to be estimated on the basis of the framework agreements entered into with the Public Administration entity, the status of negotiations with the grantors and past experience.

51. Approved by the Board of Directors of Poste Italiane SpA on 5 March 2020.

## Deferred tax assets

The recognition of deferred tax assets is based on the expectation of taxable income in future years. Assessments of expected taxable income depend on factors which may change over time, impacting on the valuation of the deferred tax assets in the statement of financial position.

## Technical provisions for insurance business

The measurement of technical provisions for the insurance business is based on estimates made by actuaries employed by Poste Vita SpA, based on a series of material assumptions, including technical, actuarial, demographic and financial assumptions, as well as on projections of future cash flows from the insurance contracts entered into by Poste Vita and Poste Assicura and effective at the end of the year.

In order to verify the adequacy of the technical provisions, the Liability Adequacy Test (LAT) is performed periodically. It measures the ability of future cash flows from insurance contracts to cover liabilities to the policyholder. The LAT is conducted on the basis of the present value of future cash flows, obtained by projecting expected future cash flows from the existing portfolio to the end of the reporting period, based on appropriate assumptions regarding the cause of termination (death, surrender, redemption, reduction) and the performance of claims expenses. If necessary, technical provisions are topped up and the related cost charged to profit or loss.

## Share-based payments

As further described in Note 14 - Additional information - Share-based payment arrangements, the valuation of the share-based payment arrangements in place within the Poste Italiane Group at the close of these financial statements was based on the conclusions reached by actuaries external to the Group. The plan terms and conditions link the award of the related options to the occurrence of certain events, such as the achievement of performance targets and performance hurdles and, in certain areas of operation, compliance with certain capital adequacy and liquidity requirements. For these reasons, measurement of the liability, equity reserve and the corresponding economic effects involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing these financial statements.

## Employee termination benefits

The measurement of Employee termination benefits is also based on calculations performed by independent actuaries. The calculation takes account of termination benefits accrued for the period of service to date and is based on various demographic and economic-financial assumptions. These assumptions, which are based on the Group's experience and relevant best practices, are subject to periodic reviews.

## 2.6 New accounting standards and interpretations and those soon to be effective

### Accounting standards and interpretations applied from 1 January 2019

The following are applicable from 1 January 2019:

- **IFRS 16 - Leases**, adopted with Regulation (EU) no. 2017/1986. The new standard intends to improve the accounting representation of lease contracts, giving a basis for users of financial statements to assess the effect on the financial position, operating performance and cash flows of the entity. The main change regards lease liability contracts by introducing, for the lessee, a unified model for the different types of leasing (both financial and operating). A detailed description of the main changes introduced by the standard is provided in the paragraph, "Changes to accounting policies".
- **Annual improvements to IFRS: Cycle 2015 - 2017**, adopted by Regulation (EU) no. 2019/412. The amendments concerned:
  - **IFRS 3 - Business Combinations**: an entity remeasures its previous interest in a Joint Operation when it obtains control of the business.
  - **IFRS 11 - Joint Arrangements**: an entity does not remeasure its previous interest in a Joint Operation when it obtains joint control of the business.
  - **IAS 12 - Income Taxes**: an entity shall recognise the tax effects of dividends for income tax purposes in profit or loss, other comprehensive income or equity, depending on where the entity originally recognised the transactions that generated distributable profits.
  - **IAS 23 - Financial costs**: an entity determines the amount of financial costs eligible for capitalisation by excluding financial costs applicable to loans obtained specifically for the purpose of acquiring a qualifying asset, until all the operations necessary for the asset to be usable or sellable are completed.
- **Amendments to IAS 19: Amendment, curtailment or settlement of the plan**, adopted by Regulation (EU) no. 2019/402. After an amendment, curtailment or settlement of a defined benefit plan, the entity shall update its assumptions and remeasure its defined benefit liability or asset. The company shall use the updated assumptions to measure the current service cost and net interest for the remainder of the reporting period after the event.
- **Amendments to IAS 28: Long-term interests in associates and joint ventures**, adopted by Regulation (EU) no. 2019/237. An entity applies IFRS 9 to those interests in associates and joint ventures for which it does not apply the equity method, including long-term interests and which are essentially part of the net investment in those associates and joint ventures.

- **IFRIC 23 - Uncertainty of Income Tax Treatment**, adopted by Regulation (EU) no. 2018/1595. An entity should consider whether the competent authority is likely to accept any tax treatment, or group of tax treatments, that it has used or plans to use in its tax return. If the entity considers it likely that a particular tax treatment will be accepted, the entity shall determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistent with the tax treatment included in its tax records. If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity shall use the most probable amount or expected value of the tax treatment in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of uncertainty resolution.
- **Amendments to IFRS 9 – Financial Instruments - Prepayment Features with Negative Compensation** adopted with Regulation (EU) no. 2018/498. Some financial assets with negative compensation may be valued at amortised cost. The assets concerned, which include certain loans and debt securities, would otherwise be measured at fair value through profit or loss (FVTPL). Negative netting arises where the contractual terms allow early repayment of the instrument before the contractual due date, but the amount of the prepayment may be less than the unpaid principal and interest. However, to obtain the amortised cost valuation, the negative compensation must be ‘reasonable’ for early termination of the contract. An example of such reasonable remuneration is an amount reflecting the effect of the change in the reference interest rate. In addition, for the purpose of measurement at amortised cost, the asset must be held within a “Hold to collect” business model.

## Accounting standards and interpretations soon to be effective

The following are applicable from 1 January 2020:

- Amendments to references to the Conceptual Framework in the body of IFRS. The amendments update some of the references and citations in IFRS standards and interpretations so that they refer to the revised Conceptual Framework or specify the version of the Conceptual Framework to which they refer.
- Amendments to **IAS 1 - Presentation of Financial Statements** and **IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors** aimed at clarifying the definition of “material” in order to make it easier for companies to make judgements about materiality and to improve the relevance of information in the notes to the financial statements.
- Amendments to **IFRS 9 - Financial Instruments**, **IAS 39 - Financial Instruments: Recognition and Measurement** and **IFRS 7 - Financial Instruments: additional disclosure**, which introduced temporary and limited exceptions to the application of the hedge accounting provisions so that companies can continue to comply with the provisions assuming that the reference indices for the determination of existing interest rates are not changed as a result of the Interest Rate Benchmark Reform<sup>52</sup>. The purpose of the derogations is to avoid the effects of discontinuing due to the mere uncertainty of the interest rate reform. In particular, for the evaluation of the economic relation, the amendments introduced require that the entity must assume that the reference index for the determination of the interest rates of the hedged instrument and of the hedging instrument is not changed following the reform of the rates. The amendments in question, in force since 5 February 2020, must obligatorily be applied from 1 January 2020, unless applied in advance, which the Group has not made use of for the purposes of preparing the financial statements at 31 December 2019.

Lastly, as of the reporting date, the IASB has issued certain financial reporting standards, amendments and interpretations not yet endorsed by the European Commission:

- IFRS 17 - Insurance Contracts;
- Amendments to IFRS 3 - Business Combinations;
- Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.

The potential impact on the Poste Italiane Group's financial reporting of the accounting standards, amendments and interpretations due to come into effect is currently being assessed.

52. The *reform of reference indices for the determination of interest rates* refers to the reform, which concerns the entire market, of a reference index for the determination of interest rates, including the replacement of a reference index for the determination of interest rates by an alternative reference rate, such as that resulting from the recommendations contained in the July 2014 report of the Financial Stability Board “Reforming Major Interest Rate Benchmarks”.

## 3. Changes to accounting policies

### 3.1 Basis of preparation

On 1 January 2019, the new accounting standard for the regulation of lease contracts, IFRS 16 - Leases, issued by Regulation (EU) no. 2017/1986, came into force. The main amendments introduced relate to the rules governing lease contracts, with regard to which the new general criteria for accounting and presentation in the financial statements, the impact of initial application on the statement of financial position, in accordance with the simplified retrospective method, and the amounts recognised in the financial statements at 31 December 2019 of both the Poste Italiane Group and Poste Italiane SpA are described below.

#### 3.1.1 IFRS 16 – Leases

##### Initial assessment of the agreement

Under the new accounting rules, at the inception of the contract, the Group assesses whether a contract is, or contains, a lease: the contract is, or contains, a lease if in exchange for a consideration it confers the right to control the use of a specified asset for a period of time. The activity is usually specified as explicitly stated in the contract or when it is available for use by the Group. The right of control is evaluated on the basis of the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to decide on its use.

The initial assessment is only reviewed during the term of the contract if there are modifications to the contract conditions with substantial impact on the right to control the underlying asset. If the lease contract also contains a non-lease component, the Group separates and treats said component in accordance with the relevant accounting standard (for example, in the context of property leases, the lease component is separated from accessory/condominium or utility charges, which are classified in the accounts as service costs and recognised on an accruals basis). An exception is made for cases where separation cannot be achieved on the basis of objective criteria: in such cases, the Group does not separate the lease and non-lease components and submits them jointly to the accounting rules of the lease..

##### Right-of-use asset

On the contract commencement date, a right to use the leased asset is recorded, equal to the initial value of the corresponding lease liability, plus payments due before or at the same time as the contract commencement date (e.g. agency fees). Subsequently, said right of use is measured less accumulated depreciation and any accumulated impairment losses. Depreciation starts on the commencement date of the lease and extends over the shorter of the lease term and the useful life of the underlying asset.

Right-of-use assets are presented as a separate line item in the statement of financial position.

##### Lease liability

The lease liability, which is in the nature of a financial liability, is initially recorded at the present value of the lease instalments not paid on the date the contract commences; for the purposes of calculating the present value, the Group uses the marginal lending rate, defined by loan period and for each Group company.

The payments included in the initial measurement of the lease liability include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. ISTAT indexes);
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

Variable lease payments that do not depend on an index or a rate are, in contrast, not included in the initial measurement of the lease liability. These payments are recognised as a cost in the statement of profit or loss in the period in which the event or the condition giving rise to the obligation occurs.

The lease liability is subsequently reduced to reflect the lease payments made and increased to reflect interest on the remaining amount.

The Group remeasures the lease liability (and accordingly adjusts the related right-of-use asset) when there is a change in:

- the lease term (for example, in the case of early termination of the contract or an extension of the lease);
- the assessment of a purchase option for the underlying asset; in these cases, lease payments due are reviewed on the basis of the revised lease term and to take account of the change in the amounts payable in view of the purchase option;
- future lease payments deriving from a change in the index or rate used to determine the payments (e.g. ISTAT), or as a result of a renegotiation of the financial conditions.

Only in the case of a significant change in the lease term or in future lease payments does the Group remeasure the remaining lease liability with reference to the incremental borrowing rate at the date of the modification; in all other cases, the lease liability is remeasured using the initial discount rate.

Lease liabilities are presented in Financial liabilities in the statement of financial position.

## 3.2 Use of estimates in relation to IFRS 16

The following is a description of the main estimates used by the Poste Italiane Group at 31 December 2019 in accordance with IFRS 16.

### Incremental borrowing rate

For the purpose of discounting back unpaid lease instalments at the date the contract commences, the Group avails itself of the option granted by the standard to use the marginal borrowing rate, instead of the interest rate implicit in the lease, since the latter cannot be reliably determined. The incremental borrowing rate or IBR is determined in line with a hypothetical loan obtained in the current economic environment, and applied to groups of contracts with similar remaining terms and to similar companies. In particular, each IBR takes account of the risk-free rate identified on the basis of factors such as the economic environment, currency, contract term and credit spread reflecting the companies' organisation and financial structure.

The IBR associated with the commencement of the contract will be reviewed whenever there is a lease modification, meaning any substantial and significant changes to the contract conditions over the life of the agreement (e.g. the lease term or the amount of future lease payments).

The IBR table defined for groups of contracts with similar residual duration and for similar reference companies is periodically monitored and updated at least once during the year.

## Contract duration IFRS 16

For property lease agreements, on the commencement date or on a later date (in the case of substantial and significant changes to the contract conditions), the Group determines the duration of IFRS 16 by resorting to a valuation approach based primarily on the expected duration of the obligation as per the agreement between the parties and/or in the legal framework of reference (Law 392 of 27 July 1978), and it expects an extension of the lease due to an interpretation/forecast of events, circumstances and future intentions, including of a strategic nature, of both the lessor and the lessee. For the purposes of the valuation, leased properties were previously classified in three distinct clusters: properties where the lease is subject to legal restrictions and high commercial-value properties; properties for civilian use, such as the company accommodation for Group employees and executives; and other properties used in operations. The properties leased by municipalities or other public bodies have also been brought back to this structure; although they can be classified within a separate regulatory framework, the measures and specific agreements undertaken between the parties and historical practices and trends allow them to be considered as a lease between private individuals.

A set of rules has therefore been defined for each cluster to determine the lease term, although subject to the occurrence of specific cases (for example, the exercise of the early termination option by one of the parties, disclosed at the valuation date, the existence of significant penalties by one or both parties in the event of early termination of the agreement, the existence of improvements to third-party assets of significant value, historical trends, requests/understandings by the lessor formally disclosed at the valuation date). At 31 December 2019, as a result of the estimated time extension, the financial liability IFRS 16 for property lease agreements of the Parent Company alone (€1,043 million) is almost double the value that would have been recorded considering the regulatory/legal duration of the agreements (€482 million).

The determination of the IFRS 16 duration for all lease agreements other than property leases is instead equal to the duration of the obligation agreed upon between the parties, in keeping with future intent in wanting and being able to complete the term and past experience. The choice derives from the fact that, in such cases, the contract provides for a final expiration date that cannot be extended (or, in any case, can be extended non-automatically and for a limited number of periods, even with monthly validity), beyond which the relationship with the lessor can continue only by virtue of a new agreement.

## 3.3 Effects of first-time adoption of IFRS 16

### Practical expedients adopted

On first-time adoption of IFRS 16, the Group used some of practical expedients permitted by the standard; in particular:

- regarding the identification of contracts in scope, the Group elected not to remeasure contracts outstanding at the date of transition classified previously as leases or as containing a lease component. As a result of this expedient, lease contracts or contracts containing a lease component, which had been accounted for in accordance with IAS 17, now fall within the scope of IFRS 16;
- non-lease components were not separated from the lease components in rental contracts for the corporate fleet and vehicles for personal use;
- non-application of the new accounting rules to short-term contracts (with a duration of no more than twelve months) and to contracts in which the individual underlying asset is of low value (up to €5,000); for these contracts, the Group continues to adopt IAS 17 (recognition of lease payments in profit and loss as matching entry in short-term trade payables).

### Transition method

At 1 January 2019, the Group recognised the following types of agreements/assets included within the scope of application of the standard:

- Properties used in operations (e.g. those used as post offices or operational sites);
- Properties not used in operations, providing accommodation for employees and executives;

- Leased vehicles for the corporate fleet;
- Leased vehicles for personal use by staff;
- Aircraft used by the Group's airline;
- IT equipment and devices of various type.

Of the methods allowed for the transition to IFRS 16, the Poste Italiane Group opted for the simplified retrospective approach that requires the recognition of:

the financial liability of the lease starting from the date of initial application and taking into account future lease payments until contract expiration;

the right-of-use asset at an amount equal to the financial liability of the lease as adjusted for any prepayments or accrued liabilities related to the leases reported in the statement of financial position immediately prior to first-time adoption.

The approach does not require the restatement of comparative data and allows the use of practical expedients to calculate financial liabilities and right-of-use assets at the transition date.

## Poste Italiane Group

At 1 January 2019, the Group recognised right-of-use assets of €1,374 million, in relation to leases previously classified as operating leases under IAS 17, and financial liabilities totalling €1,373 million, equal to the present value of remaining payments discounted; the difference regards adjustments to right-of-use assets due to prepayments or accrued liabilities at 31 December 2018 on leases recognised under IAS 17 immediately prior to first-time adoption of IFRS 16.

The following statement shows the impact of first-time adoption on the Poste Italiane Group's statement of financial position.

### Statement of financial position at 1 January 2019

Assets	Balance at 31 December 2018	Effects of IFRS 16	Balance at 1 January 2019
<b>Non-current assets</b>			
Property, plant and equipment	1,945	-	1,945
Investment property	48	-	48
Intangible assets	545	-	545
Right-of-use assets	-	1,374	1,374
Investments accounted for using the equity method	497	-	497
Financial assets	170,922	-	170,922
Trade receivables	7	-	7
Deferred tax assets	1,368	-	1,368
Other receivables and assets	3,469	-	3,469
Technical provisions attributable to reinsurers	71	-	71
<b>Total</b>	<b>178,872</b>	<b>1,374</b>	<b>180,246</b>
<b>Current assets</b>			
Inventories	136	-	136
Trade receivables	2,192	-	2,192
Current tax assets	117	-	117
Other receivables and assets	1,111	(2)	1,109
Financial assets	19,942	-	19,942
Cash and deposits attributable to BancoPosta	3,318	-	3,318
Cash and cash equivalents	3,195	-	3,195
<b>Total</b>	<b>30,011</b>	<b>(2)</b>	<b>30,009</b>
<b>Non-current assets and disposal groups held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>208,883</b>	<b>1,372</b>	<b>210,255</b>



Liabilities and equity	Balance at 31 December 2018	Effects of IFRS 16	Balance at 1 January 2019
<b>Equity</b>			
Share capital	1,306	-	1,306
Reserves	1,531	-	1,531
Retained earnings / (Accumulated losses)	5,268	-	5,268
<b>Total equity attributable to owners of the Parent</b>	<b>8,105</b>	<b>-</b>	<b>8,105</b>
Equity attributable to non-controlling interests			
<b>Total</b>	<b>8,105</b>	<b>-</b>	<b>8,105</b>
<b>Non-current liabilities</b>			
Technical provisions for insurance business	125,149	-	125,149
Provisions for risks and charges	656	-	656
Employee termination benefits	1,187	-	1,187
Financial liabilities	7,453	1,146	8,599
Deferred tax liabilities	701	-	701
Other liabilities	1,379	-	1,379
<b>Total</b>	<b>136,525</b>	<b>1,146</b>	<b>137,671</b>
<b>Current liabilities</b>			
Provisions for risks and charges	863	-	863
Trade payables	1,583	-	1,583
Current tax liabilities	12	-	12
Other liabilities	2,319	(1)	2,318
Financial liabilities	59,476	227	59,703
<b>Total</b>	<b>64,253</b>	<b>226</b>	<b>64,479</b>
<b>Total equity and liabilities</b>	<b>208,883</b>	<b>1,372</b>	<b>210,255</b>

The table below show the reconciliation between the lease commitments at 31 December 2018 and the amount of the lease liabilities recognised at 1 January 2019.

Reconciliation of financial liabilities/commitments for leases at 1 January 2019	(€m)
<b>Description</b>	
Operating lease commitments at 31 December 2018	780
Exclusion from the scope of contracts for short-term leases at 31 December 2018	(5)
Exclusion from the scope of contracts for low value leases at 31 December 2018	(5)
<b>Lease liabilities at 31 December 2018 within scope of IFRS 16</b>	<b>770</b>
Adjustment following different treatment of extension and termination options	760
<b>Undiscounted lease liabilities at 1 January 2019</b>	<b>1,530</b>
Adjustment for discounted lease liabilities at 1 January 2019	(157)
<b>Lease liabilities resulting from application of IFRS 16 at 1 January 2019</b>	<b>1,373</b>

The average incremental borrowing rate used at the date of first-time adoption is 2.2%.

## Poste Italiane SpA

At 1 January 2019, the Parent Company recognised right-of-use assets of €1,230 million, in relation to leases previously classified as operating leases under IAS 17, and financial liabilities totalling €1,230 million (equal to the present value of remaining payments). Deferred income or accrued liabilities that at 31 December 2018 related to leases recognised in accordance with IAS 17 at the date of first-time adoption of IFRS 16 have been adjusted to reflect the right of use.

The following statement shows the impact of first-time adoption on Poste Italiane SpA's statement of financial position.

### Statement of financial position at 1 January 2019

Assets (€m)	Balance at 31 December 2018	Effects of IFRS 16	Balance at 1 January 2019
<b>Non-current assets</b>			
Property, plant and equipment	1,834	-	1,834
Investment property	48	-	48
Intangible assets	448	-	448
Right-of-use assets	-	1,230	1,230
Investments	2,198	-	2,198
Financial assets attributable to BancoPosta	51,543	-	51,543
Financial assets	815	-	815
Trade receivables	6	-	6
Deferred tax assets	863	-	863
Other receivables and assets	1,288	-	1,288
<b>Total</b>	<b>59,043</b>	<b>1230</b>	<b>60,273</b>
<b>Current assets</b>			
Trade receivables	2,255	-	2,255
Current tax assets	89	-	89
Other receivables and assets	866	(2)	864
Financial assets attributable to BancoPosta	12,320	-	12,320
Financial assets	168	-	168
Cash and deposits attributable to BancoPosta	3,318	-	3,318
Cash and cash equivalents	2,127	-	2,127
<b>Total</b>	<b>21,143</b>	<b>(2)</b>	<b>21,141</b>
<b>Non-current assets held for sale</b>	-	-	-
<b>Total assets</b>	<b>80,186</b>	<b>1,28</b>	<b>81,414</b>

Liabilities and equity (€m)	Balance at 31 December 2018	Effects of IFRS 16	Balance at 1 January 2019
<b>Equity</b>			
Share capital	1,306	-	1,306
Reserves	1,546	-	1,546
Retained earnings / (Accumulated losses)	2,607	-	2,607
<b>Total</b>	<b>5,459</b>	<b>-</b>	<b>5,459</b>
<b>Non-current liabilities</b>			
Provisions for risks and charges	608	-	608
Employee termination benefits	1,158	-	1,158
Financial liabilities attributable to BancoPosta	7,376	-	7,376
Financial liabilities	77	1,034	1,111
Deferred tax liabilities	376	-	376
Other liabilities	1,343	-	1,343
<b>Total</b>	<b>10,938</b>	<b>1,034</b>	<b>11,972</b>
<b>Current liabilities</b>			
Provisions for risks and charges	823	-	823
Trade payables	1,488	-	1,488
Current tax liabilities	6	-	6
Other liabilities	1,771	(2)	1,769
Financial liabilities attributable to BancoPosta	59,383	-	59,383
Financial liabilities	318	196	514
<b>Total</b>	<b>63,789</b>	<b>194</b>	<b>63,983</b>
<b>Total equity and liabilities</b>	<b>80,186</b>	<b>1,228</b>	<b>81,414</b>

The table below show the reconciliation between the lease commitments at 31 December 2018 and the amount of the lease liabilities recognised at 1 January 2019.

### Reconciliation of financial liabilities/commitments for leases at 1 January 2019

(€m)	
<b>Description</b>	
Operating lease commitments at 31 December 2018	680
Exclusion from the scope of contracts for short-term leases at 31 December 2018	(5)
Exclusion from the scope of contracts for low value leases at 31 December 2018	(25)
<b>Lease liabilities at 31 December 2018 within scope of IFRS 16</b>	<b>650</b>
Adjustment following different treatment of extension and termination options	73
<b>Undiscounted lease liabilities at 1 January 2019</b>	<b>1,373</b>
Adjustment for discounted lease liabilities at 1 January 2019	(143)
<b>Lease liabilities resulting from application of IFRS 16 at 1 January 2019</b>	<b>1,230</b>

## 3.4 Impact of the adoption of IFRS 16 at 31 December 2019

### Poste Italiane Group

The following table shows the statement of financial position and profit and loss effects generated by lease contracts at 31 December 2019 for the Poste Italiane Group.

tab. A4 - Change to right-of-use assets

(€m)	Properties used in operations	Company fleet	Vehicles for mixed use	Other assets	Total
<b>Balance at 1 January 2019</b>	<b>1,233</b>	<b>121</b>	<b>12</b>	<b>8</b>	<b>1,374</b>
<b>Changes during the year</b>					
New contract acquisitions	79	12	7	20	118
Adjustments	(16)	2	(1)	(1)	(16)
Reclassifications	-	-	-	8	8
Contract terminations	(8)	-	-	-	(8)
Depreciation, amortisation and impairments	(149)	(60)	(5)	(8)	(222)
<b>Balance at 31 December 2019</b>	<b>(94)</b>	<b>(46)</b>	<b>1</b>	<b>19</b>	<b>(120)</b>
Cost	1,285	135	18	43	1,481
Accumulated depreciation, amortisation and impairments	(146)	(60)	(5)	(16)	(227)
<b>Balance at 31 December 2019</b>	<b>1,139</b>	<b>75</b>	<b>13</b>	<b>27</b>	<b>1,254</b>

Additions during the year primarily refer to the Parent Company (€95 million) and regard new property leases (€63 million), the lease of IT equipment (€18 million) and the lease of company vehicles (€14 million). The item adjustments refers to contractual changes during the year (changes in duration due to termination or extension, revision of economic conditions, etc.).

Amounts booked as profit and loss at 31 December 2019	(€m)
<b>Description</b>	
Amortisation of right-of-use asset	222
Interest expense on financial liabilities	28
Costs relating to short-term leases	6
Costs relating to low value asset leases	15
Costs relating to intangible asset leases	43
Other costs outside the scope of IFRS 16	32
<b>Total</b>	<b>346</b>

The item *Costs relating to the lease of low-value assets* mainly refers to agreements for the rental of IT equipment (e.g. letter carrier terminals, multifunction printers, etc.). The residual item *Other costs outside the scope of IFRS 16* refers instead to costs for non-deductible VAT on lease agreements under IFRS 16 which, starting from the entry into force of the new accounting standard, have been reclassified by nature under *Other operating costs* and to service costs related to leased assets which, in line with the provisions of the standard, have been separated from the lease component and recognised in line with the reference accounting standards.

Total lease cash outflows, outgoing in 2019, amounted to €217 million, while the time distribution of the lease liability at 31 December 2019 is shown in the table below:

Liquidity risk - lease liabilities (€m)	31/12/2019			Total
	Within 12 months	Between 1 and 5 years	Over 5 years	
Lease liabilities	219	538	522	1,279

## Poste Italiane SpA

The following table shows the statement of financial position and profit and loss effects generated by lease contracts at 31 December 2019 for the Parent Company.

### Change to right-of-use asset

(milioni di euro)	Properties used in operations	Company fleet	Vehicles for mixed use	Other assets	Total
Cost	1,116	105	9	-	1,230
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
<b>Balance at 1 January 2019</b>	<b>1,116</b>	<b>105</b>	<b>9</b>	<b>-</b>	<b>1,230</b>
<b>Period changes</b>					
Additions	63	7	7	18	95
Adjustments	(18)	3	(1)	-	(16)
Depreciation	(128)	(54)	(4)	(3)	(189)
<b>Total changes</b>	<b>(83)</b>	<b>(44)</b>	<b>2</b>	<b>15</b>	<b>(110)</b>
Cost	1,160	115	15	18	1,308
Accumulated depreciation	(127)	(54)	(4)	(3)	(188)
Impairment losses	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>1,033</b>	<b>61</b>	<b>11</b>	<b>15</b>	<b>1,120</b>

#### Amounts booked as profit and loss at 31 December 2019

(€m)

#### Description

Amortisation of right-of-use asset	189
Interest expense on financial liabilities	25
Costs relating to short-term leases	5
Costs relating to low value asset leases	22
Costs relating to intangible asset leases	38
Other costs outside the scope of IFRS 16	29
<b>Total</b>	<b>308</b>

Liquidity risk - lease liabilities (€m)	31/12/2019			Total
	Within 12 months	Between 1 and 5 years	Over 5 years	
Lease liabilities	189	473	487	1,149

## 4. Material events during the year

### 4.1 Principal corporate actions

#### Investment in FSIA

On 14 March 2019, FSIA Investimenti Srl, an investment vehicle 30% owned by Poste Italiane (the remaining 70% is indirectly controlled by CDP Equity via FSI Investimenti), announced its intention to exercise its call option on 7.934% of the shares in SIA SpA held by UniCredit and Intesa SanPaolo. On 28 May 2019, the relevant purchase and sale agreement was signed, which was finalised after FSIA obtained the necessary authorisations from the Antitrust Authority and the Bank of Italy, the latter received on 24 October 2019. Moreover, on 27 May 2019, the shareholders agreements that gave FSIA Investimenti, together with other shareholders, joint control of SIA expired. Following these events, the CDP Group acquired sole control of FSIA Investimenti, which in turn holds 57.4% of the share capital of SIA SpA. Poste Italiane's indirect investment in SIA SpA (via FSIA Investimenti) rose from 14.85 to 17.23%.

At 31 December 2019, Poste Italiane's investment in FSIA Investimenti was classified as connecting link, in place of the previous joint control.

#### Joint venture with sennder GmbH

On 7 May 2019, Poste Italiane entered into a partnership with the German digital road-freight-forwarder, sennder GmbH, with the goal of establishing a joint venture in Italy in line with the Deliver 2022 Strategic Plan, to boost the efficiency of long-haul logistics operations (so called Full Track Load).

On 24 September 2019 was the signing of the final agreements governing the arrangements for collaboration in the Full Track Load sector, the joint venture's operating and governance mechanisms. In addition, an investment by Poste Italiane in the capital of sennder GmbH was completed on 11 November 2019 with the subscription by Poste Italiane to a reserved capital increase following which Poste Italiane holds a 1.63% investment in the share capital of the German company. Finally, on 12 February 2020, Poste Italiane subscribed a capital increase at nominal value in the Italian joint venture, called sennder Italia Srl, acquiring a 75% investment in the share capital.

#### Partnership with MFM Investments Ltd (Moneyfarm)

On 2 August 2019, Poste Italiane, in line with the Deliver 2022 Strategic Plan, launched a partnership with the digital asset management company MFM Investments Ltd (Moneyfarm) to offer innovative digital investment and asset management services. The agreement provides that Poste Italiane will distribute an asset management service in Exchange Traded Funds (ETF) with 7 investment lines of which 2 developed exclusively for its customers. As part of this partnership, on 9 August 2019, Poste Italiane signed a contract with MFM Holding Ltd (the company that controls 100% of Moneyfarm) which provides for a capital increase by the latter for a value of approximately €40 million (GBP 36 million) through the issue of convertible preference shares to be subscribed by Poste Italiane, as lead investor, and Allianz Asset Management GmbH (the minority shareholder of Moneyfarm Holding Ltd). The capital increase involves two phases. In the first phase, which ended in August 2019, Poste Italiane subscribed shares in MFM Holding Ltd for a total value of €15 million, representing 9.70% of voting rights (10.36% of equity rights). The second phase will be finalised in the course of 2020 when the necessary authorisations will be obtained by the supervisory authorities of Germany (Bafin) and the United Kingdom (FCA).

## Partnership with Tink AB (Tink)

On 20 December 2019, Poste Italiane signed agreements for the establishment of a strategic partnership with the Swedish company Tink AB, one of the leading Open banking<sup>53</sup> platforms in Europe. These agreements provide, in addition to the commercial provision of PSD2 technology solutions, for long-term strategic collaboration as an enabling factor for the expansion of the Poste Group's digital service offering, including through the sharing of technological developments and the joint development of solutions and services. The agreements also provide for the Poste Italiane Group to join with other investors in an increase in the Company's capital with an investment of around €20 million, following which the Group will hold a 4.8% stake in Tink. The subscription of the capital increase will be completed by the first quarter of 2020.

The following material events also took place during 2019:

- On 12 April 2019, Poste Assicura established Poste Insurance Broker Srl, an insurance brokerage company, to operate as a distributor and insurance and reinsurance broker.
- On 5 June 2019, the company, Risparmio Holding, which was already in liquidation, was struck off the Companies' Register.
- On 20 June 2019, an Extraordinary General Meeting of SDA Express Courier's shareholders and, on 27 June 2019, the Board of Directors of Poste Italiane approved the partial demerger of the business unit responsible for commercial and customer care activities relating to SDA's Express Parcel Delivery services to Poste Italiane. The transaction is part of the plan to create a "Single Offering", with the aim of boosting the competitiveness and effectiveness of the Group's positioning in the Express Delivery market by putting in place a single, comprehensive offering for all customers, with the reorganisation of the sales force and customer support. The demerger became effective on 1 November 2019.
- On 25 June, an agreement was signed that will result in the transfer of SDA Express Courier's Information and Communication Technology business unit to Poste Italiane. The transfer, which came into effect on 1 July 2019, is aimed at improving the efficiency of subsidiaries' ICT processes by centralising these activities within Poste Italiane.
- With effect from 1 October 2019, the company Mistral Air Srl, following the change of the corporate mission, changed its name to Poste Air Cargo Srl.

On 12 December 2019, the Board of Directors of Poste Italiane approved the acquisition of the business units of Poste Vita, Poste Assicura and Poste Welfare Servizi relating to ICT management activities. The operation, which has already been approved by the decision-making bodies, will take effect from 1 March 2020.

## 4.2 Other material events

The following material events also occurred in 2019:

### Poste Italiane SpA: authority to purchase and hold treasury shares

On 29 May 2018, the Ordinary and Extraordinary General Meeting of Poste Italiane SpA's shareholders had authorised the Company to purchase and hold up to 65.3 million of the Company's ordinary shares, representing approximately 5% of the share capital, at a total cost of up to €500 million. Following the aforementioned authorisation, in the period between 4 February 2019 and 29 March 2019, Poste Italiane SpA began and completed the buyback programme<sup>54</sup> through direct purchases on the MTA market. On completion of the programme, Poste Italiane holds 5,257,965 treasury shares with a total value of €40 million (an average price of €7.608), equal to 0.4026% of the share capital.

53. Open banking is sharing of data between different players in the banking ecosystem. With the entry into force of the European PSD2 Digital Payments Directive, European banks are obliged to open up their API (Application Program Interface) to fintech companies and other companies involved in financial products and services. This will allow external companies (third parties) access to payment data thus increasing competition.

54. The purchases were made in execution of the shareholder resolution and in compliance with art. 144-bis, paragraph 1, letter B) of CONSOB Regulation 11971/1999 and the applicable provisions, so as to ensure equal treatment for all shareholders pursuant to art. 132 of the Consolidated Law on Finance, and in accordance with the operating procedures established in the organisational and management regulations of Borsa Italiana SpA.

## Poste Italiane SpA: interim dividend 2019

On 5 November 2019, the Board of Directors of Poste Italiane, in light of the Parent Company's performance and financial position in the first half of 2019 and in line with prevailing practice, decided to advance part of the ordinary dividend for 2019 as an interim dividend. To this end, the Company has prepared a Report and Financial Statements pursuant to article 2433 bis of the Italian Civil Code, which show that the Company's financial position, results of operations and cash flows allow such distribution. The opinion of the independent auditors was obtained on these documents.

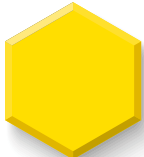
The advance of €0.154 per share, gross of any withholding taxes, was made with effect from 20 November 2019. Based on the number of shares outstanding of 1,300,852,035, the total amount of the advance payment was €200 million.

## Poste Italiane SpA and Poste Vita SpA: admission to the Collaborative Compliance regime

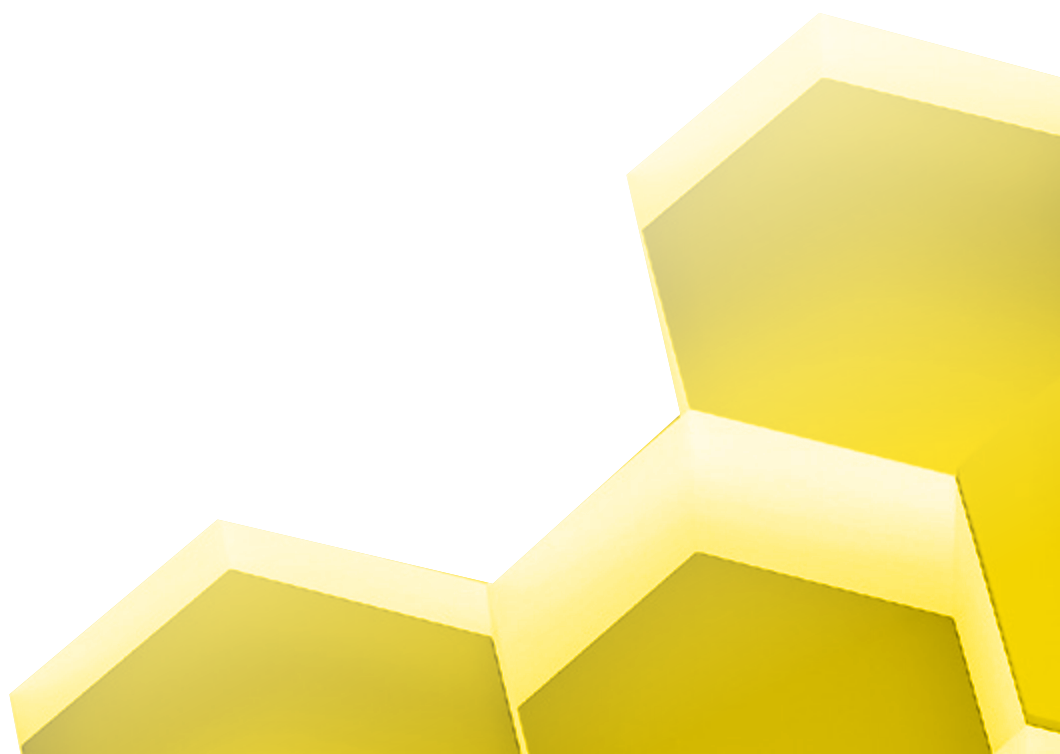
On 16 January 2020, at the end of the positive assessment carried out by the Revenue Agency on the Tax Control Framework of companies, which includes the system for the recognition, management, control and mitigation of tax risk, Poste Italiane and the subsidiary Poste Vita were admitted the Collaborative Compliance regime with the tax authorities.



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 05

FINANCIAL STATEMENTS  
OF POSTE ITALIANE  
**AT 31 DECEMBER 2019**





# 5. Poste Italiane Group

## Financial statements for the year ended 31 December 2019

### 5.1 Consolidated financial statements

#### Consolidated statement of financial position

Assets (€m)	Note	31 December 2019	of which, related party transactions	31 December 2018	of which, related party transactions
<b>Non-current assets</b>					
Property, plant and equipment	[A1]	2,015	-	1,945	-
Investment property	[A2]	44	-	48	-
Intangible assets	[A3]	648	-	545	-
Right-of-use assets	[A4]	1,254	-	-	-
Investments accounted for using the equity method	[A5]	617	617	497	497
Financial assets	[A6]	194,207	4,522	170,922	5,101
Trade receivables	[A8]	5	-	7	-
Deferred tax assets	[C14]	1,199	-	1,368	-
Other receivables and assets	[A9]	3,729	1	3,469	1
Technical provisions attributable to reinsurers		58	-	71	-
<b>Total</b>		<b>203,776</b>		<b>178,872</b>	
<b>Current assets</b>					
Inventories	[A7]	140	-	136	-
Trade receivables	[A8]	2,166	664	2,192	661
Current tax assets	[C14]	52	-	117	-
Other receivables and assets	[A9]	938	2	1,111	7
Financial assets	[A6]	24,727	7,220	19,942	6,004
Cash and deposits attributable to BancoPosta	[A10]	4,303	-	3,318	-
Cash and cash equivalents	[A11]	2,149	495	3,195	1,306
<b>Total</b>		<b>34,475</b>		<b>30,011</b>	
<b>Total assets</b>		<b>238,251</b>		<b>208,883</b>	

Liabilities and equity (€m)	Note	31 December 2019	of which, related party transactions	31 December 2018	of which, related party transactions
<b>Equity</b>					
Share capital	[B2]	1,306	-	1,306	-
Reserves	[B4]	2,646	-	1,531	-
Treasury shares		(40)	-	-	-
Retained earnings		5,786	-	5,268	-
<b>Total equity attributable to owners of the Parent</b>		<b>9,698</b>		<b>8,105</b>	
Equity attributable to non-controlling interests		-	-	-	-
<b>Total</b>		<b>9,698</b>		<b>8,105</b>	
<b>Non-current liabilities</b>					
Technical provisions for insurance business	[B5]	140,261	-	125,149	-
Provisions for risks and charges	[B6]	501	58	656	58
Employee termination benefits	[B7]	1,135	-	1,187	-
Financial liabilities	[B8]	13,964	132	7,453	20
Deferred tax liabilities	[C14]	887	-	701	-
Other liabilities	[B10]	1,525	-	1,379	-
<b>Total</b>		<b>158,273</b>		<b>136,525</b>	
<b>Current liabilities</b>					
Provisions for risks and charges	[B6]	717	12	863	12
Trade payables	[B9]	1,627	98	1,583	150
Current tax liabilities	[C14]	274	-	12	-
Other liabilities	[B10]	2,110	74	2,319	75
Financial liabilities	[B8]	65,552	4,820	59,476	3,970
<b>Total</b>		<b>70,280</b>		<b>64,253</b>	
<b>Total equity and liabilities</b>		<b>238,251</b>		<b>208,883</b>	

## Consolidated statement of profit or loss

(€m)	Note	2019	of which, related party transactions	2018	of which, related party transactions
Revenue from Mail, Parcels & other	[C1]	3,492	498	3,579	249
Revenue from Payments, Mobile & Digital	[C2]	664	59	628	30
Revenue from Financial Services	[C3]	5,213	1,998	5,186	979
<i>of which, non-recurring income</i>		-		120	
Revenue from Insurance Services after movements in technical provisions and other claims expenses	[C4]	1,669	16	1,471	8
Insurance premium revenue		17,913	-	16,720	-
Income from insurance activities		5,478	16	3,604	8
Net change in technical provisions for insurance business and other claims expenses		(21,463)	-	(17,111)	-
Expenses from insurance activities		(259)	-	(1,742)	-
<b>Net operating revenue</b>		<b>11,038</b>		<b>10,864</b>	
Cost of goods and services	[C5]	2,287	169	2,343	206
Expenses from financial activities	[C6]	79	5	46	3
Personnel expenses	[C7]	5,896	50	6,137	43
Depreciation, amortisation and impairments	[C8]	774	-	570	-
<i>of which, non-recurring costs/(income)</i>		-		33	
Capitalised costs and expenses	[C9]	(31)	-	(17)	-
Other operating costs	[C10]	200	3	239	6
Impairment loss/(reversal) on debt instruments, receivables and other assets	[C11]	59	-	47	-
<b>Operating profit/(loss)</b>		<b>1,774</b>		<b>1,499</b>	
Finance costs	[C12]	73	2	71	-
Finance income	[C12]	105	-	106	-
Impairment loss/(reversal) on financial instruments		46	-	20	-
<i>of which, non-recurring expense/(income)</i>		46		-	
Profit/(Loss) on investments accounted for using the equity method	[A5]	112	-	(24)	-
<i>of which, non-recurring income/(expense)</i>		88		-	
<b>Profit/(Loss) before tax</b>		<b>1,872</b>		<b>1,490</b>	
Income tax expense	[C14]	530	-	91	-
<i>of which, non-recurring expense/(income)</i>		-		(351)	
<b>NET PROFIT FOR THE PERIOD</b>		<b>1,342</b>		<b>1,399</b>	
of which, attributable to owners of the Parent		1,342		1,399	
of which, attributable to non-controlling interests		-		-	
<b>Earnings per share</b>	[B1]	<b>1.032</b>		<b>1.071</b>	
<b>DiNet profit/(loss) for the period</b>		<b>1.032</b>		<b>1.071</b>	

**Consolidated statement of comprehensive income**

(€m)	Note	2019	2018
<b>Net profit/(loss) for the period</b>		<b>1,342</b>	<b>1,399</b>
<b>Items to be reclassified in the Statement of profit or loss for the year</b>			
FVOCI debt instruments			
Increase/(decrease) in fair value during the year	[tab. B4]	1,767	(1,946)
Transfers to profit or loss	[tab. B4]	(244)	(396)
Increase/(Decrease) for expected credit loss		(2)	(1)
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B4]	95	191
Transfers to profit or loss	[tab. B4]	(59)	19
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the year		(445)	609
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		(1)	-
After-tax increase/(decrease) in reserves related to group of assets and liabilities held for sale	[tab. B4]	-	-
<b>Items not to be reclassified in the Statement of profit or loss for the year</b>			
FVOCI equity instruments			
Increase/(decrease) in fair value during the period		1	-
Transfers to equity		-	-
Actuarial gains/(losses) on provisions for employee termination benefits	[tab. B7]	(70)	16
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		20	(4)
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		-	-
<b>Total other comprehensive income</b>		<b>1,062</b>	<b>(1,511)</b>
<b>Total comprehensive income for the year</b>		<b>2,404</b>	<b>(112)</b>
of which, attributable to owners of the Parent		<b>2,404</b>	(112)
of which, attributable to non-controlling interests		-	-

## Consolidated statement of changes in equity

	Equity											
	Share capital	Own shares	Reserves						Retained earnings / (Accumulated losses)	Total equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
			Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Reserve for investees accounted for using equity method	Reserve for incentive plans				
(€m)												
<b>Balance at 1 January 2018</b>	<b>1,306</b>	-	<b>299</b>	<b>1,000</b>	<b>1,604</b>	<b>(61)</b>	<b>2</b>	-	<b>4,616</b>	<b>8,766</b>	-	<b>8,766</b>
Total comprehensive income for the year	-	-	-	-	(1,673)	150	-	-	1,411*	(112)	-	(112)
Dividends paid	-	-	-	-	-	-	-	-	(549)	(549)	-	(549)
Other changes	-	-	-	210	-	-	-	-	(210)	-	-	-
<b>Balance at 31 December 2018</b>	<b>1,306</b>	-	<b>299</b>	<b>1,210</b>	<b>(69)</b>	<b>89</b>	<b>2</b>	-	<b>5,268</b>	<b>8,105</b>	-	<b>8,105</b>
Total comprehensive income for the year	-	-	-	-	1,087	26	(1)	-	1,292*	2,404	-	2,404
Incentive plans	-	-	-	-	-	-	-	2	-	2	-	2
Dividends paid	-	-	-	-	-	-	-	-	(574)	(574)	-	(574)
Acconto dividendi	-	-	-	-	-	-	-	-	(200)	(200)	-	(200)
Other changes	-	(40)	-	-	-	-	1	-	-	(39)	-	(39)
<b>Balance at 31 December 2019</b>	<b>1,306</b>	<b>(40)</b>	<b>299</b>	<b>1,210</b>	<b>1,018</b>	<b>115</b>	<b>2</b>	<b>2</b>	<b>5,786</b>	<b>9,698</b>	-	<b>9,698</b>

\* This item includes profit for the period of €1,342 million and actuarial losses on provisions for employee termination benefits of €50 million, after the related current and deferred taxation.



## Consolidated statement of cash flow

(€m)	Note	FY 2019	FY 2018
<b>Cash and cash equivalents at beginning of year</b>		<b>3,195</b>	<b>2,428</b>
Profit/(Loss) before tax		1,872	1,490
Depreciation, amortisation and impairments	[tab. C8]	774	537
Goodwill impairment	[tab. A3]	-	33
Net provisions for risks and charges	[tab. B6]	394	579
Use of provisions for risks and charges	[tab. B6]	(696)	(656)
Provisions for employee termination benefits	[tab. B7]	1	1
Employee termination benefits	[tab. B7]	(140)	(92)
(Gains)/Losses on disposals		1	(120)
Impairment loss/(reversal) on financial instruments	[tab. C13]	46	20
(Dividends)	[tab. C12.1]	-	-
Dividends received		-	-
(Finance income realised)	[tab. C12.1]	(7)	(7)
(Finance income in form of interest)	[tab. C12.1]	(94)	(95)
Interest received		95	94
Interest expense and other finance costs	[tab. C12.2]	68	66
Interest paid		(23)	(59)
Losses and impairment losses/(Reversals of impairment losses) on receivables	[tab. C11]	62	46
Income tax paid	[tab. C14.3]	(252)	(351)
Other changes		(104)	42
<b>Cash flow generated by operating activities before movements in working capital</b>	<b>[a]</b>	<b>1,997</b>	<b>1,528</b>
Movements in working capital:			
(Increase)/decrease in Inventories	[tab. A7]	(4)	(2)
(Increase)/decrease in Trade receivables		(40)	(201)
(Increase)/decrease in Other receivables and assets		(16)	(428)
Increase/(decrease) in Trade payables		43	222
Increase/(decrease) in Other liabilities		(197)	104
<b>Cash flow generated by /(used in) movements in working capital</b>	<b>[b]</b>	<b>(214)</b>	<b>(305)</b>
Increase/(decrease) in liabilities attributable to financial activities, payments, cards and acquiring and insurance		7,980	4,513
Net cash generated by/(used for) financial assets attributable to financial activities, payments, cards and acquiring and insurance		(10,904)	(8,445)
(Increase)/decrease in cash and deposits attributable to BancoPosta	[tab. A10]	(984)	(122)
Increase/(decrease) in net technical provisions for insurance business		7,456	6,369
(Income)/Expense and other non-cash components		(4,211)	(941)
<b>Cash generated by/(used for) financial assets/liabilities attributable to financial activities, payments, cards and acquiring and insurance</b>	<b>[c]</b>	<b>(663)</b>	<b>1,374</b>
<b>Net cash flow from /(for) operating activities</b>	<b>[d]=[a+b+c]</b>	<b>1,120</b>	<b>2,597</b>
<b>- of which related party transactions</b>		<b>248</b>	<b>(1,484)</b>
Investing activities:			
Property, plant and equipment	[tab. A1]	(391)	(260)
Investment property	[tab. A2]	(1)	-
Intangible assets	[tab. A3]	(342)	(278)
Investments		(15)	(30)
Other financial assets		(17)	-
Disposals:			
Property, plant and equipment, investment property, intangible assets and assets held for sale		4	2
Investments		1	120
Other financial assets		29	165
<b>Net cash flow from /(for) investing activities</b>	<b>[e]</b>	<b>(732)</b>	<b>(281)</b>
<b>- of which related party transactions</b>		<b>3</b>	<b>254</b>
Proceeds from/(Repayments of) long-term borrowings		573	-
(Increase)/decrease in loans and receivables		-	-
Increase/(decrease) in short-term borrowings		(1,193)	(1,000)
(Purchase)/Sale of treasury shares		(40)	-
Dividends paid	[B3]	(774)	(549)
<b>Net cash flow from/(for) financing activities and shareholder transactions</b>	<b>[f]</b>	<b>(1,434)</b>	<b>(1,549)</b>
<b>- of which related party transactions</b>		<b>(492)</b>	<b>(405)</b>
<b>Net increase/(decrease) in cash</b>	<b>[g]=[d+e+f]</b>	<b>(1,046)</b>	<b>767</b>
<b>Cash and cash equivalents at end of year</b>	[tab. A11]	<b>2,149</b>	<b>3,195</b>
Cash and cash equivalents at end of year	[tab. A11]	2,149	3,195
Restricted cash and cash equivalents at end of year		(884)	(1,556)
<b>Unrestricted cash and cash equivalents at end of year</b>		<b>1,265</b>	<b>1,639</b>

## 5.2 Notes to the statement of financial position

### Assets

#### A1 – Property, plant and equipment (€2,015 million)

The following table shows movements in property, plant and equipment in 2019:

tab. A1 - Movements in property, plant and equipment

(€m)	Land	Properties used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and advances	Total
Cost	76	2,999	2,198	319	515	1,909	55	8,071
Accumulated amortisation	-	(1,871)	(1,857)	(291)	(315)	(1,710)	-	(6,044)
Impairment losses	-	(58)	(10)	(1)	(11)	(2)	-	(82)
<b>Balance at 1 January 2019</b>	<b>76</b>	<b>1,070</b>	<b>331</b>	<b>27</b>	<b>189</b>	<b>197</b>	<b>55</b>	<b>1,945</b>
<b>Changes during the year</b>								
Additions	-	45	110	19	51	75	91	391
Reclassifications	-	9	35	-	6	7	(56)	1
Disposals	-	-	-	-	-	(1)	-	(1)
Depreciation	-	(112)	(75)	(9)	(40)	(88)	-	(324)
(Impairments)/Reversal of impairments	-	3	-	-	2	(1)	-	4
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>(55)</b>	<b>70</b>	<b>10</b>	<b>19</b>	<b>(8)</b>	<b>34</b>	<b>70</b>
Cost	76	3,055	2,296	331	567	1,969	89	8,383
Accumulated amortisation	-	(1,984)	(1,886)	(293)	(350)	(1,777)	-	(6,290)
Impairment losses	-	(56)	(10)	(1)	(9)	(2)	-	(78)
<b>Balance at 31 December 2019</b>	<b>76</b>	<b>1,015</b>	<b>400</b>	<b>37</b>	<b>208</b>	<b>190</b>	<b>89</b>	<b>2,015</b>

At 31 December 2019, property, plant and equipment includes assets belonging to the Parent Company located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term. These assets have a total carrying amount of €40 million.

Capital expenditure of €391 million in 2019 consists largely of:

- €45 million relating to extraordinary maintenance of post offices and local head offices around the country (€26 million) and mail sorting offices (€14 million);
- €110 million relating to plant, with the most significant expenditure made by the Parent Company, of which €44 million was for plant and equipment related to buildings, €24 million for the purchase of equipment for use in the sorting of letters and processing of parcels, €22 million for the purchase of telecommunications infrastructure and €11 million for the installation of ATMs;
- €51 million invested in the upgrade of plant (€28 million) and the structure (€23 million) of properties held under lease;
- €75 million relating to "Other assets", of which €49 million incurred by the Parent Company was for the purchase of new computer hardware for post offices and head offices and the consolidation of storage systems and €11 million incurred by PostePay SpA for the purchase of electronic devices to be used in the provision of electronic postman services (€4 million) and of PosteMobile Casa devices (€7 million);

Investments in progress amount to €91 million, including €61 million incurred by the Parent Company and related for €25 million to restyling work on the post offices, €14 million for the purchase of hardware and other technological equipment not yet included in the production process and €13 million for renovation work on the CPD (Primary Distribution Centres);

Reclassifications from assets under construction, totalling €56 million, relate primarily to the acquisition cost of assets that became available and ready for use during the year; in particular, they refer to the Parent Company for the completion of restyling activities on leased and owned buildings and the activation of hardware (€25 million) and to the subsidiary SDA Express Courier SpA for the multi-product sorting plant located in the new Bologna Hub that became operational in the second half of 2019 (€27 million).

## A2 – Investment property (€44 million)

Investment property relates to service accommodation owned by Poste Italiane SpA in accordance with Law 560 of 24 December 1993 and residential accommodation previously used by post office directors. Movements in provisions for risks and charges are as follows:

tab. A2 - Movements in investment property

(€m)	FY 2019
Cost	139
Accumulated amortisation	(91)
Impairment losses	-
<b>Balance at 1 January</b>	<b>48</b>
<b>Changes during the year</b>	
Additions	1
Disposals	-
Depreciation	(4)
(Impairments)/Reversal of impairments	-
<b>Total changes</b>	<b>(3)</b>
Cost	139
Accumulated amortisation	(95)
Impairment losses	-
<b>Balance at 31 December</b>	<b>44</b>
Fair value at 31 December	100

The fair value of investment property at 31 December 2019 includes €66 million representing the sale price applicable to the Parent Company's former service accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects market price estimates computed internally by the Company<sup>55</sup>.

Most of the properties included in this category are subject to lease agreements classifiable as operating leases, given that the Group retains substantially all of the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six-month notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

55. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, service accommodation qualifies for level 3, while the other investment property qualifies for level 2.

## A3 - Intangible assets (€648 million)

The following table shows movements in intangible assets in 2019:

tab. A3 - Movements in intangible assets

(€m)	Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights	Assets under construction and advances	Goodwill	Other	Total
Cost	3,109	156	120	101	3,486
Accumulated depreciation, amortisation and impairments	(2,743)	-	(102)	(96)	(2,941)
<b>Balance at 1 January 2019</b>	<b>366</b>	<b>156</b>	<b>18</b>	<b>5</b>	<b>545</b>
Changes during the year					
Additions	155	183	-	4	342
Reclassification	106	(115)	-	1	(8)
Transfer and disposals	(1)	(2)	-	-	(3)
Depreciation, amortisation and impairments	(224)	-	-	(4)	(228)
<b>Balance at 31 December 2019</b>	<b>36</b>	<b>66</b>	<b>-</b>	<b>1</b>	<b>103</b>
Cost	3,354	221	120	106	3,801
Accumulated depreciation, amortisation and impairments	(2,951)	-	(102)	(100)	(3,153)
<b>Balance at 31 December 2019</b>	<b>403</b>	<b>221</b>	<b>18</b>	<b>6</b>	<b>648</b>

Investment in Intangible assets during 2019 amounts to €342 million, including about €25 million in software and the related expenses developed within the Group, primarily relating to personnel expenses (€16 million). Development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Group, are not capitalised.

The increase in **industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights** totals €155 million, before amortisation for the period, and relates primarily to the purchase and entry into service of new software programmes and the acquisition of software licences.

**Purchases of intangible assets under construction** refer mainly to activities for the development of software for infrastructure platforms and for BancoPosta services.

The balance of **intangible assets under construction** includes activities conducted by the Parent Company, primarily regarding the development for software relating to the infrastructure platform (€83 million), for BancoPosta services (€52 million), for use in providing support to the sales network (€35 million), for the postal products platform (€24 million) and for the engineering of reporting processes (€17 million).

During the year the Group effected reclassifications from intangible assets under construction to industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights, amounting to €115 million, reflecting the completion and commissioning of software and the upgrade of existing software.

The item **Goodwill** refers to the subsidiary Poste Welfare Servizi Srl on which the analyses provided for by IAS 36 were carried out and, based on the information available and the impairment tests performed, there was no need to recognise impairment losses on the goodwill recognised.

## A4 – Right-of-use assets (€1,254 million)

Movements in this item during the year are shown in note 3 – Changes to accounting policies.

## A5 - Investments accounted for using the equity method (€617 million)

tab. A5 - Investments

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Investments in associates	615	214
Investments in subsidiaries	2	2
Investments in joint ventures	-	281
<b>Total</b>	<b>617</b>	<b>497</b>

tab. 5.1 - Movements in investments in FY 2019

Investments	Saldo al 01.01.19	Riclassifiche	Increases / (Decreases)	Impairment losses		Balance at 31/12/2019
				accounted for using the equity method	dividend adjustments	
<b>in associates</b>						
Anima Holding SpA	214	-	1	13	(6)	221
Fsia Investimenti Srl	-	280	14	99	-	393
<b>Total associates</b>	<b>214</b>	<b>280</b>	<b>15</b>	<b>112</b>	<b>(6)</b>	<b>615</b>
<b>in subsidiaries</b>						
Kipoint SpA	1	-	-	-	-	1
Indabox Srl	1	-	-	-	-	1
Risparmio Holding SpA - in liquidation	1	-	(1)	-	-	-
<b>Total subsidiaries</b>	<b>3</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>in joint ventures</b>						
Fsia Investimenti Srl	280	(280)	-	-	-	-
<b>Total joint ventures</b>	<b>280</b>	<b>(280)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>497</b>	<b>-</b>	<b>14</b>	<b>112</b>	<b>(6)</b>	<b>617</b>

The item **Investments in associates** (valued using the equity method) refers to the companies Anima Holding and FSIA Investimenti Srl. The latter, as described in Significant Events (Note 4), at 31 December 2019 is classified as an associate investment, in place of the previous joint control.

- The changes in the year of the associate Anima Holding are due to the net positive adjustment to the carrying amount of about €7 million (including an increase of €13 million for the portion attributable to the investee company's results earned between 30 September 2018 and 30 September 2019, the date of the last available financial statements, reduced by €6 million due to dividends received from the 2018 result). At 31 December 2019, given the performance of Anima Holding SpA's shares, the value of goodwill implicit in the carrying amount of the investment was tested for impairment. Based on the prospective information available<sup>56</sup>, there was no need to recognise an impairment loss on the goodwill accounted for at the time of acquisition of the investment.
- The changes during the year of the associated company FSIA Investimenti are attributable to the net positive adjustment of the relative book value for the year:
  - €15 million to the capital contribution made by the Parent Company on 4 October 2019;
  - €61 million to the revaluation of the investment in SIA SpA, already held by FSIA Investimenti, following the acquisition of exclusive control (step up acquisition);
  - €27 million in income from the exercise of call options on 7.934% of SIA SpA shares held by UniCredit and Intesa Sanpaolo;
  - €11 million in the share of the joint venture's results, after amortisation of the intangible assets identified at the time of the purchase price allocation;
  - €1 million in negative items recognised directly against shareholders' equity.

56. Value in use was determined using a cost of equity (Ke) of 7.54% (8.51% at 31 December 2018) and a growth rate of 1.14% (1.475% at 31 December 2018).

The value of intangible assets and goodwill allocated to the investment in FSIA Investimenti Srl at the time of the purchase price allocation is shown below:

### FSIA Investimenti Srl

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018	Acquisition-date values
<b>Intangible assets</b>	<b>83</b>	<b>95</b>	<b>115</b>
<i>Customer relationships</i>	46	49	55
<i>Backlog</i>	25	29	36
<i>Software</i>	12	16	24
<b>Deferred tax liabilities</b>	<b>(23)</b>	<b>(26)</b>	<b>(30)</b>
<b>Goodwill</b>	<b>254</b>	<b>254</b>	<b>254</b>

During 2018, Poste Italiane SpA proceeded with tax redemption pursuant to art. 15, paragraph 10 ter of Law Decree 185 of 2008, of the higher values resulting from the notes to the consolidated financial statements of Poste Italiane at 31 December 2017, attributed to goodwill and other intangible assets relating to the acquisition of the investment in FSIA Investimenti Srl.

In order to qualify for the relief, in 2018, the Company paid substitute tax (IRES and IRAP) of approximately €32 million, equal to 16% of the amounts to which the relief applies, totalling approximately €198 million. Specifically, the amount qualifying for relief consists of the following:

(€m)	
Goodwill	103
<i>Customer relationships</i>	48
<i>Backlog</i>	32
<i>Software</i>	15
<b>Total</b>	<b>198</b>
<b>Substitute tax paid</b>	<b>32</b>

This process will allow the Parent Company to deduct tax amortisation of the revalued amounts from the tax bases for IRES and IRAP from the second tax period following the one in which the substitute tax was paid (from 2020).

The substitute tax paid has been accounted for in current tax assets. The asset in question will be deducted from 2020 within the deadline and according to the procedures for the deduction of amortisation relating to amounts qualifying for tax relief.

A list of subsidiaries, joint ventures and associates accounted for using the equity method is provided in Additional information – Key information on investments (note 14).

## A6 - Financial assets (€218,934 million)

tab. A6 - Financial assets

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Financial assets at amortised cost	25,260	16,061	41,321	22,965	9,904	32,869
Financial assets at FVTOCI	131,560	8,284	139,844	118,994	8,761	127,755
Financial assets at FVTPL	37,318	378	37,696	28,753	1,074	29,827
Derivate financial instruments	69	4	73	210	203	413
<b>Total</b>	<b>194,207</b>	<b>24,727</b>	<b>218,934</b>	<b>170,922</b>	<b>19,942</b>	<b>190,864</b>

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
<b>Financial services</b>	<b>58,285</b>	<b>18,092</b>	<b>76,377</b>	<b>51,575</b>	<b>12,143</b>	<b>63,718</b>
Financial assets at amortised cost	23,637	15,765	39,402	21,507	9,714	31,221
Financial assets at FVTOCI	34,508	2,323	36,831	29,808	2,263	32,071
Financial assets at FVTPL	71	-	71	50	8	58
Derivate financial instruments	69	4	73	210	158	368
<b>Insurance services</b>	<b>135,448</b>	<b>6,385</b>	<b>141,833</b>	<b>118,778</b>	<b>7,688</b>	<b>126,466</b>
Financial assets at amortised cost	1,586	156	1,742	1,420	85	1,505
Financial assets at FVTOCI	96,615	5,851	102,466	88,655	6,492	95,147
Financial assets at FVTPL	37,247	378	37,625	28,703	1,066	29,769
Derivate financial instruments	-	-	-	-	45	45
<b>Postal and business services</b>	<b>474</b>	<b>135</b>	<b>609</b>	<b>569</b>	<b>58</b>	<b>627</b>
Financial assets at amortised cost	37	25	62	38	52	90
Financial assets at FVTOCI	437	110	547	531	6	537
<b>Payment services and card payments</b>	<b>-</b>	<b>115</b>	<b>115</b>	<b>-</b>	<b>53</b>	<b>53</b>
Financial assets at amortised cost	-	115	115	-	53	53
<b>Total</b>	<b>194,207</b>	<b>24,727</b>	<b>218,934</b>	<b>170,922</b>	<b>19,942</b>	<b>190,864</b>

Financial assets by operating segment break down as follows:

- Financial Services, relate primarily to the financial assets of BancoPosta RFC and the company, BancoPosta Fondi SpA SGR;
- Insurance Services, includes the financial assets of Poste Vita SpA and its subsidiary, Poste Assicura SpA;
- Mail, Parcels and Distribution, representing all the other financial assets held by the Parent Company (different from those held by BancoPosta) and the other financial assets held by companies that provide postal and business services;
- Payment Services and Card Payments, representing the financial assets held by the ring-fenced EMI.

## Financial services

### Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

tab. A6.1 - Movements in financial assets at amortised cost

(€m)	Receivables	Fixed income instruments	Total
<b>Balance at 1 January 2019</b>	<b>8,349</b>	<b>22,872</b>	<b>31,221</b>
Purchases		2,449	2,449
Changes in amortised cost	-	(52)	(52)
Changes in fair value through profit or loss	-	1,902	1,902
Changes in cash flow hedges transactions (*)	-	40	40
Changes in impairment	-	1	1
Net changes	5,989		5,989
Effects of sales on profit or loss	-	(11)	(11)
Accruals	-	177	177
Sales, redemptions and settlement of accrued income		(2,314)	(2,314)
<b>Balance at 31 December 2019</b>	<b>14,338</b>	<b>25,064</b>	<b>39,402</b>

\* The item, "Changes in cash flow hedges", relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

### Loans and receivables

This item breaks down as follows:

tab. A6.1.1 - Loans and receivables at amortised cost

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans	-	1,158	1,158	-	251	251
Receivables	-	13,180	13,180	-	8,098	8,098
Deposits with the MEF	-	7,064	7,064	-	5,927	5,927
Receivables	-	7,066	7,066	-	5,930	5,930
Provisions for doubtful amounts deposited with MEF	-	(3)	(3)	-	(3)	(3)
Other financial receivables	-	6,116	6,116	-	2,171	2,171
<b>Total</b>	<b>-</b>	<b>14,338</b>	<b>14,338</b>	<b>-</b>	<b>8,349</b>	<b>8,349</b>

**Loans** refer to outstanding repurchase agreements with a total nominal value of €1,086 million, entered into with Cassa di Compensazione e Garanzia SpA (the Central Counterparty)<sup>57</sup>.

57. The Central Counterparty is an entity that acts as an intermediary in a transaction between two parties, avoiding the parties' exposure to the risk that one of the counterparties to the agreement may default and guaranteeing successful completion of the transaction.



**Receivables** include:

- **Amounts deposited with MEF**, including public customers' current account deposits, which earn a variable rate of return, calculated on a basket of government bonds and money market indices<sup>58</sup>. The deposit is adjusted by an impairment provision of around €3 million to take account of the counterparty default risk.
- **Other financial receivables** include: guarantee deposits of €5,660 million, including €5,181 million provided to counterparties with which there are interest rate swap transactions (with collateral provided by specific Credit Support Annexes), €208 million provided to counterparties with which there are repurchase agreements on fixed income securities (with collateral contemplated by specific Global Master Repurchase Agreements) and €271 million in collateral deposited with the Central Counterparty, in relation to the clearing system (i.e. the (Default Fund)<sup>59</sup>.

## Fixed income instruments

These are Eurozone fixed income instruments held by BancoPosta RFC, consisting of government securities issued by the Italian government and securities guaranteed by the Italian government with a nominal value of €21,175 million. Their carrying amount of €25,064 million reflects the amortised cost of unhedged fixed income instruments, totalling €10,047 million, the amortised cost of fair-value hedged fixed income bonds, totalling €12,146 million, increased by €2,871 million to take into account the effects of the hedge. Fixed income instruments recognised at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2019 amount to approximately €8 million (€9 million at 31 December 2018).

At 31 December 2019, the fair value<sup>60</sup> of these securities was €24,686 million (including €177 million in accrued income).

The change in fair value in profit and loss for the positive amount of €1,902 million refers to changes in the value of the securities subject to fair value hedge during the year.

This category of financial asset includes fixed rate instruments, amounting to €3,750 million, issued by Cassa Depositi e Prestiti SpA and guaranteed by the Italian government (at 31 December 2019, their carrying amount totals €3,946 million).

58. The rate in question is calculated as follows: 50% is based on the return on 6-month BOTs, with the remaining 50% based on the ten-year BTP return.

59. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.

60. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €20,613 million of the total amount qualifies for inclusion in level 1 and €4,073 million for inclusion in level 2.

## Financial assets at fair value through other comprehensive income

Movements in financial assets at fair value through other comprehensive income (FVTOCI) are shown below:

tab. A6.2 - Movements in financial assets at FVTOCI

(€m)	Fixed income instruments
<b>Balance at 1 January 2019</b>	<b>32,071</b>
Purchases	12,170
Transfers to equity reserves	(291)
Changes in amortised cost	(6)
Fair value gains and losses through equity	1,702
Changes in fair value through profit or loss	2,056
Changes in cash flow hedges transactions (*)	225
Effects of sales on profit or loss	350
Accruals	318
Sales, redemptions and settlement of accrued income	(11,764)
<b>Balance at 31 December 2019</b>	<b>36,831</b>

\* The item, "Changes in cash flow hedges", relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

### Fixed income instruments

These are Eurozone fixed income instruments held primarily by BancoPosta RFC, consisting of government securities issued by the Italian government with a nominal value of €31,201 million.

Total fair value fluctuation for the year was positive for €3,758 million, with gains of €1,702 million recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges, and a gain of €2,056 million recognised through profit and loss in relation to the hedged portion.

Accumulated impairments at 31 December 2019 amount to €11 million (€13 million at 31 December 2018).

Certain securities are encumbered as they have been delivered to counterparties for use as collateral in connection with loans and hedging transactions, as described in note 14 – Additional information.

## Financial assets at fair value through profit or loss

Below are the movements in financial assets at fair value through profit or loss:

tab. A6.3 - Movements in financial assets at FVTPL

(€m)	Receivables	Equity instruments	Total
<b>Balance at 1 January 2019</b>	<b>8</b>	<b>50</b>	<b>58</b>
Purchases	-	-	-
Fair value gains and losses through profit or loss	-	25	25
Net changes	(8)	-	(8)
Accruals	-	-	-
Effects of sales on profit or loss	-	1	1
Sales, redemptions and settlement of accrued income	-	(5)	(5)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>71</b>	<b>71</b>

## Receivables

In June 2019, the outstanding amount of €8 million due to the Parent Company following the sale of its Visa Europe Ltd. share to Visa Incorporated was collected.

## Equity instruments

This item, totalling €71 million, reflects the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock) received for the sale of the Visa Europe Ltd. share to Visa Incorporated in 2016. These shares are convertible at the rate of 13,884<sup>61</sup> ordinary shares for each C share, minus a suitable illiquidity discount, considering the staggered conversion between the fourth and the twelfth year after the closing. Fair value gains in the year under review, amounting to €25 million, have been recognised in profit or loss in "Revenue from financial activities".

In 2019, the Parent Company entered into a forward sale agreement for 400,000 ordinary Visa Incorporated shares at a price of US\$153.46 per share and at an exchange rate of 1.2037. The total consideration is €51 million and the settlement date is 1 March 2021. The ordinary shares involved in the forward sale amount to approximately 28,810 Visa Incorporated (series C) preference shares held in portfolio at the applicable conversion rate at 31 December 2019. The fair value of the forward sale has decreased by €15 million in the reporting year, reflecting movements in both the price of the shares in US dollars and the euro/dollar exchange rate (tab. A6.4). This reduction has been recognised in profit or loss in "Expenses from financial activities".

Finally, in 2019, Poste Italiane sold its previous holding of 11,144 class C Visa Incorporated shares following their prior conversion into class A shares. The transaction in question resulted in a total gain of €1.4 million recognised in profit or loss in "Other income from financial activities".

## Derivative financial instruments

The following table shows movements in derivative instruments during the year:

tab. A6.4 - Movements in derivative financial instruments

(€m)	Cash flow hedges						Fair value hedges		FVTPL		Total	
	Forward purchases		Forward sales		Interest rate swaps		Interest rate swaps		Forward sales		nominal	fair value
	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value		
<b>Balance at 1 January 2019</b>	<b>1,545</b>	<b>94</b>	<b>1,340</b>	<b>61</b>	<b>1,610</b>	<b>(57)</b>	<b>23,590</b>	<b>(1,559)</b>	-	-	<b>28,085</b>	<b>(1,461)</b>
Increases/(decreases)*	875	120	1,670	(46)	505	24	2,525	(3,971)	7	(15)	5,582	(3,888)
Gains/(Losses) through profit or loss**	-	-	-	-	-	-	-	(4)	-	-	-	(4)
Transactions settled***	(2,420)	(214)	(1,730)	(51)	(445)	29	(425)	95	(7)	-	(5,027)	(141)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>1,280</b>	<b>(36)</b>	<b>1,670</b>	<b>(4)</b>	<b>25,690</b>	<b>(5,439)</b>	<b>-</b>	<b>(15)</b>	<b>28,640</b>	<b>(5,494)</b>
Of which:												
<b>Derivative assets</b>	-	-	-	-	775	62	745	11	-	-	1,520	73
<b>Derivative liabilities</b>	-	-	1,280	(36)	895	(66)	24,945	(5,450)	-	(15)	27,120	(5,567)

\* Increases/(decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the period.

\*\* Gains/(losses) through profit or loss refer to any ineffective components of hedges, recognised in other income and other expenses from financial activities.

\*\*\* Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

Cash flow hedges in the form of interest rate swaps and forward sales relate to instruments classified as FVTOCI, with nominal values of €1,670 million and €1,280 million, respectively.

Cash flow interest rate hedges recorded a total fair value gain of €98 million on the effective portion, reflected in the cash flow hedge reserve.

61. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, as of the reporting date, were considered as merely contingent.

Fair value hedges in the form of interest rate swaps regard instruments classified as at amortised cost, with a nominal value of €11,295 million, and instruments classified as FVTOCI, with a nominal value of €14,395 million.

Fair value hedges recorded a net fair value loss on the effective portion of €3,971 million, whilst the hedged securities recorded a net fair value gain of €3,958 million, with the difference of €13 million due to paid differentials.

In the year under review, the Parent Company carried out the following transactions:

- forward purchases for a nominal amount of €875 million and settlement for €2,420 million, of which €1,545 million outstanding at 1 January 2019;
- forward sales for a nominal amount of €1,670 million and settlement for €1,730 million, of which €1,340 million outstanding at 1 January 2019;
- new interest rate swaps designated as cash flow hedges with a nominal value of €505 million;
- new interest rate swaps designated as fair value hedges with a nominal value of €2,525 million;
- a forward sale agreement for 400,000 ordinary Visa Incorporated shares (described above).

## Insurance services

### Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

tab. A6.5 - Movements in financial assets at amortised cost

(€m)	Receivables	Fixed income instruments	Total
<b>Balance at 1 January 2019</b>	<b>38</b>	<b>1,467</b>	<b>1,505</b>
Purchases		283	283
Changes in amortised cost	-	8	8
Changes in fair value through profit or loss	-	-	-
Changes in cash flow hedges*	-	-	-
Changes in impairment	-	-	-
Net changes	(25)		(25)
Effects of sales on profit or loss	-	-	-
Accruals	-	18	18
Sales, redemptions and settlement of accrued income		(47)	(47)
<b>Balance at 31 December 2019</b>	<b>13</b>	<b>1,729</b>	<b>1,742</b>

### Receivables

Financial receivables of €13 million regard receivables for management commissions of Poste Vita internal funds.

## Fixed income instruments

Fixed income instruments at amortised cost at 31 December 2019 have a carrying amount of €1,729 million. These instruments exclusively relate to the free capital of Poste Vita SpA and Poste Assicura SpA. At 31 December 2019, the fair value<sup>62</sup> of these instruments is €1,955 million.

Fixed income instruments recognised at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2019 amount to approximately €0.6 million (unchanged compared to 31 December 2018).

## Financial assets at fair value through other comprehensive income

Movements in financial assets at fair value through other comprehensive income are shown below:

tab. A6.6 - Movements in financial assets at FVTOCI

(€m)	Fixed income instruments	Other investments	Total
<b>Balance at 1 January 2019</b>	<b>94,622</b>	<b>525</b>	<b>95,147</b>
Purchases	26,786	-	26,786
Transfers to equity reserves	52	-	52
Changes in amortised cost	227	-	227
Fair value gains and losses through equity	7,665	14	7,679
Effects of sales on profit or loss	130	-	130
Accruals	742	-	742
Sales, redemptions and settlement of accrued income	(28,297)	-	(28,297)
<b>Balance at 31 December 2019</b>	<b>101,927</b>	<b>539</b>	<b>102,466</b>

These financial instruments have recorded a fair value gain of €7,679 million. This includes €7,617 million primarily due to income from the measurement of securities held by Poste Vita SpA and transferred to policyholders, with a contra-entry made in technical provisions in accordance with the shadow accounting method, and a portion of €62 million reflected in a matching positive movement in the related equity reserve.

## Fixed income instruments

At 31 December 2019, fixed income instruments relate to investments primarily held by Poste Vita SpA for €101,712 million (a nominal value of €91,472 million) issued by European governments and European blue-chip companies. These instruments are mainly intended to cover products related to separately managed accounts, and therefore, the related gains and losses are transferred in full to policyholders and recognised in technical provisions using the shadow accounting method. These fixed income instruments comprise bonds issued by CDP SpA, with a fair value of €716 million.

Accumulated impairments at 31 December 2019 amount to €37 million, almost entirely transferred to policyholders using the shadow accounting method (at 31 December 2018, impairments amounted to €41 million, almost entirely transferred to policyholders using the shadow accounting method).

## Other investments

At 31 December 2019, Cassa Depositi e Prestiti's private placement of a Constant Maturity Swap, classified as at FVTOCI, amounts to €539 million. The increase in fair value of €14 million during the period was transferred to policyholders using the shadow accounting method.

62. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €1,659 million of the total amount qualifies for inclusion in level 1 and €296 million for inclusion in level 2.

## Financial assets at fair value through profit or loss

Below are the movements in financial assets at fair value through profit or loss:

tab. A6.7 - Movements in financial assets at FVTPL

(€m)	Receivables	Fixed income instruments	Other instruments	Equity instruments	Other investments	Total
<b>Balance at 1 January 2019</b>	<b>59</b>	<b>1,571</b>	<b>27,952</b>	<b>166</b>	<b>21</b>	<b>29,769</b>
Purchases		830	7,360	103	-	8,293
Fair value gains and losses through profit or loss	-	65	2,016	25	-	2,106
Net changes	(59)					(59)
Effects of sales on profit or loss	-	-	37	17	-	54
Accruals	-	18	-	-	-	18
Sales, redemptions and settlement of accrued income		(985)	(1,437)	(134)	-	(2,556)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>1,499</b>	<b>35,928</b>	<b>177</b>	<b>21</b>	<b>37,625</b>

### Receivables

This item referred to receivables for contributions made in the form of subscriptions and payment of mutual investment funds. At 31 December 2019, the corresponding units had been issued and the related receivables settled.

### Fixed income instruments

At 31 December 2019, fixed income instruments of €1,499 million consist of €57 million in coupon stripped and Zero Coupon bonds, while the balance of €1,442 million is primarily made up of corporate bonds issued by blue-chip companies. Financial instruments totalling €1,098 million are linked to separately managed accounts, €348 million covers contractual obligations arising on Class III insurance policies and the remaining €53 million relates to securities in which the company's free capital has been invested.

### Units of mutual investment funds

At 31 December 2019, units of mutual investment funds amounting to €35,928 million include €32,648 million to cover Class I separately managed account products and €3,223 million to cover Class III products. The remaining €57 million relates to investment of the company's free capital (see note 14 – Additional information - Unconsolidated structured entities). Net investment in the funds during the period amounts to €5,923 million and the fair value has increased by approximately €2,016 million, almost entirely transferred to Class I policyholders using the shadow accounting method. At 31 December 2019, the investments primarily regard equity funds, totalling €33,275 million, units in real estate funds, totalling €1,714 million, and funds that primarily invest in bonds, totalling €939 million.

### Equity instruments

Equity instruments amount to €177 million, and cover the contractual obligations arising on Class I products linked to separately managed accounts and Class III policies. The change over the period reflects the combined effect of net sales of approximately €31 million, the proceeds from sales of approximately €17 million and fair value gains of approximately €25 million.

### Other investments

Other investments of €21 million relate to a Constant Maturity Swap placed by Cassa Depositi e Prestiti (a nominal value of €22 million) and covering products linked to separately managed accounts.

## Derivative financial instruments

At 31 December 2019, the warrants executed by Poste Vita SpA to cover contractual obligations deriving from Class III policies amount to zero as the policies have been repaid in full.

In addition, at 31 December 2019, Poste Vita had forward sales of fair value hedges on BTPs for a notional amount of €120 million. The value of this derivative was negative for €1 million at 31 December 2019.

## Postal and business services

### Financial assets at amortised cost

Financial assets at amortised cost refer solely to financial receivables totalling €62 million. This item breaks down as follows:

tab. A6.8 - Receivables at amortised cost

(€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Guarantee deposits	-	23	23	-	30	30
Due from the purchasers of service accommodation	4	2	6	5	2	7
Due Other	33	20	53	33	40	73
Provisions for doubtful debts	-	(20)	(20)	-	(20)	(20)
<b>Total</b>	<b>37</b>	<b>25</b>	<b>62</b>	<b>38</b>	<b>52</b>	<b>90</b>

**Guarantee deposits** relate to collateral provided to counterparties with whom the Company has entered into asset swaps.

**Other receivables** for €50 million refer to the remaining amount due from Invitalia SpA as a result of the sale of Banca del Mezzogiorno-MedioCreditoCentrale SpA (BdM) on 7 August 2017<sup>63</sup>. Following the finalisation of the agreement between the parties in January 2019, €20 million of this amount was collected on 27 February 2019.

63. Of a total consideration of €387 million, €158 million was collected in 2017 and €159 million in early 2018. As regards the remaining amount receivable, 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. On 16 January 2019, in line with the contractual provisions, Poste and Invitalia defined in good faith alternative methods for the payment of the aforementioned fee. Based on the agreement signed, on 27 February 2019, Invitalia paid Poste Italiane €20 million. The remaining €20 million will be paid from the dividends to be paid by BdM in 2018, 2019 and 2020. Payment of the remaining €30 million is expected to take place between 30 June 2021 and 30 June 2022 once certain conditions have been met.

## Financial assets at fair value through other comprehensive income

tab. A6.9 - Movements in financial assets at FVTOCI

(€m)	Fixed income instruments	Equity instruments	Total
<b>Balance at 1 January 2019</b>	<b>532</b>	<b>5</b>	<b>537</b>
Purchases	-	17	17
Transfers to equity reserves	-	-	-
Changes in amortised cost	-	-	-
Fair value gains and losses through equity	2	1	3
Changes in fair value through profit or loss	(10)	-	(10)
Changes in cash flow hedges*	-	-	-
Effects of sales on profit or loss	-	-	-
Accruals	5	-	5
Sales, redemptions and settlement of accrued income	(5)	-	(5)
<b>Balance at 31 December 2019</b>	<b>524</b>	<b>23</b>	<b>547</b>

### Fixed income instruments

This item entirely regards BTPs with a total nominal value of €500 million. Of these, instruments with a value of €375 million have been hedged using interest rate swaps designated as fair value hedges. Accumulated impairments at 31 December 2019 amount to €0.2 million (unchanged with respect to 31 December 2018).

### Equity instruments

The item includes:

- for €75 million the investment in CAI SpA (formerly Alitalia CAI SpA), acquired in 2013 and written off in 2014;
- €16 million for the investment in MFM Investments Ltd acquired on 9 August 2019;
- €4.5 million for the historical cost of the 15% investment in Innovazione e Progetti ScpA in liquidation;
- €2 million for the investment in sennder GmbH acquired on 11 November 2019.

Corporate actions during 2019, are described in note 4.1 – Principal corporate actions.



## Financial assets at fair value through profit or loss

This item consists of equity instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code) resulting from the conversion of Contingent Convertible Notes<sup>64</sup>, whose value at 31 December 2019 is zero.

## Derivative financial instruments

tab. A6.10 - Movements in derivative financial instruments

(€m)	FY 2019			
	Cash Flow hedges	Fair value hedges	Fair value through profit or loss	Total
<b>Balance at 1 January 2019</b>	<b>(5)</b>	<b>(26)</b>	-	<b>(31)</b>
Increases/(decreases)	(2)	(1)	-	(3)
Gains/(Losses) through profit or loss	-	-	-	-
Transactions settled*	1	11	-	12
<b>Balance at 31 December 2019</b>	<b>(6)</b>	<b>(16)</b>	-	<b>(22)</b>
of which:				
Derivative assets	-	-	-	-
Derivative liabilities	(6)	(16)	-	(22)

\* Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

At 31 December 2019, derivative financial instruments include:

- a cash flow hedging interest rate swap contract entered into in 2013 to protect the cash flows of the €50 million bond issued on 25 October 2013 (Note B.8 - Financial liabilities); with this transaction, the Parent Company assumed the obligation to pay the fixed rate of 4.035% and sold the floating rate of the bond, which at 31 December 2019 was 0.953%;
- nine interest rate swaps used as fair value hedges in 2010 to protect the value of BTPs with a nominal value of €375 million against movements in interest rates. These instruments have enabled the Parent Company to sell the fixed rate on the BTPs of 3.75% and purchase a variable rate.

## Payment services and card payments

### Financial assets at amortised cost

Financial assets at amortised cost refer solely to financial receivables due to the ring-fenced EMI, amounting to €115 million.

64. These are Contingent Convertible Notes with an original value of €75 million, a twenty-year term to maturity and issued by Midco SpA, which in turn owns 51% of the airline Alitalia SAI SpA. The Notes were subscribed for by Poste Italiane SpA on 23 December 2014, in connection with the strategic transaction that resulted in Etihad Airways' acquisition of an equity interest in Alitalia SAI, without giving rise to any involvement on the part of Poste Italiane in the management of the issuer or its subsidiary. Interest and principal payments were provided for in the relevant terms and conditions if, and to the extent that, there was available liquidity. On the fulfilment of certain negative pledge conditions, in 2017 the loan was converted into equity instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code), carrying the same rights associated with the Notes.

## A7 - Inventories (€140 million)

tab. A7 - Inventories

Description (€m)	Balance at 31/12/2018	Increase / (decrease)	Balance at 31/12/2019
Properties held for sale	120	3	123
Work in progress, semi-finished and finished goods and goods for resale	8	1	9
Raw, ancillary and consumable materials	8	-	8
<b>Total</b>	<b>136</b>	<b>4</b>	<b>140</b>

Properties held for sale refer entirely to the portion of EGI SpA's real estate portfolio to be sold, whose fair value<sup>65</sup> at 31 December 2019 amounts to approximately €297 million.

## A8 - Trade receivables (€2,171 million)

tab. A8 - Trade receivables

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Receivables due from customers	5	2,113	2,118	7	2,115	2,122
Receivables due from Parent company (MEF)	-	45	45	-	68	68
Receivables due from subsidiaries, associates and joint ventures	-	1	1	-	4	4
Prepayments to suppliers	-	7	7	-	5	5
<b>Total</b>	<b>5</b>	<b>2,166</b>	<b>2,171</b>	<b>7</b>	<b>2,192</b>	<b>2,199</b>

## Receivables due from customers

tab. A8.1 - Receivables due from customers

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Ministries and Public Administration entities	-	520	520	-	672	672
Cassa Depositi e Prestiti	-	451	451	-	440	440
Parcel express courier and express parcel services	-	327	327	-	352	352
Overseas counterparties	-	357	357	-	304	304
Unfranked mail delivered and other value added services	17	240	257	18	252	270
Overdrawn current accounts	-	38	38	-	154	154
Amounts due for other BancoPosta services	-	105	105	-	83	83
Property management	-	8	8	-	7	7
Other trade receivables	1	579	580	3	452	455
Provisions for doubtful debts	(13)	(512)	(525)	(14)	(601)	(615)
<b>Total</b>	<b>5</b>	<b>2,113</b>	<b>2,118</b>	<b>7</b>	<b>2,115</b>	<b>2,122</b>

65. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Specifically<sup>66</sup>:

- Amounts due from **Ministries and Public Administration entities** refer mainly to the following services:
  - Integrated Notification and mailroom services rendered to central and local government bodies, amounting to €177 million.
  - Reimbursement of the costs associated with the management of property, vehicles and security incurred on behalf of the Ministry for Economic Development, totalling €79 million<sup>67</sup>, including €62 million involved in legal action brought by Poste Italiane in order to claim sundry costs resulting from the use of properties. At the hearing of 13 November 2019, the Judge held the case back in judgement with the allocation of time limits for closing arguments and replies. The judgement is therefore expected to be filed by the first half of 2020.
  - Unfranked mail services provided on credit, totalling €73 million, to central and local government entities.
  - Compensation for the discounts applied to publishers, due from the Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria (Cabinet Office – Publishing department), amounting to €50 million, of which €45 million accrued during the year. Of these receivables, approximately €13 million were not covered in the State's Budget and were written down at 31 December 2019. On 22 July 2019, pursuant to EU state aid regulations, the European Commission approved public service compensation for the years 2017 to 2019, of €171.74 million, in line with the related state appropriations, acknowledging that the level of compensation had not exceeded the amount necessary to cover the net cost incurred by the Company in providing the service. Following the decision of the European Commission on 6 September 2019, collections for offsetting purposes relating to the financial years 2017-2018 for a total amount of €99 million, which up to that date were recorded under other liabilities, were offset against the related receivables as a result of the disappearance of the unavailability constraint. A further €26 million were collected in February 2020.
  - The payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security), totalling €12 million. Moreover, in February 2019, having conducted a joint assessment, Poste Italiane and INPS signed an agreement that, among other things, has settled the respective past outstanding trade receivables (note B6). These positions were settled in April 2019.
- Receivables due from **Cassa Depositi e Prestiti** refer to fees for BancoPosta's deposit-taking activities during 2019.
- Receivables for **parcel, express courier and express parcel services** refer to services provided by SDA Express Courier SpA, and to the mailing of parcels by the Parent Company.
- Receivables from **overseas counterparties** relate to postal services carried out by the Parent Company for overseas postal operators.
- Receivables arising from **unfranked mail delivered and other value added services** refer to bulk mail services and other added value services.
- Receivables for **overdrawn current accounts** derive almost exclusively from overruns due to the debiting of BancoPosta's periodic fees. During the year under review, upon completion of a process of analysis and a series of activities undertaken with regard to these receivables, it was found that it was not possible to recover these amounts, also taking into account the small amount of each receivable, in accordance with the provisions of IFRS 9, a total of €121 million was written off by using the provision for doubtful debts set aside at the time.
- **Other trade receivables** include mainly: €84 million related to Postepay SpA, primarily for sales of terminals, subscriptions for telecommunications services, services rendered to other operators and for the sale of top-ups through other channels in addition to receivables accrued for commercial payments to third-party partners, €45 million for the Posta Time service, €24 million for referrals to the Posta Target service, €22 million for receivables relating to the Posta Contest service, €17 millions receivables for non-universal mailing services, €12 million relating to the Notification of Legal Process service and €11 million for telegraphic services.

In general, there are delays in collecting amounts due from central and local government entities due primarily to the fact that no provision has been made in the related budgets or to the execution of contracts or agreements. In this regard, actions continue aimed at renewing expired agreements<sup>68</sup> and soliciting requests for appropriations.

**Provisions for doubtful debts relating to customers** are described in note 7 – Risk management.

66. At 31 December 2019, the balance of trade receivables includes €10 million, net of the related provisions for doubtful accounts, relating to rental income falling within the scope of IFRS 15 – Revenue from Contracts with Customers.

67. See "Revenue and receivables due from the State", showing overall amounts due from the Ministry for Economic Development (€80 million), including amounts due for postal and other services.

68. The principal agreements that have expired regard those governing relations with the tax authorities in relation to the collection and reporting of payments.

## Receivables due from the MEF

This item relates to trade receivables due to the Parent Company from the Ministry of the Economy and Finance.

### tab. A8.3 - Receivables due from the Parent Company

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Universal Service compensation	31	31
Delegated services	28	28
Remuneration of current account deposits	15	39
Publisher tariff and electoral subsidies	1	1
Other	2	1
Provision for doubtful debts due from Parent company	(32)	(32)
<b>Total</b>	<b>45</b>	<b>68</b>

Specifically:

- **Universal Service compensation** includes:

#### tab. A8.3.1 - Universal Service compensation receivable

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Remaining balance for 2012	23	23
Remaining balance for 2005	8	8
<b>Total</b>	<b>31</b>	<b>31</b>

In the year under review, the Group received €262 million in accrued compensation for the period.

With reference to the amount receivable for 2012, AGCom has recognised a net cost incurred by the Company of €327 million, compared with compensation of €350 million originally recognised. Provision has not been made in the state budget for the remaining €23 million. The Company appealed AGCom's decision on 13 November 2014 before the Regional Administrative Court (TAR).

The outstanding receivable relating to compensation for 2005 was subject to cuts in the budget laws for 2007 and 2008. Provisions for doubtful debts have been made for the full amount of the above receivables.

- Payments for **delegated services**, collected in January 2020, to fees accrued solely in 2019 for treasury services performed by BancoPosta on behalf of the state in accordance with a special agreement with the MEF, expired on 31 December 2019 and being renewed.
- The **remuneration of current account deposits** refers entirely to amounts accruing in 2019 and almost entirely relates to the deposit of funds deriving from accounts opened by Public Administration entities and attributable to BancoPosta RFC.
- Receivables arising from **electoral subsidies** refer to compensation for previous years, for which provision has been made in the state budget.

**Provisions for doubtful debts relating to the Parent Company** are described in note 7 – Risk management.

## A9 - Other receivables and assets (€4,667 million)

### A9 - Other receivables and assets (€4,667 million)

Description (€m)	Note	Balance at 31/12/2019			Balance at 31/12/2018		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Substitute tax paid		3,645	548	4,193	3,371	549	3,920
Receivables due from social security agencies and pension funds (excl. fixed-term contract settlements)		-	94	94	-	109	109
Receivables relating to fixed-term contract settlements		66	81	147	82	85	167
Receivables for amounts that cannot be drawn on due to court rulings		-	79	79	-	78	78
Accrued income and prepaid expenses from trading transactions		-	12	12	-	11	11
Tax assets		-	17	17	-	8	8
Interest accrued on IRES refund		-	47	47	-	47	47
Interest accrued on IRAP refund		-	-	-	-	3	3
Sundry receivables		19	205	224	16	317	333
Provisions for doubtful debts due from others		(1)	(145)	(146)	-	(96)	(96)
<b>Total</b>		<b>3,729</b>	<b>938</b>	<b>4,667</b>	<b>3,469</b>	<b>1,111</b>	<b>4,580</b>

Specifically:

- **Substitute tax** paid refers mainly to:
  - €2,274 million on non-current receivables paid in advance by Poste Vita SpA for the financial years 2014-2019, relating to withholding and substitute tax paid on capital gains on life policies<sup>69</sup>;
  - €1,370 million charged to holders of Interest-bearing Postal Certificates and Class III and V insurance policies for stamp duty at 31 December 2019<sup>70</sup>; this amount is balanced by a matching entry in “Other taxes payable” until expiration or early settlement of the Interest-bearing Postal Certificates or the insurance policies, i.e. the date on which the tax is payable to the tax authorities (tab. B10.3);
  - €312 million relating to advances paid in relation to stamp duty to be paid in virtual form in 2020 and charged to customers and to be recovered from customers by Poste Italiane;
  - €120 million relating to stamp duty charged to Postal Savings Books, which Poste Italiane SpA pays in virtual form as required by law.
- **Amounts due from staff under fixed-term contract settlements** consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012, 21 March 2013, 30 July 2015 and 19 June 2018 between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. This item refers to receivables with a present value of €148 million from staff, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2042. The item includes €42 million receivable from INPS (formerly IPOST), covered by a specific agreement with IPOST dated 23 December 2009. Payment of this amount consists of six instalments of €6.9 million each, falling due between 30 June 2012 and 31 December 2014 and deemed to be collectible in full. Negotiations for the recovery of the same are underway and, in the event of a negative outcome, Poste Italiane reserves the right to take all necessary measures to better protect its rights.
- **Amounts that cannot be drawn on due to court rulings** include €66 million in amounts seized and not assigned to creditors, in the process of recovery, and €13 million in amounts stolen from the Parent Company in December 2007 as a result of an attempted fraud and that have remained on deposit with an overseas bank. The latter sum may only be recovered once the legal formalities are completed. The risks associated with collection of these items are taken into account in the provisions for doubtful debts due from others.
- **Accrued interest on IRES refund**, refers to interest accruing up to 31 December 2019 in relation to the tax credit determined by an unreported deduction from the IRES tax base of IRAP paid on labour costs and almost entirely attributable to the Parent Company. With regard to the remaining overall tax credit, amounting to €55 million, two disputes were brought

69. Of the total amount, €487 million, assessed on the basis of provisions at 31 December 2019, has yet to be paid and is accounted for in “Other taxes payable” (tab. B10.3).

70. Introduced by article 19 of Law Decree 201/2011 converted with amendments by Law 214/2011 in the manner provided for by the MEF Decree of 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

before the Provincial Tax Tribunal of Rome, which upheld Poste Italiane's appeals, ordering the tax authorities in Rome to refund the amounts claimed. The tax authorities appealed both rulings before the Regional Tax Tribunal and, on 23 March 2018, the Tribunal upheld the tax authorities' appeal against one of the rulings. Poste Italiane has appealed this ruling before the Supreme Court of Cassation. In the last quarter of 2019, however, the Supreme Court of Cassation had the opportunity to rule on other proceedings concerning the operation of the reimbursement pursuant to Law Decree 201/11; with respect to the judgement issued, there is a homogeneity of legal-formal circumstances that lead to the conclusion that the principle of law, referred to in the aforementioned judgement of the Court of legitimacy, can also have its effects in existing judgements. The introduction of the new and additional elements of uncertainty regarding the final outcome of the case was taken into account in the determination of the provision for doubtful debts with an allocation of €46 million, recorded in profit and loss under the item Impairment losses/(reversals of impairment losses) on financial assets (Table C.13).

**Provisions for doubtful debts due from others** are described in note 7 – Risk management.

## A10 – Cash and deposits attributable to BancoPosta (€4,303 million)

tab. A10 - Cash and deposits attributable to BancoPosta

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Cash and cash equivalents in hand	3,487	2,967
Bank deposits	816	351
<b>Total</b>	<b>4,303</b>	<b>3,318</b>

Cash at post offices, relating exclusively to BancoPosta RFC, regards cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Italian Treasury to fund post office operations. This cash may only be used in settlement of these obligations. Cash and cash equivalents in hand are held at post offices (€853 million) and companies that provide cash transportation services whilst awaiting transfer to the Italian Treasury (€2,634 million). Bank deposits relate to BancoPosta RFC's operations and include amounts deposited in an account with the Bank of Italy to be used in interbank settlements, totalling €814 million.

## A11 – Cash and cash equivalents (€2,149 million)

tab. A11 - Cash and cash equivalents

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Bank deposits and amounts held at the Italian Treasury	1,638	1,877
Deposits with the MEF	495	1,306
Cash and cash equivalents in hand	16	12
<b>Total</b>	<b>2,149</b>	<b>3,195</b>

The balance of cash and cash equivalents at 31 December 2019 includes restricted cash and cash equivalents totalling about €885 million, including €856 million in liquid assets held to cover insurance technical provisions, €20 million restricted as a result of court decisions concerning other types of disputes and €9 million for cash on hand and other restrictions.

## Equity

### B1 – Equity (€9,698 million)

The following table shows a reconciliation of the Parent Company's equity and net profit/(loss) for the year with the consolidated amounts:

tab. B1 - Reconciliation of equity

Description (€m)	Equity at 31/12/2019	Changes in equity during 2019	Net profit/(loss) for 2019	Equity at 31/12/2018
<b>Financial statements of Poste Italiane SpA</b>	<b>6,328</b>	<b>208</b>	<b>661</b>	<b>5,459</b>
Undistributed profit (loss) of consolidated companies	5,188	-	891	4,297
Investments accounted for using the equity method	115	-	112	3
Balance of FV and CFH reserves of investee companies	19	44	-	(25)
Actuarial gains and losses on employee termination benefits of investee companies	(5)	(1)	-	(4)
Fees to be amortised attributable to Poste Vita SpA and Poste Assicura SpA	(34)	-	5	(39)
Effects of contributions and transfers of business units between Group companies	(70)	-	(1)	(69)
Effects of intercompany transactions (including dividends)	(2,233)	-	(355)	(1,878)
Elimination of adjustments to value of consolidated companies	583	-	32	551
Amortisation until 1 January 2004/Impairment of goodwill	(138)	-	-	(138)
Impairments of disposal groups held for sale	(40)	-	-	(40)
Other consolidation adjustments	(15)	-	(3)	(12)
<b>Equity attributable to owners of the Parent</b>	<b>9,698</b>	<b>251</b>	<b>1,342</b>	<b>8,105</b>
Equity attributable to non-controlling interests (excluding profit/(loss))	-	-	-	-
Net profit/(loss) attributable to non-controlling interests	-	-	-	-
<b>Equity attributable to non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total consolidated equity</b>	<b>9,698</b>	<b>251</b>	<b>1,342</b>	<b>8,105</b>

At 31 December 2019, earnings per share is €1.032 (€1.071 at 31 December 2018).

### B2 – Share capital (€1,306 million)

The share capital of Poste Italiane SpA consists of 1,306,110,000 no-par value ordinary shares, of which CDP holds 35% and the MEF 29.3%, while the remaining shares are held by institutional and retail investors.

At 31 December 2019, the Parent Company holds 5,257,965 of its treasury shares (equal to 0.4026% of the share capital). All the shares in issue are fully subscribed and paid up. No preference shares have been issued.

### B3 – Shareholders transactions

As resolved at the General Meeting of shareholders held on 28 May 2019, on 26 June 2019, the Parent Company paid dividends totalling €574 million, based on a dividend per share of €0.441. In addition, on 5 November 2019, the Board of Directors of Poste Italiane resolved to advance part of the ordinary dividend for 2019 as an interim dividend. The interim dividend of €200 million was distributed on 20 November 2019 (unit dividend of €0.154).

## B4 – Reserves (€2,646 million)

tab. B4 - Reserves

(€m)	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Reserve for investees accounted for using equity method	Incentive plans reserve	Total
<b>Balance at 1 January 2019</b>	<b>299</b>	<b>1,210</b>	<b>(69)</b>	<b>89</b>	<b>2</b>	-	<b>1,531</b>
Increases/(decreases) in fair value during the year	-	-	1,768	95	-	-	1,863
Tax effect of changes in fair value	-	-	(505)	(27)	-	-	(532)
Transfers to profit or loss	-	-	(244)	(59)	-	-	(303)
Tax effect of transfers to profit or loss	-	-	70	17	-	-	87
Increase/(Decrease) for expected credit loss	-	-	(2)	-	-	-	(2)
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-	-	(1)	-	(1)
Gains/(losses) recognised in equity	-	-	1,087	26	(1)	-	1,112
Reserves related to disposal groups and liabilities held for sale	-	-	-	-	-	-	-
Incentive plans	-	-	-	-	-	2	2
Other changes	-	-	-	-	1	-	1
<b>Balance at 31 December 2019</b>	<b>299</b>	<b>1,210</b>	<b>1,018</b>	<b>115</b>	<b>2</b>	<b>2</b>	<b>2,646</b>

This item breaks down as follows:

- the **fair value reserve** regards changes in the value of financial assets at fair value through other comprehensive income. The increase of €1,768 million during 2019 reflects:
  - a net increase of €1,702 million in financial assets attributable to the Group's Financial Services segment;
  - a net increase of €62 million in financial assets attributable to the Group's Insurance Services segment;
  - a net increase of €3 million in financial assets attributable to the Group's Postal and Business Services segment.
- the **cash flow hedge reserve**, attributable to the Parent Company, reflects changes in the fair value of the effective portion of cash flow hedges. In 2019, the fair value gain of €95 million was primarily attributable to the value of BancoPosta RFC's derivative financial instruments.
- the **Incentive Plans reserve** includes the estimate of the valuations for the period relating to the long-term "ILT Performance Share" incentive plan, carried out on the basis of the provisions of IFRS 2.



## Liabilities

### B5 – Technical provisions for insurance business (€140,261 million)

These provisions refer to the contractual obligations of the subsidiaries, Poste Vita SpA and Poste Assicura SpA, in respect of their policyholders, inclusive of deferred liabilities resulting from application of the shadow accounting method, as follows:

tab. B5 - Technical provisions for insurance business

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Mathematical provisions	123,820	119,419
Outstanding claims provisions	663	780
Technical provisions where investment risk is transferred to policyholders	3,930	2,652
Other provisions	11,641	2,115
for operating costs	79	108
for deferred liabilities to policyholders	11,562	2,007
Technical provisions for claims	207	183
<b>Total</b>	<b>140,261</b>	<b>125,149</b>

Details of movements in technical provisions for the insurance business and other claims expenses are provided in the notes to the consolidated statement of profit or loss.

The **provisions for deferred liabilities due to policyholders** include portions of gains and losses attributable to policyholders under the shadow accounting method. In particular, the value of the provisions reflects the attribution to policyholders, in accordance with the relevant accounting standards (to which reference is made for more details), of unrealised profits and losses on financial assets at FVTOCI at 31 December 2019 and, to a lesser extent, on financial instruments at fair value through profit or loss.

### B6 - Provisions for risks and charges (€1,218 million)

Movements in provisions for risks and charges are as follows:

tab. B6 - Movements in provisions for risks and charges for FY 2019

Description (€m)	Balance at 1 January 2019	Provisions	Finance costs	Transfers to profit or loss	Uses	Balance at 31/12/2019
Provisions for operational risk	423	35	-	(23)	(194)	241
Provisions for disputes with third parties	335	42	1	(35)	(30)	313
Provisions for disputes with staff*	65	8	-	(1)	(18)	54
Provisions for personnel expenses	125	63	-	(71)	(49)	68
Provisions for early retirement incentives	447	370	-	-	(396)	421
Provisions for taxation/social security contributions	18	6	-	(2)	-	22
Other provisions for risks and charges	106	15	-	(13)	(9)	99
<b>Total</b>	<b>1,519</b>	<b>539</b>	<b>1</b>	<b>(145)</b>	<b>(696)</b>	<b>1,218</b>
Overall analysis of provisions:						
- non-current portion	656					501
- current portion	863					717
	<b>1,519</b>					<b>1,218</b>

\* Net provisions for personnel expenses amount to €4 million. Service costs (legal assistance) total €4 million. Releases amount to one million.

Specifically:

- The **provisions for operational risk**, mostly relating to liabilities arising from BancoPosta's operations, mainly reflects the definition of items arising from the reconstruction of the operating accounts at the date of incorporation of the Parent Company, risks associated with the distribution of postal savings products issued in past years, risks associated with customer requests for investment products whose performance is not in line with expectations, adjustments and settlements of income from previous years and estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta mainly as a third party. Provisions for the year, totalling €35 million, mainly reflect risks associated with the distribution of postal savings products issued in previous years and the adjustment of liabilities due to adjustments and settlements to income from previous years. Utilisations totalling €194 million refer for €100 million to liabilities defined in favour of customers subscribing to the Immobiliare Obelisco (due to expire on 31 December 2018) and Europa Immobiliare I funds, in relation to the voluntary protection initiatives approved by the Board of Directors of Poste Italiane and undertaken during 2019, and for €67 million to liabilities defined in favour of INPS, following the agreement signed between the parties in February 2019.
- **Provisions for disputes with third parties** regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Movements during the year primarily regard updated estimates of liabilities and uses to cover liabilities settled.
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various types. Net provisions of €7 million regard an update of the estimate of the liabilities and the related legal expenses, taking account of both the overall value of negative outcomes in terms of litigation.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour, which are certain or likely to occur but whose estimated amount is subject to change. They have increased by €63 million to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€71 million) and settled disputes (€49 million).
- **Provisions for early retirement incentives** reflect the estimated costs to be incurred as a result of the Company's binding commitment to pay early retirement incentives on a voluntary basis, under the current redundancy scheme agreed with the labour unions for a determinate number of employees who will leave the Company by 31 December 2021. The provisions made at 31 December 2018, amounting to €396 million, were utilised during the year.
- **Provisions for taxation/social security contributions** have been made to cover potential future tax and social security liabilities.
- **Other provisions** cover probable liabilities of various type, including: estimated liabilities deriving from the risk that specific legal actions undertaken in order to reverse seizures of the Parent Company's assets may be unable to recover the related amounts, charges to be incurred for reclamation works on owned land, claims for rent arrears on properties used free of charge by the Parent Company, claims for payment of accrued interest expense due to certain suppliers and frauds.

## B7 – Employee termination benefits (€1,135 million)

The following movements in employee termination benefits took place in 2019:

### tab. B7 - Movements in provisions for employee termination benefits

(€m)	FY 2019
<b>Balance at 1 January</b>	<b>1,187</b>
Current service cost	1
Interest component	17
Effect of actuarial (gains)/losses	70
Uses for the period	(140)
<b>Balance at 31 December 2019</b>	<b>1,135</b>

The current service cost is recognised in personnel expenses, whilst the interest component is recognised in finance costs.

The main actuarial assumptions applied in calculating provisions for **employee termination benefits**, are as follows:

#### B7.1 - Economic and financial assumptions

	31/12/2019
Discount rate	0.550%
Inflation rate	1.500%
Annual rate of increase of employee termination benefits	2.625%

#### B7.2 - Demographic assumptions

	31/12/2019
Mortality	ISTAT 2018 differentiated by gender
Disability	INPS 1998 table differentiated by gender
Rate of employee turnover	Specific table with rates differentiated by length of service
Advance rate	Specific table with rates differentiated by length of service
Pensionable age	In accordance with rules set by INPS

Actuarial gains and losses are generated by the following factors:

#### B7.3 - Actuarial gains and losses

	31/12/2019
	Employee termination benefits
Change in demographic assumptions	-
Change in financial assumptions	68
Other experience-related adjustments	2
<b>Total</b>	<b>70</b>

The sensitivity of employee termination benefits plan to changes in the principal actuarial assumptions is analysed below.

**tab. B7.4 - Sensitivity analysis**

	31/12/2019
	Employee termination benefits
Inflation rate +0.25%	1,151
Inflation rate -0.25%	1,120
Discount rate +0.25%	1,111
Discount rate -0.25%	1,161
Turnover rate +0.25%	1,133
Turnover rate -0.25%	1,137

The following table provides further information in relation to employee termination benefits.

**tab. B7.5 - Other information**

	31/12/2019
Expected service cost	1
Average duration of defined benefit plan	8.96
Average employee turnover	0.135%

## B8 - Financial liabilities (€79,516 million)

**tab. B8 - Financial liabilities**

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Postal current accounts	-	48,317	48,317	-	46,240	46,240
Borrowings	7,364	5,454	12,818	5,654	3,832	9,486
Bonds	50	-	50	50	762	812
Borrowings from financial institutions	7,314	5,454	12,768	5,604	3,070	8,674
Lease payables	1,060	219	1,279	-	-	-
MEF account, held at the Treasury	-	4,542	4,542	-	3,649	3,649
Financial derivatives	5,540	50	5,590	1,798	61	1,859
Cash flow hedges	76	31	107	53	58	111
Fair value hedges	5,449	18	5,467	1,745	3	1,748
Fair value through profit or loss	15	1	16	-	-	-
Other financial liabilities	-	6,970	6,970	1	5,694	5,695
<b>Total</b>	<b>13,964</b>	<b>65,552</b>	<b>79,516</b>	<b>7,453</b>	<b>59,476</b>	<b>66,929</b>

## Postal current accounts

They represent BancoPosta's direct deposit. These payables include net amounts accrued at 31 December 2019 and settled with customers in January 2020.

## Loans

Other than the guarantees described in the following notes, borrowings are unsecured and are not subject to financial covenants, which would require Group companies to comply with financial ratios or maintain a certain minimum rating.

## Bonds

The item refers to a loan recognised at an amortised cost of €50 million issued by Poste Italiane under the EMTN – Euro Medium Term Note programme of €2 billion listed by the Company in 2013 on the Luxembourg Stock Exchange. The loan was issued through a private placement in 2013; the term to maturity of the loan is ten years and the interest rate is 3.5% for the first two years and variable thereafter (EUR Constant Maturity Swap rate plus 0.955%, with a cap of 6% and a floor of 0%). The interest rate risk exposure was hedged as described in note A6 – *Financial assets*; the fair value<sup>71</sup> of this borrowing at 31 December 2019 is €51 million.

A five-year bond issue with a nominal value of €750 million, issued by Poste Vita on 30 May 2014, matured and was repaid in May 2019.

## Borrowings from financial institutions

tab. B8.1 - Borrowings from financial institutions

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Repurchase agreements	6,741	5,453	12,194	5,604	2,869	8,473
EIB fixed rate loan maturing 12/03/2026	173	-	173	-	-	-
EIB fixed rate loan maturing 16/10/2026	400	-	400	-	-	-
EIB fixed rate loan maturing 23/03/2019	-	-	-	-	200	200
Accrued interest expense	-	1	1	-	1	1
<b>Total</b>	<b>7,314</b>	<b>5,454</b>	<b>12,768</b>	<b>5,604</b>	<b>3,070</b>	<b>8,674</b>

Financial institutions borrowings are subject to standard negative pledge clauses<sup>72</sup>.

At 31 December 2019, outstanding liabilities of €12,194 million relate to repurchase agreements entered into by the Parent Company with major financial institutions and Central Counterparties, amounting to a total nominal value of €11,150 million. €6,075 million of this amount regards Long Term Repos and €6,119 million to ordinary borrowing operations, the resources from both invested in Italian fixed income government securities and as funding for incremental deposits used as collateral. The fair value<sup>73</sup> of the repurchase agreements in question at 31 December 2019 is €12,205 million.

71. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

72. A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking pari passu with existing creditors, unless the same degree of protection is also offered to them.

73. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

An EIB loan of €200 million granted to the Parent Company at the time, reached maturity and was repaid in March 2019, whilst an EIB credit facility granted in 2016, amounting to €173 million, was used in full. The new loan is subject to a fixed rate of interest of 0.879% and matures in March 2026. At 31 December 2019, the fair value<sup>74</sup> of this loan is €185 million.

On 3 October 2019, a new loan of €400 million was signed with the EIB. The loan disbursed on 18 October 2019 provides interest at a fixed rate of 0.29% and matures in October 2026. At 31 December 2019, the fair value<sup>75</sup> of this loan is €413 million.

At 31 December 2019, the following credit facilities are available:

- committed lines of €2,173 million, with €173 million used at 31 December 2019;
- uncommitted lines of credit of €1,964 million, including €1,009 million that may be used for short-term loans, €173 million in overdraft facilities and €782 million (including €675 million available to the Parent Company), of which guarantees with a value of €356 million have been used in favour of third parties.

At 31 December 2019, the uncommitted credit lines for short-term loans have not been used. No collateral has been provided to secure the lines of credit obtained.

The uncommitted lines of credit are also available for overnight transactions entered into by BancoPosta RFC.

In addition, from 7 May 2019, BancoPosta's assets may access a short-term committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €5 billion and with a duration of 12 months that may be extended.

Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €889 million, and the facility is unused at 31 December 2019.

The existing lines of credit and medium/long-term borrowings are adequate to meet expected financing requirements

## Lease payables

The item is commented on in note 3 – Changes to accounting policies.

## MEF account held at the Treasury

tab. B8.2 - MEF account held at the Treasury

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Balance of cash flows for advances	-	4,397	4,397	-	3,546	3,546
Balance of cash flows from management of postal savings	-	(47)	(47)	-	(89)	(89)
Amounts payable due to theft	-	158	158	-	157	157
Amounts payable for operational risks	-	34	34	-	35	35
<b>Total</b>	<b>-</b>	<b>4,542</b>	<b>4,542</b>	<b>-</b>	<b>3,649</b>	<b>3,649</b>

74. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

75. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

The **balance of cash flows for advances**, represents the net amount payable as a result of advances from the MEF to meet the cash requirements of BancoPosta. These break down as follows:

tab. B8.2.1 - Balance of cash flows for advances

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Net advances	-	4,397	4,397	-	3,546	3,546
MEF postal current accounts and other payables	-	670	670	-	670	670
MEF - State pensions	-	(670)	(670)	-	(670)	(670)
<b>Total</b>	<b>-</b>	<b>4,397</b>	<b>4,397</b>	<b>-</b>	<b>3,546</b>	<b>3,546</b>

The **balance of cash flows from the management of postal savings**, amounting to a positive €47 million, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2019 consists of €25 million payable to Cassa Depositi e Prestiti, less €72 million receivable from the MEF for Interest-bearing Postal Certificates issued on its behalf.

**Amounts payable due to thefts** from post offices of €158 million regard the Company's liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud. This liability derives from cash withdrawals from the Treasury to make up for the losses resulting from these criminal acts, in order to ensure that post offices can continue to operate.

**Amounts payable for operational risks** for €34 million regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset under recovery is certain or probable.

## Derivative financial instruments

Movements in derivative financial instruments during 2019 are described in note A6 – *Financial assets*.

## Other financial liabilities

Other financial liabilities have a fair value that approximates to their carrying amount.

tab. B8.3 - Other financial liabilities

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Prepaid cards	-	5,193	5,193	-	4,027	4,027
Domestic and international money transfers	-	668	668	-	688	688
Tax collection and road tax	-	19	19	-	19	19
Guarantee deposits	-	112	112	-	70	70
Cashed cheques	-	255	255	-	243	243
Endorsed cheques	-	140	140	-	163	163
Amounts to be credited to customers	-	147	147	-	220	220
Other amounts payable to third parties	-	164	164	-	145	145
Payables for items in process	-	246	246	-	85	85
Other	-	26	26	1	34	35
<b>Total</b>	<b>-</b>	<b>6,970</b>	<b>6,970</b>	<b>1</b>	<b>5,694</b>	<b>5,695</b>

Liabilities for **prepaid card management** refer to the subsidiary PostePay SpA.

**Amounts payables for guarantee deposits** refer to amounts received from counterparties in repurchase agreements on fixed income instruments (collateral provided by specific Global Master Repurchase Agreements).

## Changes in liabilities arising from financing activities

The following reconciliation of financial liabilities is provided in accordance with IAS 7, following the amendments introduced by EU Regulation 1990/2017 of 6 November 2017.

tab. B8.4- Changes in liabilities arising from financing activities

Description (€m)	Balance at 31/12/2018	First-time adoption IFRS 16	Net cash flow from/(for) financing activities	Net cash flow from/(for) operating activities*	Non-cash flows	Balance at 31/12/2019
Borrowings	9,486	1,373	(606)	3,721	123	14,097
Bonds	812	-	(762)	-	-	50
Borrowings from financial institutions	8,674	-	373	3,721	-	12,768
Lease payables	-	1,373	(217)	-	123	1,279
Other financial liabilities	5,695	-	(14)	1,289	-	6,970
<b>Total</b>	<b>15,181</b>	<b>1,373</b>	<b>(620)</b>	<b>5,010</b>	<b>123</b>	<b>21,067</b>

\* The total amount of €5,010 million is included in the cash flow from/(for) operating activities, the balance of which in the statement of cash flows amounts to €1,120 million and regards borrowings and other financial liabilities not attributable to financing activities.

## B9 – Trade payables (€1,627 million)

tab. B9 - Trade payables

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Amounts due to suppliers	1,274	1,192
Contract liabilities	345	365
Amounts due to subsidiaries	1	2
Amounts due to associates	7	4
Amounts due to joint ventures	-	20
<b>Total</b>	<b>1,627</b>	<b>1,583</b>

## Amounts due to suppliers

tab. B9.1 - Amounts due to suppliers

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Italian suppliers	1,129	1,058
Overseas suppliers	34	24
Overseas counterparties*	111	110
<b>Total</b>	<b>1,274</b>	<b>1,192</b>

\* The amount due to overseas counterparties relates to fees payable to overseas postal operators and companies in return for postal and telegraphic services received.



## Contract liabilities

tab. B9.2 - Movements in contract liabilities

Description (€m)	Balance at 01 January 2019	Change due to recognition of revenue for period	Other changes	Balance at 31 December 2019
Prepayments and advances from customers	297	-	(23)	274
Other contract liabilities	39	(35)	44	48
Liabilities for fees to be refunded	26	20	(26)	20
Liabilities for volume discounts	4	-	(1)	3
<b>Total</b>	<b>365</b>	<b>(14)</b>	<b>(6)</b>	<b>345</b>

### Prepayments and advances from customers

Prepayments and advances from customers relate to amounts received from customers as prepayment for the following services to be rendered:

tab. B9.2.1 - Prepayments and advances from customers

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Prepayments from overseas counterparties	196	149
Automated franking	38	36
Advances from the Cabinet Office - Publishing and Information department	-	72
Unfranked mail	16	16
Postage-paid mailing services	6	7
Other services	18	17
<b>Total</b>	<b>274</b>	<b>297</b>

**Other contract liabilities** primarily regard Postamat and Postepay Evolution card fees collected in advance.

**Liabilities for fees to be refunded** represent the estimated liability linked to the refund of fees on loan products sold after 1 January 2018, under the terms of which the related fees must be refunded if the customer opts for early cancellation of the agreement.

## B10 - Other liabilities (€3,635 million)

tab. B10 - Other liabilities

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	21	786	807	12	978	990
Social security payables	30	500	530	33	454	487
Other taxes payable	1,370	699	2,069	1,231	734	1,965
Other amounts due to subsidiaries	-	-	-	-	1	1
Sundry payables	94	93	187	93	94	187
Accrued liabilities and deferred income	10	32	42	10	58	68
<b>Total</b>	<b>1,525</b>	<b>2,110</b>	<b>3,635</b>	<b>1,379</b>	<b>2,319</b>	<b>3,698</b>

## Amounts due to staff

tab. B10.1 - Amounts due to staff

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Fourteenth month salaries	-	219	219	-	232	232
Incentives	21	358	379	12	626	638
Accrued vacation pay	-	56	56	-	57	57
Other amounts due to staff	-	153	153	-	63	63
<b>Total</b>	<b>21</b>	<b>786</b>	<b>807</b>	<b>12</b>	<b>978</b>	<b>990</b>

The reduction in the item **Incentives** is mainly due to the combined effect of the settlements made and the new liabilities which, recorded at 31 December 2018 in the provisions for early retirement incentives, can be determined with reasonable certainty during the year.

The increase in the item **Other personnel items** is due to the allocation of one-off provisions to cover the 2019 contractual vacancy defined by an agreement with the labour unions signed on 18 February 2020.

## Social security payables

tab. B10.2 - Social security payables

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
INPS	2	393	395	2	347	349
Pension funds	-	87	87	-	88	88
Health funds	-	-	-	-	4	4
INAIL	28	-	28	31	4	35
Other agencies	-	20	20	-	11	11
<b>Total</b>	<b>30</b>	<b>500</b>	<b>530</b>	<b>33</b>	<b>454</b>	<b>487</b>

The increase in **payables to INPS** is partly due to the one-off contribution component mentioned above.

## Other taxes payable

tab. B10.3 - Other taxes payable

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Stamp duty payable	1,370	8	1,378	1,231	11	1,242
Tax due on insurance provisions	-	487	487	-	518	518
Withholding tax on employees' and consultants' salaries	-	92	92	-	106	106
VAT payable	-	39	39	-	31	31
Substitute tax	-	36	36	-	48	48
Withholding tax on postal current accounts	-	10	10	-	3	3
Other taxes due	-	27	27	-	17	17
<b>Totale</b>	<b>1,370</b>	<b>699</b>	<b>2,069</b>	<b>1,231</b>	<b>734</b>	<b>1,965</b>

Specifically:

- **Stamp duty** represents the amount payable to the tax authorities for stamp duty in virtual form, before the adjustment applied in 2020 pursuant to note 3-bis to art. 13 of the Tariff introduced by Presidential Decree 642/1972. The non-current portion of the stamp duty mainly relates to the amount accrued at 31 December 2019 on Interest-bearing Postal Certificates outstanding and on Class III and V insurance policies pursuant to the new law referred to in note A9 – Other receivables and assets.
- **Tax due on insurance provisions** relates to Poste Vita SpA and is described in note A9.
- **Withholding tax on employees' and consultants' salaries** relates to amounts paid to the tax authorities by Group companies in January and February 2020 as withholding agents.

## Sundry payables

tab. B10.4 - Sundry payables

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	74	8	82	75	6	81
Guarantee deposits	12	1	13	10	1	11
Other payables	8	84	92	8	87	95
<b>Totale</b>	<b>94</b>	<b>93</b>	<b>187</b>	<b>93</b>	<b>94</b>	<b>187</b>

**Sundry payables attributable to BancoPosta's operations** primarily relate to prior period balances currently being verified.

**Guarantee deposits** primarily relate to amounts collected from customers as a guarantee of payment for services (post-age-paid mailing services, the use of post office boxes, lease contracts, telegraphic service contracts, etc.).

## 5.3 Notes to the statement of profit or loss

### Revenue from contracts with customers

Description (€m)	Note	FY 2019	FY 2018
<b>Revenue from Mail, Parcels and other</b>	<b>[C1]</b>	<b>3,492</b>	<b>3,579</b>
<b>of which Revenue from contracts with customers</b>		<b>3,439</b>	<b>3,504</b>
recognised at a point in time		509	605
recognised over time		2,930	2,899
<b>Revenue from Payments, Mobile and Digital</b>	<b>[C2]</b>	<b>664</b>	<b>628</b>
<b>of which Revenue from contracts with customers</b>		<b>664</b>	<b>320</b>
recognised at a point in time		287	87
recognised over time		377	233
<b>Revenue from Financial Services</b>	<b>[C3]</b>	<b>5,213</b>	<b>5,186</b>
<b>of which Revenue from contracts with customers</b>		<b>3,033</b>	<b>3,388</b>
recognised at a point in time		412	513
recognised over time		2,621	2,875
<b>Revenue from Insurance Services after movements in technical provisions and other claims expenses</b>	<b>[C4]</b>	<b>1,669</b>	<b>1,471</b>
<i>Insurance premium revenue</i>		17,913	16,720
<i>Income from insurance activities</i>		5,478	3,604
<i>Movement in technical provisions for insurance business and other claims expenses</i>		(21,463)	(17,111)
<i>Expenses from insurance activities</i>		(259)	(1,742)
<b>of which Revenue from contracts with customers</b>		<b>9</b>	<b>10</b>
recognised at a point in time		-	-
recognised over time		9	10
<b>Total</b>		<b>11,038</b>	<b>10,864</b>

Revenue from contracts with customers breaks down as follows:

- **Revenue from mail, parcels and other** refer to services provided to customers through the retail and business channels; revenue generated through the retail channel is recognised at a point in time given the number of transactions handled through the various sales channels (post offices, call centres and online) and measured on the basis of the rates applied; revenue generated through the business channel is generally earned as a result of annual or multi-annual contracts and is recognised over time using the output method determined on the basis of shipments requested and handled. These contracts include elements of variable consideration (primarily volume discounts and penalties linked to the quality of service provided) estimated using the expected value method and recognised as a reduction from revenue.
- **Revenue from payments, mobile and digital** refers to:
  - Mobile and fixed line telecommunications services, including: revenue from “standard telecommunications offerings” recognised over time using the output method and based on the traffic offered (voice, text and data) to the customer; revenue generated by the fixed line “PosteMobile Casa” offering, recognised over time using the output method and based on the fee charged to the customer; revenue in the form of SIM activation fees recognised at a point in time when the SIM card is handed over to the customer. Within the Poste Italiane Group, the only mobile and fixed line telecommunications contracts used are in the form of bundles combining two performance obligations to which the implicit discount is allocated on the basis of the related fair value. The revenue from this type of offer, however, is not significant in terms of total revenue from payments, mobile and digital.
  - card payments, relating primarily to the cards issued by Postepay recognised at a point in time when issued and the services linked to them recognised over time as the service is used by the customer. These services include interchange fees recognised by international circuits on payment transactions with debit cards detected over time.
  - Payment services relating to revenue from the processing of tax payments using forms F23/F24 are recognised over time based on the level of service rendered.

■ **Revenue from financial services**, which breaks down as follows:

- revenue from placement and brokerage: these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. In terms of payment for the collection of postal savings, the agreement entered into with Cassa Depositi e Prestiti envisages payment of a variable consideration on achieving certain levels of inflows, determined annually on the basis of the volume of inflows and expected redemptions; certain commercial agreements, entered into with leading financial partners for the placement of financial products, envisage the return of placement fees in the event of early termination or surrender by the customer;
- revenue from current account and related services: these are recognised over time, measured on the basis of the service rendered (including the related services, e.g. bank transfers, securities deposits, etc.) and quantified on the basis of the contract terms and conditions offered to the customer;
- revenue from fees on the processing of payment slips: these are recognised at a point in time given the number of transactions handled by post offices and quantified on the basis of the terms and conditions in the contract of sale.

## C1 – Revenue from Mail, Parcels and other (€3,492 million)

This item breaks down as follows:

tab. C1 - Revenue from Mail, Parcels & other

Description (€m)	FY 2019	FY 2018
Mail	2,134	2,297
Parcels	852	761
Other revenue	185	198
<b>Total external revenue</b>	<b>3,171</b>	<b>3,256</b>
Universal Service compensation	262	262
Publishing subsidies	59	61
<b>Total</b>	<b>3,492</b>	<b>3,579</b>

During the year under review, to allow easier reading of the item **Revenue from mail, parcels and other**, a different breakdown of this item is provided to allow a more immediate assessment of the economic and financial performance by segment of operations.

**External revenue** shows a slight decrease due to the decrease in revenue from Mail, largely offset by the increase in revenue from Parcels, mainly due to the increase in e-commerce shipments.

**Universal Service** compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. Annual compensation, amounting to €262 million, is established in the Contratto di Programma (Service Contract) for 2015-2019, which expired 31 December 2019. On 30 December 2019, the new Contract for the years 2020-2024 was signed, which was formally notified to the European Commission for the usual assessments, still in progress, related to the European framework on State aid.

**Publisher tariff subsidies**<sup>76</sup> relate to the amount receivable by Poste Italiane from the Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria (Cabinet Office - Publishing department) as compensation for the discounts applied to publishers and non-profit organisations when sending mail. The compensation is determined on the basis of the tariffs set in the decree issued by the Ministry for Economic Development, in agreement with the Ministry of the Economy and Finance, on 21 October 2010 and Law Decree 63 of 18 May 2012, as converted into Law 103 of 16 July 2012. In this regard, it should be noted that for the year under review, the amount of subsidies that the Company has granted is partially covered in the 2019 State Budget.

76. Law Decree 162 of 30 December 2019 - as converted by Law no. 8 of 28 February 2020 - ordered that reimbursements of publishing tariff subsidies to Poste Italiane continue "for a duration equal to that of the universal postal service" (i.e. until April 2026). The application of the regulation is subject to approval by the European Commission.

## C2 – Revenue from Payments, Mobile and Digital (664 milioni di euro)

This item breaks down as follows:

tab. C2 - Revenue from Payments, Mobile & Digital

Description (€m)	FY 2019	FY 2018
E-Money	338	269
Fees for issue and use of prepaid cards	277	238
Acquiring	2	7
Other fees	59	24
Mobile	240	217
Transaction Banking	86	142
Payment Slips	2	56
Commissions for processing tax payments using forms F23/F24	61	62
Money transfers	23	20
Other products and services	-	4
<b>Total</b>	<b>664</b>	<b>628</b>

This item primarily regards revenue from the mobile telecommunications services and card payment and payment services provided by Postepay SpA.

## C3 – Revenue from financial services (€5,213 million)

This item breaks down as follows:

tab. C3 - Revenue from Financial Services

Description (€m)	Esercizio 2019	Esercizio 2018
Financial services	4,766	4,636
Income from financial activities	384	418
Other operating income	63	132
<b>Total</b>	<b>5,213</b>	<b>5,186</b>

Revenue from financial services regard services provided mainly within the Parent Company's BancoPosta RFC and the subsidiary BancoPosta Fondi SGR.

Revenue from Financial Services breaks down as follows:

**tab. C3.1 - Revenue from financial services**

Description (€m)	FY 2019	FY 2018
Fees for collection of postal savings deposits	1,799	1,827
Income from investment of postal current account deposits	1,635	1,554
Other revenue from current account services	417	382
Commissions on payment of bills by payment slip	390	412
Distribution of loan products	294	237
Mutual fund management fees	100	89
Income from delegated services	97	100
Money transfers	21	17
Commissions from securities trading	4	4
Securities custody	3	4
Other products and services	6	10
<b>Total</b>	<b>4,766</b>	<b>4,636</b>

In particular:

- **Fees for the collection of postal savings deposits** relates to remuneration for the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement of 14 December 2017 to cover the three-year period 2018-2020.
- **Income from the investment of postal current account deposits** breaks down as follows:

**tab. C3.1.1 - Income from investment of postal current account deposits**

Description (€m)	FY 2019	FY 2018
Income from investments in securities	1,570	1,488
Interest income on securities at amortised cost	535	485
Interest income on securities at FVOCI	1,012	981
Interest income (expense) on asset swaps of CFH on securities at FVOCI and CA	4	9
Interest income (expense) on asset swaps of FVH on securities at FVOCI and CA	(27)	(2)
Interest income on repurchase agreements	46	15
Income from deposits held with the MEF	64	65
Other	1	1
<b>Total</b>	<b>1,635</b>	<b>1,554</b>

*Income from investments in securities* relates to interest earned on investment of deposits paid into postal current accounts by private customers. The total includes the impact of the interest rate hedge described in note A6 – *Financial assets*.

*Income from deposits held with the MEF* primarily represents accrued interest for the year on amounts deposited by Public Administration entities.

- Revenue from **current account services** primarily relates to charges on current accounts, fees on amounts collected and on statements of account sent to customers, annual fees on debit cards and related transactions

- Revenue from the **distribution of loan products** relates to commissions received by the Parent Company on the placement of personal loans and mortgages on behalf of third parties

**tab. C3.2 - Income from financial activities**

Description (€m)	FY 2019	FY 2018
Income from financial assets at FVOCI	353	400
Interest	-	-
Realised gains	353	400
Income from equity instruments at FVTPL	27	9
Fair value gains	25	9
Realised gains	2	-
Income from financial assets at amortised cost	-	4
Realised gains	-	4
Foreign exchange gains	4	4
Fair value gains	-	-
Realised gains	4	4
Other income	-	1
<b>Total</b>	<b>384</b>	<b>418</b>

Other income from financial activities decreased by €34 million compared to 2018, mainly due to lower profits from the sale of financial assets to FVTOCI (-€47 million), partly offset by the increase in the fair value of the preferred shares of Visa Incorporated (+€16 million).



## C4 – Revenue from insurance services after movements in technical provisions and other claims expenses (€1,669 million)

This item breaks down as follows:

**tab. C4 - Revenue from Insurance Services after movements in technical provisions and other claims expenses**

Description (€m)	FY 2019	FY 2018
Insurance premium revenue	17,913	16,720
Income from insurance activities	5,478	3,604
Net change in technical provisions for insurance business and other claim expenses	(21,463)	(17,111)
Expenses from insurance activities	(259)	(1,742)
<b>Total</b>	<b>1,669</b>	<b>1,471</b>

A breakdown of insurance premium revenue, showing outward reinsurance premiums, is as follows:

**tab. C4.1 - Insurance premium revenue**

Description (€m)	FY 2019	FY 2018
Class I	15,702	15,782
Class III	1,939	740
Classes IV and V	91	88
<b>Gross "life" premiums</b>	<b>17,732</b>	<b>16,610</b>
Outward reinsurance premiums	(12)	(18)
<b>Net "life" premiums</b>	<b>17,720</b>	<b>16,592</b>
P&C premiums	222	168
Outward reinsurance premiums	(29)	(40)
<b>Net "P&amp;C" premiums</b>	<b>193</b>	<b>128</b>
<b>Total</b>	<b>17,913</b>	<b>16,720</b>

Life gross premiums totalled €17,732 million, up 7% on the previous year, with a significant contribution from Multi-class products.

Income from insurance activities is as follows:

**tab. C4.2 - Income from insurance activities**

Description (€m)	FY 2019	FY 2018
Income from financial assets at amortised cost	4	3
Interest	4	3
Realised gains	-	-
Income from financial assets at FVTPL	2,669	778
Interest	418	565
Fair value gains	2,171	166
Realised gains	80	47
Income from financial assets at FVOCI	2,741	2,789
Interest	2,526	2,548
Realised gains	215	241
Other income	64	34
<b>Total</b>	<b>5,478</b>	<b>3,604</b>

The increase in income from insurance activities (€1,874 million compared with 2018) primarily reflects an increase in income from financial assets at FVTPL, reflecting the positive performance of the financial markets at 31 December 2019, compared with 31 December 2018. These fair value gains have almost entirely been transferred to policyholders.

A breakdown of the movement in technical provisions and other claims expenses, showing the portion ceded to reinsurers, is as follows:

**tab. C4.3 - Movement in technical provisions for insurance business and other claims expenses**

Description (€m)	FY 2019	FY 2018
Claims paid	13,966	10,734
Movement in mathematical provisions	4,421	8,419
Movement in outstanding claim provisions	(117)	149
Movement in Other technical provisions	1,862	(1,326)
Movement in technical provisions where investment risk is transferred to policyholders	1,278	(878)
<b>Total movement in technical provisions for insurance business and other claims expenses: Life</b>	<b>21,410</b>	<b>17,098</b>
<b>Portion ceded to reinsurers: Life</b>	<b>(7)</b>	<b>(10)</b>
<b>Total movement in technical provisions for insurance business and other claims expenses: P&amp;C</b>	<b>65</b>	<b>35</b>
<b>Portion ceded to reinsurers: P&amp;C</b>	<b>(5)</b>	<b>(12)</b>
<b>Total</b>	<b>21,463</b>	<b>17,111</b>

The movement in technical provisions for the insurance business and other claims expenses primarily reflect:

- claims paid, policies redeemed and the related expenses incurred by Poste Vita SpA during the period;
- the change in mathematical provisions reflecting increased obligations to policyholders;
- the change in technical provisions where investment risk is transferred to policyholders so-called Class D.

Expenses from insurance activities break down as follows:

**tab. C4.4 - Expenses from insurance activities**

Description (€m)	FY 2019	FY 2018
Expenses from financial assets at FVTPL	121	1,673
Fair value losses	69	1,610
Realised losses	52	63
Expenses from financial assets at FVOCI	98	29
Interest	5	4
Realised losses	93	25
Impairments	(4)	(2)
Other expenses	44	42
<b>Total</b>	<b>259</b>	<b>1,742</b>

The reduction in expenses from insurance activities (€1,483 million compared with 2018) is linked to the positive performance of the financial markets at 31 December 2019, compared with 31 December 2018.

## C5 - Cost of goods and services (€2,287 million)

tab. C5 - Cost of goods and services

Description (€m)	FY 2019	FY 2018
Service costs	2,086	1,911
Lease expense	77	312
Raw, ancillary and consumable materials and goods for resale	124	120
<b>Total</b>	<b>2,287</b>	<b>2,343</b>

The cost of goods and services is down €56 million compared with 2018, due primarily to a reduction in lease expense (following the application of IFRS 16 – Leases from 1 January 2019), partially offset by an increase in variable costs linked to the growth in turnover, above all in the parcels business.

## Services

tab. C5.1 - Service costs

Description (€m)	FY 2019	FY 2018
Transport of mail, parcels and forms	677	584
Routine maintenance and technical assistance	239	231
Outsourcing fees and external service charges	217	196
Personnel services	137	140
Energy and water	125	122
Mobile telecommunication services for customers	119	97
Credit and debit card fees and charges	121	84
Transport of cash	89	91
Cleaning, waste disposal and security	74	73
Mail, telegraph and telex	58	58
Telecommunications and data transmission	49	54
Advertising and promotions	63	67
Electronic document management, printing and enveloping services	20	24
Consultants' fees and legal expenses	23	26
Asset management fees	32	21
Remuneration of Statutory Auditors	1	1
Other	42	42
<b>Total</b>	<b>2,086</b>	<b>1,911</b>

## Lease expense

tab. C5.2 - Lease expense

Description (€m)	FY 2019	FY 2018
Real estate leases and ancillary costs	8	179
Vehicle leases	2	59
Equipment hire and software licences	54	48
Other lease expense	13	26
<b>Total</b>	<b>77</b>	<b>312</b>

## Raw, ancillary and consumable materials and goods for resale

tab. C5.3 - Raw, ancillary and consumable materials and goods for resale

Description (€m)	Note	FY 2019	FY 2018
Consumables, advertising materials and goods for resale		68	65
Fuels and lubricants		52	51
Printing of postage and revenue stamps		7	4
SIM cards and scratch cards		1	1
Change in inventories of work in progress, semi-finished and finished goods and goods for resale	[tab. A7]	(1)	2
Change in inventories of raw, ancillary and consumable materials	[tab. A7]	-	1
Change in property held for sale	[tab. A7]	(3)	(4)
Other		-	-
<b>Total</b>		<b>124</b>	<b>120</b>

## C6 - Expenses from financial activities (€79 million)

This item breaks down as follows:

tab. C6 - Expenses from financial activities

Description (€m)	FY 2019	FY 2018
Expenses from financial assets at FVTPL	15	-
Fair value losses	15	
Realised losses	-	-
Expenses from financial assets at FVOCI	3	22
Realised losses	3	22
Expenses from financial assets at amortised cost	11	3
Realised losses	11	3
Expenses from fair value hedges	4	2
Fair value losses	4	2
Interest expense	46	19
Interest on customers' deposits	11	5
Interest expense on repurchase agreements	9	7
Interest due to MEF	5	3
Interest on guarantee deposits	21	4
<b>Total</b>	<b>79</b>	<b>46</b>

Expenses from financial activities increased by €33 million compared to 2018, mainly due to the increase in interest expense (+€27 million) and valuation charges (+€15 million) on forward sales of preference shares of Visa Incorporated (Note A6), partly offset by the decrease in realised losses from financial assets at FVOCI at 31 December 2019 (-€19 million).

## C7 - Personnel expenses (€5,896 million)

Personnel expenses include the cost of staff seconded to other organisations. The recovery of such expenses, determined by the relevant chargebacks, is posted to other operating income. Personnel expenses break down as follows:

tab. C7 - Personnel expenses

Description (€m)	Nota	FY 2019	FY 2018
Wages and salaries		4,122	4,115
Social security contributions		1,200	1,178
Employee termination benefits: current service cost	[tab. B7]	1	1
Employee termination benefits: supplementary pension funds and INPS		250	256
Agency staff		17	9
Remuneration and expenses paid to Directors		2	2
Early retirement incentives		17	173
Net provisions (reversals) for disputes with staff	[tab. B6]	4	2
Provisions for early retirement incentives	[tab. B6]	370	444
Amounts recovered from staff due to disputes		(10)	(5)
Share-based payments		12	5
Other personnel expenses/(cost recoveries)		(89)	(43)
<b>Total</b>		<b>5,896</b>	<b>6,137</b>

The personnel expenses decreased by a total of €241 million compared to 2018, mainly due to lower costs for early retirement incentives and higher recovery of personnel costs due to changes in estimates made in previous years. The ordinary component of the personnel expenses reflects the reduction in the average number of staff employed (more than 5 thousand FTE less than 2018), which almost entirely offset the increase in the cost per capita linked to the effect of the latest contract renewal (2016-2018 National Collective Labour Contract), as well as the recognition of an all-inclusive amount to cover the entire year 2019 established by an agreement with the labour unions signed on 18 February 2020.

Net provisions for disputes with staff and provisions for restructuring charges are described in note B6 – *Provisions for risks and charges*.

Other personnel expenses/(cost recoveries) include the release of liabilities of €45 million allocated in previous years to support unprotected early retirement.

The following table shows the Group's average and year-end headcount:

tab. C7.1 - Number of employees

Category	Average		Year end	
	FY 2019	FY 2019	FY 2019	FY 2019
Executives	674	690	675	672
Middle managers	15,078	15,582	14,705	15,192
Operational staff	103,181	109,279	98,975	105,892
Back-office staff	2,175	600	4,168	909
<b>Total employees on permanent contracts *</b>	<b>121,108</b>	<b>126,151</b>	<b>118,523</b>	<b>122,665</b>

\* Figures expressed in Full Time Equivalent terms.

Furthermore, taking account of staff on flexible contracts, the average number of full-time equivalent staff is 129,243 (in 2018: 134,360).

## C8 - Depreciation, amortisation and impairments (€774 million)

This item breaks down as follows:

tab. C8 - Depreciation, amortisation and impairments

Description (€m)	FY 2019	FY 2018
Property, plant and equipment	324	321
Properties used in operations	112	113
Plant and machinery	75	72
Industrial and commercial equipment	9	9
Leasehold improvements	40	32
Other assets	88	95
Impairments/recoveries/adjustments of property, plant and equipment	(4)	(4)
Depreciation of investment property	4	4
Amortisation of right-of-use assets	222	-
Properties used in operations	149	-
Company fleet	60	-
Vehicles for mixed use	5	-
Other assets	8	-
Amortisation and impairments of intangible assets	228	216
Industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights	224	212
Other	4	4
Goodwill impairment	-	33
<b>Total</b>	<b>774</b>	<b>570</b>

Depreciation, amortisation and impairments are up €204 million compared with 2018, due to depreciation of right-of-use assets (IFRS 16).

## C9 - Capitalised costs and expenses (€31 million)

Capitalised costs and expenses break down as follows:

tab. C9 - Increases relating to assets under construction

Description (€m)	Nota	FY 2019	FY 2018
<b>Property, plant and machinery:</b>	<b>[A1]</b>	<b>6</b>	<b>2</b>
Cost of goods and services		5	2
Personnel expenses		1	-
<b>Intangible assets:</b>	<b>[A3]</b>	<b>25</b>	<b>15</b>
Cost of goods and services		8	4
Personnel expenses		16	11
Depreciation and amortisation		1	-
<b>Total</b>		<b>31</b>	<b>17</b>

## C10 - Other operating costs (€200 million)

Other operating costs break down as follows:

tab. C10 - Other operating costs

Description (€m)	Note	FY 2019	FY 2018
Operational risk events		34	46
Thefts		4	5
Loss of BancoPosta assets, net of recoveries		-	1
Other operating losses of BancoPosta		30	40
Net provisions for risks and charges made/(released)		21	81
for disputes with third parties	[tab. B6]	7	7
for operational risks	[tab. B6]	12	78
for expired and statute barred postal certificates	[tab. B6]	-	(15)
for other risks and charges	[tab. B6]	2	11
Capital losses		2	2
Municipal property tax, urban waste tax and other taxes and duties		98	70
Other recurring expenses		45	40
<b>Total</b>		<b>200</b>	<b>239</b>

The reduction of €39 million in other operating costs is primarily due to a reduction in provisions for operational risk events and the charges and operating losses incurred by BancoPosta RFC, partially offset by higher costs for non-deductible VAT on lease agreements, reclassified by nature at 31 December 2019, due to the application of IFRS 16.

## C11 – Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets (€59 million)

tab. C11 - Impairment losses/(Reversals of impairment losses) on debt instruments, receivables and other assets

Description (€m)		FY 2019	FY 2018
Net provisions and losses on receivables and other assets (uses of provisions)		62	46
Provisions (reversal of provisions) for receivables due from customers		48	23
Provisions (reversal of provisions) for receivables due from the MEF		-	(1)
Provisions (reversal of provisions) for sundry receivables		14	23
Credit losses		-	1
Impairment/(reversal) on financial assets at FVOCI		(2)	(1)
Impairment/(reversal) on financial assets at amortised cost		(1)	2
<b>Total</b>		<b>59</b>	<b>47</b>

The increase of €12 million compared with 2018 is mainly due to higher impairment of trade receivables (+€16 million), offset in part by lower impairment of other receivables.



## C12 – Finance income (€105 million) and costs (€73 million)

Income from and costs incurred on financial instruments relate to assets other than those in which deposits collected by BancoPosta and the financial and insurance businesses are invested.

### Finance income

tab. C12.1 - Finance income

Description (€m)	FY 2019	FY 2018
Income from financial assets at FVOCI	36	40
Interest	40	44
Accrued differentials on fair value hedges	(11)	(11)
Realised gains	7	7
Income from financial assets at amortised cost	54	54
Income from financial assets at FVTPL	3	1
Other finance income	8	6
Finance income on discounted receivables	4	5
Other	4	1
Foreign exchange gains	4	5
<b>Total</b>	<b>105</b>	<b>106</b>

For the purposes of reconciliation with the statement of cash flows, in 2019 finance income after both realised gains and foreign exchange gains amounted to €94 million (€95 million in 2018).

### Finance costs

tab. C12.2 - Finance costs

Description (€m)	Note	FY 2019	FY 2018
Finance costs on financial liabilities		41	38
on bonds		10	36
on borrowings from financial institutions		2	1
on lease payables		28	-
on derivative financial instruments		1	1
Finance costs on provisions for employee termination benefits and pension plans	[tab. B7]	17	20
Finance costs on provisions for risks	[tab. B6]	1	1
Other finance costs		9	5
Foreign exchange losses		5	5
<b>Total</b>		<b>73</b>	<b>71</b>

For the purposes of reconciliation with the statement of cash flows, in 2019 finance costs after foreign exchange losses amounted to €68 million (€66 million in 2018).

Bond charges decreased by €26 million following the repayment in 2018 of the €750 million nominal bond issued by the Parent Company in 2013, partly offset by the increase in charges on lease payables following the application from 1 January 2019 of IFRS 16 - Leases.

## C13 – Impairment losses/(reversals of impairment losses) on financial assets (€46 million)

tab. C13 - Impairment losses/(Reversals of impairment losses) on financial assets

Description (€m)	FY 2019		FY 2018	
Impairment/(reversal) on financial assets at amortised cost	-		20	
Impairment of interest accrued on IRES refund	46		-	
<b>Total</b>	<b>46</b>		<b>20</b>	

The impairment of the receivable for interest income on IRES repayment is commented on in note A9.

## C14 – Income tax expense (€530 million)

The nominal IRES rate has been 24% since 1 January 2017, while the Group's theoretical average IRAP rate is 5.84%<sup>77</sup>. The breakdown of income taxes for the year is as follows.

tab. C14 - Income tax expense

Description (€m)	FY 2019			FY 2018		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	463	141	604	250	64	314
Deferred tax assets	34	13	47	(397)	2	(395)
Deferred tax liabilities	(94)	(27)	(121)	136	36	172
<b>Total</b>	<b>403</b>	<b>127</b>	<b>530</b>	<b>(11)</b>	<b>102</b>	<b>91</b>

Income taxes increased by €439 million compared with the previous year. It should be noted that 2018 benefited from the positive effect of deferred tax assets recognised by Poste Vita (€351 million in non-recurring income for 2010-2017) on the temporary differences arising from the introduction of the new rule on deferred taxation on changes in insurance technical provisions (paragraph 1-bis of art. 111 of the Consolidated Income Tax Act).

77. The nominal IRAP rate is 3.90% for most taxpayers, 4.20% for companies that operate under concession arrangements other than motorway and tunnel construction and operating companies, 4.65% for banks and other financial entities and 5.90% for insurance companies (+/-0.92%, representing regional increases and cuts and +0.15% representing an increase for regions that showed a healthcare deficit).

The tax rate for 2019 is 28.31% and consists of:

**tab. C14.1 - Reconciliation between theoretical and effective IRES rate**

Description (€m)	FY 2019		FY 2018	
	IRES	Tax Rate	IRES	Tax Rate
<i>Profit before tax</i>	1,873		1,490	
Theoretical tax charge	449	24.0%	358	24.0%
Effect of changes with respect to theoretical rate				
Adjustments to equity investments measured using the equity method	(26)	-1.44%	6	0.39%
Realignment of tax bases and carrying amounts and taxation for previous years	(19)	-1.01%	(9)	-0.58%
Non-deductible out-of-period losses	6	0.33%	4	0.27%
Net provisions for risks and charges and bad debts	6	0.30%	4	0.28%
Non-deductible taxes	4	0.22%	6	0.39%
Assessment of deferred tax assets on non-deductible change in technical provisions	-	0.00%	(351)	-23.53%
Realised gains on investments	-	-0.02%	(27)	-1.78%
Other	(17)	-0.84%	(1)	-0.16%
<b>Effective tax charge</b>	<b>403</b>	<b>21.54%</b>	<b>(11)</b>	<b>-0.73%</b>

**tab. C14.2 - Reconciliation between theoretical and effective IRAP rate**

Description (€m)	FY 2019		FY 2018	
	IRES	Tax Rate	IRES	Tax Rate
<i>Profit before tax</i>	1,873		1,490	
Theoretical tax charge	109	5.84%	88	5.92%
Effect of changes with respect to theoretical rate				
Non-deductible personnel expenses	14	0.72%	14	0.92%
Net provisions for risks and charges and bad debts	7	0.38%	4	0.25%
Impairment loss/(reversal) on financial instruments	2	0.11%	6	0.43%
Adjustments to equity investments measured using the equity method	(5)	-0.27%	1	0.10%
Realignment of tax bases and carrying amounts and taxation for previous years	(1)	-0.05%	(2)	-0.16%
Realised gains on investments	-	0.00%	(5)	-0.35%
Other	1	0.04%	(4)	-0.25%
<b>Effective tax charge</b>	<b>127</b>	<b>6.77%</b>	<b>102</b>	<b>6.84%</b>

## Current tax expense

tab. C14.3 - Movements in current tax assets /(liabilities)

Description (€m)	Current tax 2019		
	IRES	IRAP	Total
	Assets/(Liabilities)	Assets/(Liabilities)	
<b>Balance at 1 January</b>	<b>83</b>	<b>22</b>	<b>105</b>
Payment of			
payments on account for the current year	191	61	252
balance payable for the previous year	180	47	227
balance payable for the previous year	11	14	25
Claim for IRAP refund	-	(8)	(8)
Provisions to profit or loss	(463)	(141)	(604)
Provisions to equity	-	3	3
Other	29*	1	30
<b>Balance at 31 December</b>	<b>(160)</b>	<b>(62)</b>	<b>(222)</b>
of which:			
Current tax assets	40	12	52
Current tax liabilities	(200)	(74)	(274)

\* This item mainly refers to receivables for withholding taxes.

Under IAS 12 – Income Taxes, IRES and IRAP credits are offset against the corresponding current tax liabilities, when applied by the same tax authority to the same taxable entity, which has a legally enforceable right to offset and intends to exercise this right.

At 31 December 2019, current tax assets/(liabilities) include:

- the liability of €263 million determined by IRES and IRAP provisions for the year net of IRES and IRAP advances paid and IRES receivables from the previous year;
- the substitute tax credit of €32 million relating to the redemption carried out by the Parent Company during 2018, pursuant to art. 15, paragraph 10 ter of Law Decree 185 of 29 November 2008, of goodwill and other intangible assets relating to the acquisition of the investment in FSIA Investimenti Srl (as further described in note A4 - *Investments accounted for using the equity method*);
- the remaining IRES receivable of €8 million to be recovered on the failure to deduct IRAP resulting from the requests filed pursuant to art. 6 of Law Decree 185 of 29 November 2008 and art. 2 of Law Decree 201 of 6 December 2011, which provided for a partial deductibility of IRAP for IRES purposes (in this regard, see as reported on receivables for related interest in Note A9).

## Deferred tax assets and liabilities

tab. C14.4 - Deferred taxes

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Deferred tax assets	1,199	1,368
Deferred tax liabilities	(887)	(701)
<b>Total</b>	<b>312</b>	<b>667</b>

Movements in deferred tax assets and liabilities are shown below:

**tab. C14.5 - Movements in deferred tax assets and liabilities**

Description (€m)	FY 2019	FY 2018
<b>Balance at 1 January</b>	<b>667</b>	<b>(160)</b>
Net income/(expense) recognised in profit or loss	74	223
Net income/(expense) recognised in equity	(429)	604
<b>Balance at 31 December</b>	<b>312</b>	<b>667</b>

The following table shows movements in deferred tax assets and liabilities, broken down according to the events that generated such movements:

**tab. C14.6 - Movements in deferred tax assets**

Description (€m)	Property, plant and equipment and intangible assets	Depreciation and amortisation.	Depreciation and amortisation	Provisions to cover expected losses	Provisions for risks and charges	Discounting of provisions for employee termination benefits	Technical provisions for insurance business	Other	Total
<b>Balance at 1 January 2019</b>	<b>49</b>	<b>17</b>	<b>370</b>	<b>103</b>	<b>339</b>	<b>22</b>	<b>385</b>	<b>83</b>	<b>1,368</b>
Income/(expense) recognised in profit or loss	1	(2)	1	(3)	(76)	-	23	9	(47)
Income/(expense) recognised in equity	-	-	(138)	-	-	16	-	-	(122)
<b>Balance at 31 December 2019</b>	<b>50</b>	<b>15</b>	<b>233</b>	<b>100</b>	<b>263</b>	<b>38</b>	<b>408</b>	<b>92</b>	<b>1,199</b>

**tab. C14.7 - Movements in deferred tax liabilities**

Description (€m)	Financial assets and liabilities	Other	Total
<b>Balance at 1 January 2019</b>	<b>662</b>	<b>39</b>	<b>701</b>
Income/(expense) recognised in profit or loss	(123)	2	(121)
Income/(expense) recognised in equity	307	-	307
<b>Balance at 31 December 2019</b>	<b>846</b>	<b>41</b>	<b>887</b>

Movements in deferred tax assets and liabilities recognised directly in equity during the year are as follows:

**tab. C14.8 - Income/(expense) recognised in equity**

Description (€m)	FY 2019	FY 2018
Fair value reserve for FVTOCI financial assets	(435)	669
Cash flow hedge reserve for hedging instruments	(10)	(60)
Actuarial gains/(losses) on provisions for employee termination benefits	16	(5)
<b>Total</b>	<b>(429)</b>	<b>604</b>

## 5.4 - Operating segments

The identified operating segments, which are in line with the Group's new strategic guidelines reflected in the Strategic Plan for the period 2018-2022 and the organisational changes, are as follows:

- Mail, Parcels & Distribution
- Payments, Mobile & Digital
- Financial Services
- Insurance Services

In addition to managing the mail and parcel service, the Mail, Parcels and Distribution segment also includes the activities of the distribution network and the activities of Poste Italiane SpA corporate functions that provide services to BancoPosta RFC and the other segments in which the Group operates. In this regard, separate General Operating Guidelines have been approved by Poste Italiane SpA's Board of Directors which, in implementation of BancoPosta Regulations for ring-fenced capital, identify the services provided by Poste Italiane SpA functions to BancoPosta and determines the manner in which they are remunerated.

The Payments, Mobile and Digital segment includes the activities of PostePay SpA and the mobile telecommunications services.

The Financial Services segment includes the activities of BancoPosta RFC, BancoPosta Fondi SpA SGR and Poste Tributi ScpA (in liquidation).

The Insurance Services segment includes the activities carried out by the Poste Vita Group.

The result for each segment is based on operating profit/(loss) and gains/losses on intermediation. All income components reported for operating segments are measured using the same accounting policies applied in the preparation of these consolidated financial statements.

The following results, which are shown separately in accordance with the management view and with applicable accounting standards, should be read in light of the integration of the services offered by the distribution network within the businesses allocated to all four identified operating segments, also considering the obligation to carry out the Universal Postal Service.

FY 2019 (€m)	Mail, Parcels and Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Adjustments and eliminations	Total
Net external revenue from ordinary activities	3,492	664	5,213	1,669	-	11,038
Net intersegment revenue from ordinary activities	4,723	375	713	1	(5,812)	-
<b>Net operating revenue</b>	<b>8,215</b>	<b>1,039</b>	<b>5,926</b>	<b>1,670</b>	<b>(5,812)</b>	<b>11,038</b>
Depreciation, amortisation and impairments	(724)	(27)	-	(24)	1	(774)
Non-cash expenses	(77)	(4)	(46)	(7)	-	(134)
<b>Total non-cash expenses</b>	<b>(801)</b>	<b>(31)</b>	<b>(46)</b>	<b>(31)</b>	<b>1</b>	<b>(908)</b>
<b>Operating profit/(loss)</b>	<b>(347)</b>	<b>241</b>	<b>874</b>	<b>1,006</b>	<b>-</b>	<b>1,774</b>
Finance income/(costs)	(40)	-	(5)	77	-	32
(Impairment loss)/reversal on debt instruments, receivables and other assets	(46)	-	-	-	-	(46)
Profit/(Loss) on investments accounted for using the equity method	-	99	13	-	-	112
Intersegment finance income/(costs)	49	-	(1)	(48)	-	-
Income tax expense	78	(69)	(241)	(298)	-	(530)
<b>Net profit/(loss) for the year</b>	<b>(306)</b>	<b>271</b>	<b>640</b>	<b>737</b>	<b>-</b>	<b>1,342</b>
<b>Assets</b>	<b>10,704</b>	<b>6,437</b>	<b>85,279</b>	<b>146,263</b>	<b>(10,432)</b>	<b>238,251</b>
Non-current assets	7,032	464	60,177	138,477	(2,374)	203,776
Current assets	3,672	5,973	25,102	7,786	(8,058)	34,475
Non-current assets and disposal groups held for sale	-	-	-	-	-	-
<b>Liabilities</b>	<b>8,336</b>	<b>5,958</b>	<b>81,292</b>	<b>141,811</b>	<b>(8,844)</b>	<b>228,553</b>
Non-current liabilities	3,135	298	14,869	140,967	(996)	158,273
Current liabilities	5,201	5,660	66,423	844	(7,848)	70,280
Liabilities related to assets held for sale	-	-	-	-	-	-
<b>Other information</b>						
Capital expenditure	685	25	1	23	-	734
Investments accounted for using the equity method	3	393	221	-	-	617
<b>External revenue from contracts with customers</b>	<b>3,439</b>	<b>663</b>	<b>3,033</b>	<b>9</b>	<b>-</b>	<b>7,144</b>
Recognition at a point in time	509	286	412	-	-	1,207
Recognition over time	2,930	377	2,621	9	-	5,937

FY 2018 (€m)	Mail, Parcels and Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Adjustments and eliminations	Total
Net external revenue from ordinary activities	3,579	628	5,186	1,471	-	10,864
Net intersegment revenue from ordinary activities	4,632	338	909	1	(5,880)	-
<b>Net operating revenue</b>	<b>8,211</b>	<b>966</b>	<b>6,095</b>	<b>1,472</b>	<b>(5,880)</b>	<b>10,864</b>
Depreciation, amortisation and impairments	(528)	(25)	-	(17)	-	(570)
Non-cash expenses	9	(10)	(121)	-	-	(122)
<b>Total non-cash expenses</b>	<b>(519)</b>	<b>(35)</b>	<b>(121)</b>	<b>(17)</b>	<b>-</b>	<b>(692)</b>
<b>Operating profit/(loss)</b>	<b>(430)</b>	<b>204</b>	<b>859</b>	<b>866</b>	<b>-</b>	<b>1,499</b>
Finance income/(costs)	(26)	-	(2)	64	-	36
(Impairment loss)/reversal on debt instruments, receivables and other assets	20	-	-	-	-	20
Profit/(Loss) on investments accounted for using the equity method	-	5	(29)	-	-	(24)
Intersegment finance income/(costs)	15	-	(2)	(13)	-	-
Income tax expense	89	(56)	(209)	84	-	(92)
<b>Net profit/(loss) for the year</b>	<b>(372)</b>	<b>153</b>	<b>617</b>	<b>1,001</b>	<b>-</b>	<b>1,399</b>
<b>Assets</b>	<b>9,302</b>	<b>5,075</b>	<b>72,738</b>	<b>131,280</b>	<b>(9,513)</b>	<b>208,882</b>
Non-current assets	5,726	350	53,495	121,658	(2,357)	178,872
Current assets	3,576	4,725	19,243	9,622	(7,155)	30,011
Non-current assets and disposal groups held for sale	-	-	-	-	-	-
<b>Liabilities</b>	<b>6,721</b>	<b>4,831</b>	<b>69,827</b>	<b>127,323</b>	<b>(7,924)</b>	<b>200,778</b>
Non-current liabilities	1,592	282	9,685	125,739	(773)	136,525
Current liabilities	5,129	4,549	60,142	1,584	(7,151)	64,253
Liabilities related to assets held for sale	-	-	-	-	-	-
<b>Other information</b>						
Capital expenditure	487	27	-	25	-	539
Investments accounted for using the equity method	3	281	214	-	-	498
<b>External revenue from contracts with customers</b>	<b>3,504</b>	<b>320</b>	<b>3,388</b>	<b>10</b>	<b>-</b>	<b>7,222</b>
Recognition at a point in time	605	87	513	-	-	1,205
Recognition over time	2,899	233	2,875	10	-	6,016

Disclosure about geographical segments, based on the geographical areas in which the various Group companies are based or the location of its customers, is of no material significance. At 31 December 2019, all the entities consolidated on a line-by-line basis are based in Italy and customers are mainly located in Italy: revenue from foreign customers does not represent a significant percentage of total revenue.

Assets include those deployed by the segment in the course of ordinary business activities and those that could be allocated to it for the performance of such activities.



## 5.5 Related party transactions

### Impact of related party transactions on statement of financial position and profit and loss

The impact of related party transactions on the financial position and profit or loss is shown below.

#### Impact of related party transactions on the financial position at 31 December 2019

Name	Balance at 31/12/2019						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
<b>Subsidiaries</b>							
Address Software Srl	-	-	-	-	-	1	-
Kipoint SpA	-	-	-	-	1	1	-
<b>Associates</b>							
Anima Holding Group	-	-	-	-	-	7	-
<b>Related parties external to the Group</b>							
MEF	7,066	191	3	495	4,546	9	8
Cassa Depositi e Prestiti Group	4,508	453	-	-	-	1	-
Enel Group	-	25	-	-	-	4	-
Eni Group	-	8	-	-	-	10	-
Equitalia Group	-	-	-	-	-	-	-
Leonardo Group	-	1	-	-	-	47	-
Montepaschi Group	143	9	-	-	400	-	-
Other related parties external to the Group	49	16	-	-	5	18	66
Provision for doubtful debts owing from external related parties	(24)	(39)	-	-	-	-	-
<b>Total</b>	<b>11,742</b>	<b>664</b>	<b>3</b>	<b>495</b>	<b>4,952</b>	<b>98</b>	<b>74</b>

At 31 December 2019, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amounted to €70 million (€71 million at 31 December 2018).

## Impact of related party transactions on the financial position at 31 December 2018

Name	Balance at 31/12/2018						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
<b>Subsidiaries</b>							
Address Software Srl	-	-	-	-	-	1	-
Kipoint SpA	-	-	-	-	-	1	-
Risparmio Holding SpA	-	-	-	-	-	-	1
<b>Joint ventures</b>							
FSIA Group	-	4	-	-	-	20	-
<b>Associates</b>							
Anima Holding Group	-	-	-	-	-	4	-
<b>Related parties external to the Group</b>							
MEF	5,930	199	9	1,306	3,653	44	8
Cassa Depositi e Prestiti Group	5,087	441	-	-	-	1	-
Enel Group	-	27	-	-	-	4	-
Eni Group	-	5	-	-	-	11	-
Equitalia Group	-	-	-	-	-	-	-
Leonardo Group	-	-	-	-	-	42	-
Montepaschi Group	44	4	-	-	337	-	-
Other related parties external to the Group	69	20	-	-	-	22	66
Provision for doubtful debts owing from external related parties	(25)	(39)	(1)	-	-	-	-
<b>Total</b>	<b>11,105</b>	<b>661</b>	<b>8</b>	<b>1,306</b>	<b>3,990</b>	<b>150</b>	<b>75</b>

## Impact of related party transactions on profit or loss in FY 2019

Name	Balance at 31/12/2019												
	Revenue					Costs							
	Revenue from sales and services	Revenue from Payments, Mobile & Digital	Revenue from Financial Services	Revenue from Insurance Services after movements in technical provisions and other claims expenses	Finance income	Capital expenditure	Property, plant and equipment	Intangible assets	Cost of goods and services	Personnel expenses	Other operating costs	Expenses from financial activities	Impairment loss/(reversal) on debt instruments, receivables and other assets
<b>Subsidiaries</b>													
Kipoint SpA	-	-	-	-	-	-	-	2	-	-	-	-	-
<b>Associates</b>													
Anima Holding Group	3	-	-	-	-	-	-	25	-	-	-	-	-
FSIA Srl	-	-	-	-	-	-	-	4	-	-	-	-	-
<b>Related parties external to the Group</b>													
MEF	349	58	124	-	-	-	-	-	-	1	5	-	1
Cassa Depositi e Prestiti Group	3	-	1,873	16	-	-	-	6	-	-	-	-	1
Enel Group	59	1	-	-	-	-	-	31	-	-	-	-	-
Eni Group	19	-	-	-	-	-	-	35	-	-	-	-	-
Equitalia Group	-	-	-	-	-	-	-	-	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	3	21	-	-	-	-	-
Montepaschi Group	22	-	1	-	-	-	-	-	-	-	-	-	-
Other related parties external to the Group	43	-	-	-	-	-	-	44	50	1	-	-	-
<b>Total</b>	<b>498</b>	<b>59</b>	<b>1,998</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>169</b>	<b>50</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>2</b>

At 31 December 2019, net provisions for risks and charges used to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amounted to €1 million (€2 million at 31 December 2018).

### Impact of related party transactions on profit or loss in FY 2018

Name	Balance at 31/12/2018													
	Revenue					Costs								
	Revenue from sales and services	Revenue from Payments, Mobile & Digital	Revenue from Financial Services	Revenue from Insurance Services after movements in technical provisions and other claims expenses	Finance income	Capital expenditure		Current expenditure						
						Property, plant and equipment	Intangible assets	Cost of goods and services	Cost of goods and services	Other operating costs	Expenses from financial activities	Impairment loss/(reversal) on debt instruments, receivables and other assets	Finance costs	Impairment loss/(reversal) on financial instruments
<b>Subsidiaries</b>														
Address Software Srl	-	-	-	-	-	-	-	1	-	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	-	-	2	-	-	-	-	-	-
<b>Joint ventures</b>														
FSIA Group	-	-	-	-	-	-	3	37	-	-	-	-	-	-
<b>Associates</b>														
Anima Holding Group	2	-	120	-	-	-	-	10	-	-	-	-	-	-
<b>Related parties external to the Group</b>														
MEF	359	40	125	-	-	-	-	3	-	5	3	(4)	-	-
Cassa Depositi e Prestiti Group	2	-	1,890	16	-	-	-	6	-	-	-	1	-	-
Enel Group	56	6	2	-	-	-	-	30	-	-	-	-	-	-
Eni Group	18	2	1	-	-	-	-	33	-	-	-	-	-	-
Equitalia Group	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	12	31	-	-	-	-	-	-
Montepaschi Group	23	-	1	-	-	-	-	-	-	-	-	-	-	-
Other related parties external to the Group	30	-	-	-	-	-	-	53	43	1	-	-	-	20
<b>Total</b>	<b>490</b>	<b>48</b>	<b>2,139</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>206</b>	<b>43</b>	<b>6</b>	<b>3</b>	<b>(3)</b>	<b>-</b>	<b>20</b>

The nature of the Parent Company's principal transactions with related parties external to the Group is summarised below in order of relevance:

- Amounts received from the MEF relate primarily to payment for carrying out the USO, the management of postal current accounts, as payment for delegated services, the franking of mail on credit, and for the integrated notification service.
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits.
- Amounts received from the Enel Group primarily relate to payment for bulk mail shipments, unfranked mail, franking of mail on credit and postage paid mailing services. The costs incurred primarily relate to the supply of gas and electricity.
- Amounts received from the ENI Group primarily regard payment for mail shipments. The costs incurred relate to the supply of gas and of fuel for motorcycles and vehicles.
- Purchases from the Leonardo Group primarily relate to the supply, by Leonardo SpA, of equipment, maintenance and technical assistance for mechanised sorting equipment, and systems and IT assistance regarding the creation of document storage facilities, specialist consulting services and software maintenance, and the supply of software licences and of hardware.
- Amounts received from the Monte dei Paschi di Siena group primarily regard payment for mail shipments.

## Impact of related party transactions and positions

The impact of related party transactions on the financial position, profit or loss and cash flows is shown in the following table:

### Impact of related party transactions

Description (€m)	Total in financial statements	Total related parties	Impact (%)	Total in financial statements	Total related parties	Impact (%)
	Balance at 31/12/2019			Balance at 31/12/2018		
<b>Financial position</b>						
Financial assets	218,934	11,742	5.4	190,864	11,105	5.8
Trade receivables	2,171	664	30.6	2,199	661	30.1
Other receivables and assets	4,667	3	0.1	4,580	8	0.2
Cash and cash equivalents	2,149	495	23.0	3,195	1,306	40.9
Provisions for risks and charges	1,218	70	5.7	1,519	70	4.6
Financial liabilities	79,516	4,952	6.2	66,929	3,990	6.0
Trade payables	1,627	98	6.0	1,583	150	9.5
Other liabilities	3,635	74	2.0	3,698	75	2.0
Liabilities related to assets held for sale	-	-	n.a.	-	-	n.a.
<b>Profit or loss</b>						
Revenue from Mail, Parcels & other	3,492	498	14.3	3,579	249	7.0
Revenue from Payments, Mobile & Digital	664	59	8.9	628	30	4.8
Revenue from Financial Services	5,213	1,998	38.3	5,186	979	18.9
Revenue from Insurance Services after movements in technical provisions and other claims expenses	1,669	16	1.0	1,471	8	0.5
Cost of goods and services	2,287	169	7.4	2,343	206	8.8
Expenses from financial activities	79	5	6.3	46	3	6.5
Personnel expenses	5,896	50	0.8	6,137	43	0.7
Other operating costs	200	3	1.5	239	6	2.5
Finance costs	73	2	2.7	40	-	n.a.
Finance income	105	-	n.a.	54	-	n.a.
<b>Cash flow</b>						
Net cash flow from /(for) operating activities	1,120	248	n.a.	2,597	(1,484)	n.a.
Net cash flow from /(for) investing activities	(732)	3	n.a.	(281)	254	n.a.
Net cash flow from/(for) financing activities and shareholder transactions	(1,434)	(492)	34.3	(1,549)	(405)	26.1

## Key management personnel

Key management personnel consist of Directors, members of the Board of Statutory Auditors, managers at the first organisational level of the Parent Company and Poste Italiane's manager responsible for financial reporting. The related remuneration, gross of expenses and social security contributions, of such key management personnel as defined above is as follows:

### Remuneration of key management personnel

Description (€000)	Balance at 31/12/2019	Balance at 31/12/2018
Remuneration to be paid in short/medium term	12,505	13,127
Post-employment benefits	510	532
Other benefits to be paid in longer term	1,855	1,223
Termination benefits	1,704	2,075
Share-based payments	4,906	2,840
<b>Total</b>	<b>21,480</b>	<b>19,797</b>

### Remuneration of Statutory Auditors

Name (€000)	Balance at 31/12/2019	Balance at 31/12/2018
Remuneration	1,235	1,268
Expenses	45	52
<b>Total</b>	<b>1,280</b>	<b>1,320</b>

The remuneration paid to members of the Parent Company's Supervisory Board for 2019 amounts to approximately €84 thousand at 31 December 2019. In determining the remuneration, the amounts paid to managers of Poste Italiane who are members of the Supervisory Board is not taken into account, as this remuneration is passed on to the employer.

No loans were granted to key management personnel during the period and, at 31 December 2019, Group companies do not report receivables in respect of loans granted to key management personnel.

## Transactions with staff pensions funds

The Parent Company and the subsidiaries that apply the National Collective Labour Agreement are members of the Fondoposte Pension Fund, the national supplementary pension fund for Poste Italiane personnel, established on 31 July 2002 as a non-profit entity. The Fund's officers and boards are the General Meeting of delegates, the Board of Directors, the Chairman and Deputy Chairman of the Board of Directors and Board of Statutory Auditors. Representation of members on the above boards is shared equally between the companies and the workers that are members of the Fund. The participation of members in the running of the Fund is guaranteed by the fact that they directly elect the delegates to send to the General Meeting.





 06

POSTE ITALIANE SPA  
FINANCIAL STATEMENTS FOR THE YEAR  
**ENDED 31 DECEMBER 2019**







# 6. Poste Italiane SpA

## Financial statements for the year ended 31 December 2019

### 6.1 Financial statements

#### Statement of financial position

Assets (figures in €)	Note	31 December 2019"	of which, related party transactions	31 December 2018"	of which, related party transactions
<b>Non-current assets</b>					
Property, plant and equipment	[A1]	1,886,540,623	-	1,835,085,847	-
Investment property	[A2]	44,128,398	-	47,574,867	-
Intangible assets	[A3]	561,731,422	-	448,088,183	-
Right-of-use assets	[A4]	1,119,172,897	-	-	-
Investments	[A5]	2,204,509,011	2,204,509,011	2,197,594,888	2,197,594,888
Financial assets attributable to BancoPosta	[A6]	58,251,783,573	3,934,272,101	51,543,254,591	4,526,820,159
Financial assets	[A7]	740,256,035	299,846,801	814,445,003	278,590,031
Trade receivables	[A8]	5,342,396	-	5,636,510	-
Deferred tax assets	[C12]	674,374,767	-	862,844,852	-
Other receivables and assets	[A9]	1,434,680,477	1,465,574	1,288,241,050	1,465,574
<b>Total</b>		<b>66,922,519,599</b>		<b>59,042,765,791</b>	
<b>Current assets</b>					
Trade receivables	[A8]	2,385,157,946	1,138,628,308	2,255,638,007	1,048,869,525
Current tax assets	[C12]	45,551,784	-	88,209,983	-
Other receivables and assets	[A9]	1,020,012,494	259,081,401	865,889,249	31,862,570
Financial assets attributable to BancoPosta	[A6]	18,143,931,029	7,269,242,445	12,319,498,283	6,157,734,608
Financial assets	[A7]	201,153,077	66,578,886	168,104,149	130,884,144
Cash and deposits attributable to BancoPosta	[A10]	4,302,784,484	-	3,318,398,871	-
Cash and cash equivalents	[A11]	1,206,344,232	494,646,677	2,127,300,260	1,306,085,900
<b>Total</b>		<b>27,304,935,046</b>		<b>21,143,038,802</b>	
<b>Non-current assets held for sale</b>		-	-	<b>1,100</b>	-
<b>Total assets</b>		<b>94,227,454,645</b>		<b>80,185,805,693</b>	

Liabilities and equity (figures in €)	Note	31 December 2019	of which, related party transactions	31 December 2018	of which, related party transactions
<b>Equity</b>					
Share capital	[B1]	1,306,110,000	-	1,306,110,000	-
Treasury shares		(39,999,994)	-	-	-
Reserves	[B2]	2,617,378,839	-	1,545,714,349	-
Retained earnings / (Accumulated losses)		2,444,407,492	-	2,606,922,919	-
<b>Total</b>		<b>6,327,896,337</b>		<b>5,458,747,268</b>	
<b>Non-current liabilities</b>					
Provisions for risks and charges	[B4]	433,333,017	58,175,681	607,844,228	58,301,383
Employee termination benefits	[B5]	1,107,576,437	-	1,158,106,279	-
Financial liabilities attributable to BancoPosta	[B6]	12,262,575,528	123,088,330	7,375,813,984	20,101,464
Financial liabilities	[B7]	1,600,683,086	46,662,705	77,034,598	-
Deferred tax liabilities	[C12]	665,691,092	-	376,216,879	-
Other liabilities	[B9]	1,505,000,678	5,070,470	1,342,776,666	6,035,435
<b>Total</b>		<b>17,574,859,838</b>		<b>10,937,792,634</b>	
<b>Current liabilities</b>					
Provisions for risks and charges	[B4]	697,112,713	12,316,411	823,220,052	12,399,743
Trade payables	[B8]	1,598,377,722	497,270,191	1,488,112,389	387,167,971
Current tax liabilities	[C12]	199,316,209	-	5,548,039	-
Other liabilities	[B9]	1,455,449,570	109,149,934	1,771,013,379	276,231,265
Financial liabilities attributable to BancoPosta	[B6]	65,674,172,546	10,394,940,206	59,382,968,337	8,903,501,544
Financial liabilities	[B7]	700,269,710	509,569,892	318,403,595	112,130,122
<b>Total</b>		<b>70,324,698,470</b>		<b>63,789,265,791</b>	
<b>Total equity and liabilities</b>		<b>94,227,454,645</b>		<b>80,185,805,693</b>	

Statement of financial position (continued)

Supplementary statement showing BancoPosta RCF at 31 December 2019

Assets (figures in €)	Note	Capital outside the ring-fence	BancoPosta RCF	Adjustments	Total
<b>Non-current assets</b>					
Property, plant and equipment		1,886,540,623	-	-	1,886,540,623
Investment property		44,128,398	-	-	44,128,398
Intangible assets		561,731,422	-	-	561,731,422
Right-of-use assets		1,119,172,897	-	-	1,119,172,897
Investments		2,204,509,011	-	-	2,204,509,011
Financial assets attributable to BancoPosta	[A6]	-	58,251,783,573	-	58,251,783,573
Financial assets		740,256,035	-	-	740,256,035
Trade receivables		5,342,396	-	-	5,342,396
Deferred tax assets	[C12]	362,423,461	311,951,306	-	674,374,767
Other receivables and assets	[A9]	77,638,926	1,357,041,551	-	1,434,680,477
<b>Total</b>		<b>7,001,743,169</b>	<b>59,920,776,430</b>	<b>-</b>	<b>66,922,519,599</b>
<b>Current assets</b>					
Trade receivables	[A8]	1,525,303,201	859,854,745	-	2,385,157,946
Current tax assets		45,551,784	-	-	45,551,784
Other receivables and assets	[A9]	476,398,448	543,614,046	-	1,020,012,494
Financial assets attributable to BancoPosta	[A6]	-	18,143,931,029	-	18,143,931,029
Financial assets		201,153,077	-	-	201,153,077
Cash and deposits attributable to BancoPosta	[A10]	-	4,302,784,484	-	4,302,784,484
Cash and cash equivalents	[A11]	697,199,330	509,144,902	-	1,206,344,232
<b>Total</b>		<b>2,945,605,840</b>	<b>24,359,329,206</b>	<b>-</b>	<b>27,304,935,046</b>
<b>Non-current assets held for sale</b>					
		-	-	-	-
<b>Intersegment relations net amount</b>					
		(234,020,934)	-	234,020,934	-
<b>Total assets</b>		<b>9,713,328,075</b>	<b>84,280,105,636</b>	<b>234,020,934</b>	<b>94,227,454,645</b>
<b>Liabilities and equity (figures in €)</b>					
<b>Equity</b>					
Share capital		1,306,110,000	-	-	1,306,110,000
Treasury shares		(39,999,994)	-	-	(39,999,994)
Reserves	[B2]	322,329,576	2,295,049,263	-	2,617,378,839
Retained earnings / (Accumulated losses)		778,509,508	1,665,897,984	-	2,444,407,492
<b>Total</b>		<b>2,366,949,090</b>	<b>3,960,947,247</b>	<b>-</b>	<b>6,327,896,337</b>
<b>Non-current liabilities</b>					
Provisions for risks and charges	[B4]	169,715,903	263,617,114	-	433,333,017
Employee termination benefits	[B5]	1,104,752,137	2,824,300	-	1,107,576,437
Financial liabilities attributable to BancoPosta	[B6]	-	12,262,575,528	-	12,262,575,528
Financial liabilities		1,600,683,086	-	-	1,600,683,086
Deferred tax liabilities	[C12]	4,080,022	661,611,070	-	665,691,092
Other liabilities	[B9]	71,365,270	1,433,635,408	-	1,505,000,678
<b>Total</b>		<b>2,950,596,418</b>	<b>14,624,263,420</b>	<b>-</b>	<b>17,574,859,838</b>
<b>Current liabilities</b>					
Provisions for risks and charges	[B4]	633,471,000	63,641,713	-	697,112,713
Trade payables	[B8]	1,469,601,116	128,776,606	-	1,598,377,722
Current tax liabilities		199,316,209	-	-	199,316,209
Other liabilities	[B9]	1,393,124,532	62,325,038	-	1,455,449,570
Financial liabilities attributable to BancoPosta	[B6]	-	65,674,172,546	-	65,674,172,546
Financial liabilities		700,269,710	-	-	700,269,710
<b>Total</b>		<b>4,395,782,567</b>	<b>65,928,915,903</b>	<b>-</b>	<b>70,324,698,470</b>
<b>Intersegment relations net amount</b>					
		-	(234,020,934)	234,020,934	-
<b>Total equity and liabilities</b>		<b>9,713,328,075</b>	<b>84,280,105,636</b>	<b>234,020,934</b>	<b>94,227,454,645</b>

## Statement of financial position (continued)

## Supplementary statement showing BancoPosta RCF at 31 December 2018

Assets (figures in €)	Note	Capital outside the ring-fence	BancoPosta RCF	Adjustments	Total
<b>Non-current assets</b>					
Property, plant and equipment		1,835,085,847	-	-	1,835,085,847
Investment property		47,574,867	-	-	47,574,867
Intangible assets		448,088,183	-	-	448,088,183
Investments		2,197,594,888	-	-	2,197,594,888
Financial assets attributable to BancoPosta	[A5]	-	51,543,254,591	-	51,543,254,591
Financial assets		814,445,003	-	-	814,445,003
Trade receivables		5,636,510	-	-	5,636,510
Deferred tax assets	[C12]	355,920,150	506,924,702	-	862,844,852
Other receivables and assets	[A8]	89,767,184	1,198,473,866	-	1,288,241,050
<b>Total</b>		<b>5,794,112,632</b>	<b>53,248,653,159</b>	<b>-</b>	<b>59,042,765,791</b>
<b>Current assets</b>					
Trade receivables	[A7]	1,364,913,372	890,724,635	-	2,255,638,007
Current tax assets		88,209,983	-	-	88,209,983
Other receivables and assets	[A8]	322,000,531	543,888,718	-	865,889,249
Financial assets attributable to BancoPosta	[A5]	-	12,319,498,283	-	12,319,498,283
Financial assets		168,104,149	-	-	168,104,149
Cash and deposits attributable to BancoPosta	[A9]	-	3,318,398,871	-	3,318,398,871
Cash and cash equivalents	[A10]	809,105,752	1,318,194,508	-	2,127,300,260
<b>Total</b>		<b>2,752,333,787</b>	<b>18,390,705,015</b>	<b>-</b>	<b>21,143,038,802</b>
<b>Non-current assets held for sale</b>		<b>1,100</b>	<b>-</b>	<b>-</b>	<b>1,100</b>
<b>Intersegment relations net amount</b>		<b>(356,676,897)</b>	<b>-</b>	<b>356,676,897</b>	<b>-</b>
<b>Total assets</b>		<b>8,189,770,622</b>	<b>71,639,358,174</b>	<b>356,676,897</b>	<b>80,185,805,693</b>
<b>Liabilities and equity</b>					
<b>Equity</b>					
Share capital		1,306,110,000	-	-	1,306,110,000
Reserves	[B2]	318,855,702	1,226,858,647	-	1,545,714,349
Retained earnings / (Accumulated losses)		955,113,892	1,651,809,027	-	2,606,922,919
<b>Total</b>		<b>2,580,079,594</b>	<b>2,878,667,674</b>	<b>-</b>	<b>5,458,747,268</b>
<b>Non-current liabilities</b>					
Provisions for risks and charges	[B4]	190,877,886	416,966,342	-	607,844,228
Employee termination benefits	[B5]	1,154,793,669	3,312,610	-	1,158,106,279
Financial liabilities attributable to BancoPosta	[B6]	-	7,375,813,984	-	7,375,813,984
Financial liabilities		77,034,598	-	-	77,034,598
Deferred tax liabilities	[C12]	4,165,110	372,051,769	-	376,216,879
Other liabilities	[B9]	68,114,916	1,274,661,750	-	1,342,776,666
<b>Total</b>		<b>1,494,986,179</b>	<b>9,442,806,455</b>	<b>-</b>	<b>10,937,792,634</b>
<b>Current liabilities</b>					
Provisions for risks and charges	[B4]	728,930,480	94,289,572	-	823,220,052
Trade payables	[B8]	1,329,467,833	158,644,556	-	1,488,112,389
Current tax liabilities		5,548,039	-	-	5,548,039
Other liabilities	[B9]	1,732,354,902	38,658,477	-	1,771,013,379
Financial liabilities attributable to BancoPosta	[B6]	-	59,382,968,337	-	59,382,968,337
Financial liabilities		318,403,595	-	-	318,403,595
<b>Total</b>		<b>4,114,704,849</b>	<b>59,674,560,942</b>	<b>-</b>	<b>63,789,265,791</b>
<b>Intersegment relations net amount</b>		<b>-</b>	<b>(356,676,897)</b>	<b>356,676,897</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>8,189,770,622</b>	<b>71,639,358,174</b>	<b>356,676,897</b>	<b>80,185,805,693</b>

## Statement of profit or loss

(figures in €)	Note	FY 2019	of which, related party transactions	FY 2018	of which, related party transactions
Revenue from sales and services	[C1]	8,540,946,485	3,523,917,698	8,418,637,346	3,221,472,952
Other income from financial activities	[C2]	383,707,355	-	418,410,968	-
Other operating income	[C3]	478,311,303	358,299,023	452,027,254	394,007,364
<i>of which, non-recurring income</i>			-	116,400,000	-
<b>Total revenue</b>		<b>9,402,965,143</b>		<b>9,289,075,568</b>	
Cost of goods and services	[C4]	1,854,255,032	921,806,625	1,725,383,442	584,671,424
Expenses from financial activities	[C5]	99,906,997	26,550,722	50,289,658	7,168,015
Personnel expenses	[C6]	5,702,348,094	57,722,241	5,946,572,100	47,829,321
Depreciation, amortisation and impairments	[C7]	674,243,350	-	473,835,028	-
Capitalised costs and expenses		(20,982,783)	-	(12,479,459)	-
Other operating costs	[C8]	195,995,317	6,351,404	305,942,657	6,150,031
Impairment loss/(reversal) on debt instruments, receivables and other assets	[C9]	40,830,116	749,805	21,563,259	(3,211,838)
<b>Operating profit/(loss)</b>		<b>856,369,020</b>		<b>777,968,883</b>	
Finance costs	[C10]	58,769,029	2,775,255	69,963,475	356,260
Finance income	[C10]	70,444,039	54,180,877	44,290,759	29,389,665
Impairment loss/(reversal) on financial instruments	[C11]	45,457,823	32,571	19,878,102	19,885,407
<i>of which, non-recurring costs</i>		45,443,654		-	
<b>Profit/(Loss) before tax</b>		<b>822,586,207</b>		<b>732,418,065</b>	
Income tax expense	[C12]	162,054,754	-	148,651,799	-
<b>Profit for the year</b>		<b>660,531,453</b>		<b>583,766,266</b>	

## Statement of comprehensive income

(figures in €)	Note	FY 2019	FY 2018
<b>Net profit/(loss) for the year</b>		<b>660.531.453</b>	<b>583.766.266</b>
<b>Items to be reclassified in the Statement of profit or loss for the year</b>			
FVOCI debt instruments			
Increases/(decreases) in fair value during the year	[tab. B3]	1,703,465,640	(1,897,523,762)
Transfers to profit or loss		(242,941,853)	(384,662,933)
Increase/(Decrease) for expected credit loss		(1,692,638)	(769,501)
Cash flow hedges			
Increases/(decreases) in fair value during the year	[tab. B3]	95,566,193	191,444,411
Transfers to profit or loss		(58,881,475)	19,285,494
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the year		(426,498,199)	591,321,895
<b>Items not to be reclassified in the Statement of profit or loss for the year</b>			
FVOCI equity instruments			
Increases/(decreases) in fair value during the year		1,203,368	-
Transfers to equity		(112,089)	105,354
Actuarial gains/(losses) on provisions for employee termination benefits	[tab. B5]	(68,414,816)	16,402,715
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		19,202,952	(4,674,568)
<b>Total other comprehensive income</b>		<b>1,020,897,083</b>	<b>(1,469,070,895)</b>
<b>Total comprehensive income for the year</b>		<b>1,681,428,536</b>	<b>(885,304,629)</b>

## Statement of changes in equity

(figures in €)	Equity									Total
	Share capital	Treasury shares	Reserve					Retained earnings / (Accumulated losses)		
			Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Incentive plans reserve			
<b>Balance at 1 January 2018</b>	<b>1,306,110,000</b>	-	<b>299,234,320</b>	<b>1,000,000,000</b>	<b>1,563,748,577</b>	<b>(61,271,616)</b>	-	<b>2,284,401</b>	<b>2,769,889,352</b>	<b>6,879,995,034</b>
Total comprehensive income for the year	-	-	-	-	(1,631,547,110)	150,642,714	-	-	595,599,767	(885,304,629)
Dividends paid	-	-	-	-	-	-	-	-	(548,566,200)	(548,566,200)
Merger contribution	-	-	-	-	-	-	-	12,623,063	-	12,623,063
Injection of fresh capital into BancoPosta RFC	-	-	-	210,000,000	-	-	-	-	(210,000,000)	-
<b>Balance at 31 December 2018</b>	<b>1,306,110,000</b>	-	<b>299,234,320</b>	<b>1,210,000,000</b>	<b>(67,798,533)</b>	<b>89,371,098</b>	-	<b>14,907,464</b>	<b>2,606,922,919</b>	<b>5,458,747,268</b>
of which attributable to BancoPosta RFC	-	-	-	1,210,000,000	(71,408,519)	88,267,166	-	-	1,651,809,027	2,878,667,674
Total comprehensive income for the year	-	-	-	-	1,043,734,128	26,198,100	-	-	611,496,308*	1,681,428,536
2018 dividends paid	-	-	-	-	-	-	-	-	(573,675,747)	(573,675,747)
Interim dividend on FY 2019 profits	-	-	-	-	-	-	-	-	(200,331,213)	(200,331,213)
Purchase of treasury shares	-	(39,999,994)	-	-	-	-	-	-	(4,775)	(40,004,769)
Incentive plans	-	-	-	-	-	-	1,732,262	-	-	1,732,262
<b>Balance at 31 December 2019</b>	<b>1,306,110,000</b>	<b>(39,999,994)</b>	<b>299,234,320</b>	<b>1,210,000,000</b>	<b>975,935,595</b>	<b>115,569,198</b>	<b>1,732,262</b>	<b>14,907,464</b>	<b>2,444,407,492</b>	<b>6,327,896,337</b>
of which attributable to BancoPosta RFC	-	-	-	1,210,000,000	969,900,776	115,060,097	88,390	-	1,665,897,984	3,960,947,247

\* This item includes profit for the period of €661 million and actuarial losses on provisions for employee termination benefits of €68 million, after the related current and deferred taxation.

## Consolidated statement of cash flows

(€000)	Note	FY 2019	FY 2018
<b>Cash and cash equivalents at beginning of year</b>		<b>2,127,300</b>	<b>2,038,504</b>
First-time adoption IFRS 9		-	(7)
<b>Cash and cash equivalents at beginning of year</b>		<b>2,127,300</b>	<b>2,038,497</b>
Profit/(Loss) before tax		822,586	732,418
Depreciation, amortisation and impairments	[tab. C7]	674,242	473,835
Impairments/(Reversals of impairments) of investments	[tab. A5.1]	32,435	121,156
Net provisions for risks and charges	[tab. B4]	379,449	563,971
Use of provisions for risks and charges	[tab. B4]	(680,613)	(669,368)
Employee termination benefits paid	[tab. B5]	(137,496)	(88,652)
(Gains)/losses on disposals	[tab. C8]	(1,260)	(115,563)
Impairment loss/(reversal) on financial instruments		45,456	19,867
(Dividends)		(6,309)	(16,981)
Dividends received		6,309	16,981
(Finance income in form of interest)	[tab. C10.1]	(59,424)	(23,061)
Interest received		66,189	20,466
Interest expense and other finance costs	[tab. C10.2]	55,042	65,732
Interest paid		(12,771)	(59,378)
Losses and impairment losses/(Reversals of impairment losses) on receivables	[tab. C9]	43,843	20,649
Income tax paid	[tab. C12.3]	(226,545)	(268,048)
Other changes		1,698	-
<b>Cash generated by operating activities before movements in working capital</b>	<b>[a]</b>	<b>1,002,831</b>	<b>794,024</b>
Movements in working capital:			
(Increase)/decrease in Trade receivables		(111,819)	(216,303)
(Increase)/decrease in Other receivables and assets		202,440	144,191
Increase/(decrease) in Trade payables		110,266	286,399
Increase/(decrease) in Other liabilities		(310,203)	137,009
<b>Cash flow generated by/(used in) movements in working capital</b>	<b>[b]</b>	<b>(109,316)</b>	<b>351,296</b>
Increase/(decrease) in financial liabilities attributable to BancoPosta		7,439,890	4,722,213
Net cash generated by/(used for) financial assets		(527,361)	(1,771,796)
(Increase)/decrease in other financial assets attributable to BancoPosta		(5,864,049)	(935,205)
(Increase)/decrease in cash and deposits attributable to BancoPosta		(984,385)	(122,308)
(Income)/Expense and other non-cash components from financial activities		(908,131)	(1,063,845)
<b>Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta</b>	<b>[c]</b>	<b>(844,036)</b>	<b>829,059</b>
<b>Net cash flow from/(for) operating activities</b>	<b>[d]=[a+b+c]</b>	<b>49,479</b>	<b>1,974,379</b>
- of which related party transactions		780,467	2,607,150
Investing activities:			
Property, plant and equipment	[tab. A1]	(339,021)	(215,798)
Investment property	[tab. A2]	(733)	(430)
Intangible assets	[tab. A3]	(303,190)	(242,345)
Investments		(40,817)	(242,344)
Other financial assets		(39,182)	(11,432)



(€000)	Note	FY 2019	FY 2018
<i>Disposals:</i>			
Property, plant and equipment, investment property and assets held for sale		1,771	2,129
Investments		1,437	120,000
Other financial assets		69,463	187,269
Mergers		(86,078)	4,140
<b>Net cash flow from /(for) investing activities</b>	<b>[e]</b>	<b>(736,350)</b>	<b>(398,811)</b>
- of which related party transactions		(50,441)	130,415
Proceeds from/(Repayments of) long-term borrowings		573,000	-
Increase/(decrease) in short-term borrowings		6,922	(938,200)
Dividends paid	[B1]	(774,007)	(548,565)
Sale/(purchase) of treasury shares		(40,000)	-
<b>Net cash flow from/(for) financing activities and shareholder transactions</b>	<b>[f]</b>	<b>(234,085)</b>	<b>(1,486,765)</b>
- of which related party transactions		(60,060)	(408,638)
<b>Net increase/(decrease) in cash</b>	<b>[g]=[d+e+f]</b>	<b>(920,956)</b>	<b>88,803</b>
<b>Cash and cash equivalents at end of year</b>	<b>[tab. A11]</b>	<b>1,206,344</b>	<b>2,127,300</b>
<b>Cash and cash equivalents at end of year</b>	<b>[tab. A11]</b>	<b>1,206,344</b>	<b>2,127,300</b>
Cash subject to investment restrictions		(123,810)	(930,168)
Escrow account with the Italian Treasury		-	(71,654)
Amounts that cannot be drawn on due to court rulings		(18,140)	(17,910)
<b>Unrestricted net cash and cash equivalents at end of year</b>		<b>1,064,394</b>	<b>1,107,568</b>

## 6.2 Information on BancoPosta RFC

As required by art. 2, paragraphs 17-*octies et seq.* of Law 10 of 26 February 2011, converting Law Decree 225 of 29 December 2010, in order to identify ring-fenced capital for the purposes of applying the Bank of Italy's prudential requirements to BancoPosta's operations and for the protection of creditors, at the General Meeting held on 14 April 2011 Poste Italiane SpA's shareholder approved the creation of ring-fenced capital to be used exclusively in relation to BancoPosta's operations (BancoPosta Ring-fenced Capital or BancoPosta RFC), as governed by Presidential Decree 144 of 14 March 2001, and established the assets and contractual rights to be included in the ring-fence as well as By-laws governing its organisation, management and control. BancoPosta RFC was provided originally with an initial reserve of €1 billion through the attribution of Poste Italiane SpA's retained earnings. The resolution of 14 April 2011 became effective on 2 May 2011, the date on which it was filed with the Companies' Register. 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.

The separation of BancoPosta from Poste Italiane SpA is only partly comparable to other ring-fenced capital solutions. Indeed, BancoPosta is not expected to meet the requirements of articles 2447 *bis et seq.* of the Italian Civil Code or for other special purpose entities, in that it has not been established for a single specific business but rather, pursuant to Presidential Decree 144 of 14 March 2001, for several types of financial activities to be regularly carried out for an unlimited period of time. For this reason, the above legislation does not impose the 10% limit on BancoPosta's equity, waiving the provisions of the Italian Civil Code unless expressly cited as applicable.

### Nature of assets and contractual rights and authorisations

BancoPosta's assets, contractual rights and authorisations pursuant to notarial deed were conferred on BancoPosta RFC exclusively by Poste Italiane SpA without third-party contributions. BancoPosta's operations consist of those listed in Presidential Decree 144 of 14 March 2001, as amended<sup>78</sup>, with the exception of activities linked to card payments and payment services, carried out by the subsidiary, PostePay SpA. More details on this aspect are provided below:

- the collection of all forms of savings deposit from the public in accordance with art. 11, para. 1 of Legislative Decree 385/1993 of 1 September 1993 - Consolidated Banking Law (Testo Unico Bancario, or TUB) - and all related and consequent activities;
- the collection of savings through postal securities and deposits;
- payment services, including the issuance, administration and sale of prepaid cards and other payment instruments pursuant to art. 1, para. 2, letter f) numbers 4) and 5), TUB;
- foreign currency exchange services;
- promotion and arrangement of loans issued by approved banks and financial brokers;
- investment and related services pursuant to art. 12, Presidential Decree 144/2001;
- debt collection services;
- professional gold trading, on own behalf or on behalf of third parties, in accordance with the requirements of Law 7 of 17 January 2000.

All of the assets and rights arising out of various contracts, agreements and legal transactions related to the above activities have also been conferred on BancoPosta RFC.

78. As revised on the issuance of Law Decree 179 of 18 October 2012 converted into law with amendments by Law 221 of 17 December 2012.

Following the receipt of clearance from the Bank of Italy, the General Meeting of Poste Italiane held on 29 May 2018 approved the proposed removal of the assets, liabilities and contractual rights attributable to the card payments and payment services business unit from the ring-fence that applies to BancoPosta RFC. On 1 October 2018, this business unit was transferred to the subsidiary PostePay SpA, in assets earmarked for monetics and payment services, in order to enable the latter to operate as an Electronic Money Institution (EMI)<sup>79</sup>.

## BancoPosta RFC's operations

BancoPosta RFC's operations consist of the investment of cash held in postal current accounts, in the name of BancoPosta but subject to statutory restrictions, and the management of third parties' collections and remittances. This latter activity includes the collection of postal savings (Postal Savings Books and Interest-bearing Postal Certificates), carried out on behalf of Cassa Depositi e Prestiti and the MEF, and services delegated by Public Administration entities. These transactions involve the use of cash advances from the Italian Treasury and the recognition of financial items awaiting settlement. The specific agreement with the MEF requires BancoPosta to provide daily statements of all cash flows, with a delay of two bank working days with respect to the transaction date.

In compliance with the 2007 Budget Law, from 2007 the Company is required to invest the funds raised from deposits paid into postal current accounts by private customers in euro area government securities<sup>80</sup>. Funds deposited by Public Administration entities are, instead, deposited with the Ministry of the Economy and Finance and earn a variable rate of return linked to a basket of government securities, in accordance with a specific agreement with the MEF regarding treasury services, renewed on 6 May 2019 and covering the two-year period 2019-2020. In addition, under the agreement with the MEF, expired on 31 December 2019 and being renewed, a percentage of the funds deriving from private customer deposits may be placed in a special "Buffer" account at the MEF, with the objective of ensuring flexibility with regard to investments in view of daily movements in amounts payable to current account holders. These deposits are remunerated at a variable rate calculated on the basis of the Euro OverNight Index Average (EONIA)<sup>81</sup> rate.

## Cost and revenue allocation and measurement of operations contracted out by BancoPosta RFC

Given the fact that Poste Italiane is a single legal entity, the Company's general accounting system maintains its uniform characteristics and capabilities. In this context, the general principles governing administrative and accounting aspects of BancoPosta RFC are as follows:

- Identification of transactions in Poste Italiane SpA's general ledgers relating to BancoPosta's ring-fenced operations which are then extracted for recording in BancoPosta's separate ledgers.
- Allocation to BancoPosta RFC of all relevant revenue and costs; in particular the services rendered by the different functions of Poste Italiane SpA to BancoPosta RFC, are exclusively recorded as payables in BancoPosta's separate books, in special intersegment accounts only, and subsequently settled.
- Settlement of all incoming and outgoing third party payments by Poste Italiane SpA's Chief Financial Office.
- Allocation of income taxes based on BancoPosta RFC's separate report after adjusting for deferred taxation.
- Reconciliation of BancoPosta's separate books to Poste Italiane's general ledger.

79. The business unit consists of assets and contractual rights linked to:

*Own products:* prepaid cards (card payments), payment services, acquiring services, tax payments using forms F23/F24 and international money transfers (Moneygram) forming part of the operations carried out independently by the EMI. In particular, these products are issued by the EMI, which is responsible for their conception, development and management, whilst BancoPosta RFC acts as distributor of the products through the Group's physical distribution network.

*Products handled under service agreements:* payment products and services and money transfers carried out exclusively within the scope of BancoPosta RFC's operations, as they are "reserved to" the ring-fence by Presidential Decree 144/01. In particular, with the aim of leveraging the infrastructure of the hybrid EMI, BancoPosta has outsourced operations relating to payment products and services issued by BancoPosta, and distributed by BancoPosta through Poste Italiane's physical network, to the EMI under an outsourcing agreement between BancoPosta and the EMI.

80. Following the amendment of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014), it became possible for BancoPosta RFC to invest up to 50% of its deposits in securities guaranteed by the Italian government.

81. The rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to ECB by a panel of banks operating in the euro zone (the biggest banks in all the euro zone countries).

Part IV of Chapter 1 of the Supervisory Standards in Bank of Italy Circular 285/2013, addressing specific aspects relating to Poste Italiane in respect of BancoPosta RFC's operations, govern the process of contracting out BancoPosta's corporate functions to Poste Italiane, whilst the outsourcing of operations to entities external to Poste Italiane is covered by the regulations applicable to banks.

In compliance with the Circular, the Regulation governing BancoPosta RFC's contracting out and outsourcing process approved by the Board of Directors<sup>82</sup> these services are in turn classified as essential and non-essential control and operating functions.

BancoPosta RFC may therefore both outsource operating activities, entering into agreements with third parties, and contract out certain operating or control activities to Poste Italiane functions, agreeing "Specific Operating Guidelines" with the heads of the various functions. The Operating Guidelines establish, among other things, the applicable levels of service and transfer prices and are effective following an authorisation process involving the relevant functions, the Chief Executive Officer and, where required, the Company's Board of Directors. The transfer prices set out in the Operating Guidelines are determined according to objective criteria that reflect the real contribution of the various functions to BancoPosta RFC's results. The transfer prices paid, inclusive of commissions and any other form of remuneration due, are determined on the basis of market prices and tariffs for the same or similar services, identified, where possible, following a benchmarking process. When the specifics and/or the particular nature of a service provided by one of the Issuer's functions do not allow the use of a comparable market price, a cost-based method is used, again with the support of benchmarking to ensure that the price charged is adequate for the service provided. In such a case, an adequate mark-up, defined on the basis of appropriate analyses of comparable subjects, shall be applied. The prices set in each Operating Guidelines can be reduced in the presence of operating losses of the activities outsourced or in case of penalties due to the failure to achieve pre-established service levels, as measured by specific performance indicators. The Disciplines, in force until 31 December 2020, are reviewed every two years.

The following table includes a summary of the services provided to BancoPosta RFC by the Issuer's functions, with a brief indication of how the transfer prices are determined.

Function	Allocation key
Post Office Network	Percentage of net income generated by product/service category
Information Technology	Fixed component: recharge of costs based on direct and indirect drivers Variable component: determined with reference to the maintenance of operating performance
Back-office and Customer Care	Fees by professional role based on market benchmarks + recharge of external costs Market prices for similar services
Postal and logistics services	Prices for mail sent to customers and internal mail
Real Estate	Market prices with reference to floor space and maintenance costs
Legal Affairs	Fees by professional role based on market benchmarks + recharge of external costs
Group Risk Governance and Security and Safety	
Human Resources, Organisation	
External Relations	
Chief Financial Office	Fees by professional role based on market benchmarks
Purchases	
Internal Auditing	
Anti-Money Laundering	
Compliance	

■ Important Operational Functions    ■ Control Functions

The relevant transactions, profit and loss and statement of financial position amounts, generated by these relationships are only recorded in BancoPosta RFC's Separate Report. In Poste Italiane SpA's comprehensive accounts intersegment transactions are on the other hand eliminated, and are not presented. The accounting treatment adopted is similar to that provided for by the accounting standards regulating the preparation of the Group's consolidated financial statements.

82. The Regulation was revised on 31 January 2019.

## Obligations

Poste Italiane SpA's liability, pursuant to art. 2, paragraph 17-nonies of Law Decree 225 of 29 December 2010 converted into Law 10, to creditors of BancoPosta RFC is limited to the ring-fenced capital, represented by the assets and contractual rights originally allocated or arisen after the separation. Poste Italiane's liability is, however, unlimited with respect to claims arising from actions in tort relating to the management of BancoPosta or for transactions for which no indication was made that the obligation was taken specifically by BancoPosta RFC.

The Regulation approved at the Extraordinary General Meeting of Poste Italiane SpA's shareholder on 14 April 2011, and subsequently amended on 31 January 2019, provides that, where necessary, BancoPosta RFC's equity shall be sufficient to ensure that it is able to comply with supervisory capital requirements and is aligned with the risk profile of its operations.

## Separate Report

BancoPosta RFC's Separate Report is prepared in application of Bank of Italy Circular 262 of 22 December 2005 - Banks' Financial Statements: Layouts and Preparation, as amended. The application of these regulations, whilst in compliance with the same accounting standards adopted by Poste Italiane SpA, requires the use of a different basis of presentation for certain components of profit or loss and the statement of financial position compared with the basis of presentation adopted for the statutory financial statements.

In this regard, the following table shows a reconciliation of the components of BancoPosta RFC's equity, as shown in the Company's statement of financial position and in the Separate Report<sup>83</sup>.

(€m)				
	Separate Report item	110	140	180
Item in supplementary statement		Valuation reserves	Reserves	Profit for the year
Reserves	2,295	1,085	1,210	-
BancoPosta RFC reserve	1,210	-	1,210	-
Fair value reserve	970	970	-	-
Cash flow hedge reserve	115	115	-	-
Retained earnings / (Accumulated losses)	1,666	(2)	1,057	611
Profit	1,668	-	1,057	611
Cumulative actuarial gains/(losses) on defined benefit plans	(2)	(2)	-	-
<b>Total</b>	<b>3,961</b>	<b>1,083</b>	<b>2,267</b>	<b>611</b>

Exclusively for the purposes of the presentation of the Separate Report, the transactions between BancoPosta RFC and the Company's functions not included therein are reported. In this document they are accurately and completely represented, together with the positive and negative income components that generated them.

83. Actuarial gains and losses on defined benefit plans, which in the Company's financial statements are accounted for in retained earnings, are accounted for in the valuation reserves in the Separate Report (Item 110 of Liabilities).

## Further regulatory aspects

Pursuant to art. 2, paragraph 17-*undecies* of Law Decree 225<sup>84</sup> of 29 December 2010, which states that “the assets and contractual rights included in BancoPosta’s ring-fenced capital shall be shown separately in the Company’s statement of financial position”, Poste Italiane SpA’s statement of financial position includes a Supplementary statement showing BancoPosta RFC.

On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC, which, in taking into account the entity’s specific organisational and operational aspects, has established prudential requirements that are substantially in line with those applicable to banks. These include regulations covering the organisational structure and governance, the system of internal controls and the requirements regarding capital adequacy and risk containment.

Furthermore, BancoPosta RFC’s Regulation states that “In view of the absence of non-controlling interests in BancoPosta RFC, on approval of Poste Italiane SpA’s financial statements, the General Meeting shall – on the recommendation of the Board of Directors – vote on the appropriation of the Company’s profit for the year, and in particular: the portion of BancoPosta RFC, as shown in the related statement, taking account of its specific rules and, in particular, the need to comply with prudential supervisory capital requirements (...)”.

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84. Converted into Law 10 of 26 February 2011.

## 6.3 Notes to the statement of financial position

### Assets

#### A1 – Property, plant and equipment (€1,887 million)

Movements in property, plant and equipment are as follows:

tab. A1 - Movements in property, plant and equipment

(€m)	Land	Properties used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and advances	Total
Cost	75	2,852	1,997	317	510	1,722	34	7,507
Accumulated depreciation	-	(1,756)	(1,677)	(290)	(311)	(1,567)	-	(5,601)
Impairment losses	-	(59)	(1)	(1)	(11)	-	-	(72)
<b>Balance at 1 January 2019</b>	<b>75</b>	<b>1,037</b>	<b>319</b>	<b>26</b>	<b>188</b>	<b>155</b>	<b>34</b>	<b>1,834</b>
<b>Changes during the year</b>								
Additions	-	43	105	18	51	61	61	339
Extraordinary transactions	-	-	-	-	-	4	-	4
Reclassifications	-	7	7	1	6	4	(25)	-
Depreciation	-	(108)	(70)	(9)	(40)	(68)	-	(295)
(Impairments)/Reversal of impairment losses	-	3	-	-	2	-	-	5
<b>Total changes</b>	<b>-</b>	<b>(55)</b>	<b>42</b>	<b>10</b>	<b>19</b>	<b>1</b>	<b>36</b>	<b>53</b>
Cost	75	2,902	2,081	329	562	1,781	70	7,800
Accumulated depreciation	-	(1,864)	(1,719)	(292)	(346)	(1,625)	-	(5,846)
Impairment losses	-	(56)	(1)	(1)	(9)	-	-	(67)
<b>Balance at 31 December 2019</b>	<b>75</b>	<b>982</b>	<b>361</b>	<b>36</b>	<b>207</b>	<b>156</b>	<b>70</b>	<b>1,887</b>

None of the above items is attributable to BancoPosta RFC.

At 31 December 2019, property, plant and equipment includes assets located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term. These assets have a total carrying amount of €40 million.

Capital expenditure of €339 million in 2019 consists largely of:

- €105 million relating to plant, of which €44 million was for plant and equipment related to buildings, €24 million for the purchase of equipment for use in the sorting of letters and processing of parcels, €22 million for the purchase of telecommunications infrastructure and €11 million for the installation of ATMs (Automated Teller Machines);
- €61 million relating to Other assets, including €49 million for the purchase of new computer hardware for Post Offices and head offices and the consolidation of storage systems;
- €51 million invested in the upgrade of plant (€28 million) and the structure (€23 million) of properties held under lease;
- €43 million relating to extraordinary maintenance of Post Offices and local head offices around the country (€26 million) and mail sorting offices (€14 million).

Investments in progress amount to €61 million, including €25 million for restyling work on the Post Offices, €14 million for the purchase of hardware and other technological equipment not yet included in the production process and €13 million for renovation work on the CPD (Primary Distribution Centres).

Reclassifications from property, plant and equipment under construction amounted to €25 million and refer mainly to the purchase cost of assets that became available and ready for use during the year; in particular, they refer to the completion of restyling work on leased and owned buildings and the activation of hardware stored in warehouse.

## A2 – Investment property (€44 million)

Investment property primarily regards former service accommodation owned by Poste Italiane SpA pursuant to Law 560 of 24 December 1993, and residential accommodation previously used by Post Office directors. None of the above items is attributable to BancoPosta RFC.

tab. A2 - Movements in investment property

(€m)	FY 2019
Cost	139
Accumulated depreciation	(91)
Impairment losses	-
<b>Balance at 1 January</b>	<b>48</b>
Changes during the year	
Additions	1
Depreciation	(4)
<b>Total changes</b>	<b>(3)</b>
Cost	139
Accumulated depreciation	(95)
<b>Balance at 31 December</b>	<b>44</b>
<b>Fair value at 31 December</b>	<b>100</b>

The fair value of investment property at 31 December 2019 includes €66 million representing the sale price applicable to the Parent Company's former accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects market price estimates computed internally by the Company<sup>85</sup>.

Most of the properties included in this category are subject to lease agreements classifiable as operating leases, given that Poste Italiane SpA retains substantially all the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six-month notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

85. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, service accommodation qualifies for level 3, while the other investment property qualifies for level 2.



## A3 – Intangible assets (€562 million)

The following table shows movements in intangible assets:

tab. A3 - Movements in intangible assets

(€m)	Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights	Concessions, licences, trademarks and similar rights	Assets under construction and advances	Total
Cost	2,743	2	146	2,891
Accumulated amortisation and impairments	(2,441)	(2)	-	(2,443)
<b>Balance at 1 January 2019</b>	<b>302</b>	<b>-</b>	<b>146</b>	<b>448</b>
<b>Changes during the year</b>				
Additions	126	-	177	303
Extraordinary transactions	2	-	-	2
Reclassifications	110	-	(110)	-
Disposals	-	-	(1)	(1)
Depreciation, amortisation and impairments	(191)	-	-	(191)
<b>Total changes</b>	<b>47</b>	<b>-</b>	<b>66</b>	<b>113</b>
Cost	3,003	2	212	3,218
Accumulated amortisation and impairments	(2,654)	(2)	-	(2,656)
<b>Balance at 31 December 2019</b>	<b>349</b>	<b>-</b>	<b>212</b>	<b>562</b>

None of the above items is attributable to BancoPosta RFC.

Investment in Intangible assets during 2019 amounts to €303 million, including €20 million in internal software development costs and the related expenses, primarily relating to personnel expenses (€16 million). Research and development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Company, are not capitalised.

The increase in **industrial patents and intellectual property rights**, totalling €126 million, before amortisation for the year, relates primarily to the purchase and entry into service of new software programmes following the purchase of software licences.

**Purchases of intangible assets under construction** refer mainly to activities for the development of software for infrastructure platforms and for BancoPosta services.

The balance of **intangible assets under construction** includes activities regarding the development for software relating to the infrastructure platform (€83 million), for BancoPosta services (€52 million), for use in providing support to the sales network (€35 million), for the postal products platform (€24 million) and for the engineering of reporting processes (€17 million).

During the year the Group effected reclassifications from intangible assets under construction to industrial patents, intellectual property, rights, concessions, licences, trademarks and similar rights, amounting to €110 million, reflecting the completion and commissioning of software and the upgrade of existing software.

## A4 – Right-of-use assets (€1,119 million)

Movements in this item during the year are shown in note 3 – *Changes to accounting policies*.

## A5 – Investments (€2,205 million)

This item includes the following:

tab. A5 - Investments

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Investments in subsidiaries	1,697	1,705
Investments in joint ventures	-	279
Investments in associates	508	214
<b>Total</b>	<b>2,205</b>	<b>2,198</b>

No investments are attributable to BancoPosta RFC.

Changes in equity investments in subsidiaries and associates are shown below:

Tab. A5.1 - Change in investments in FY 2019

Investments (€m)	Balance at 01/01/2019	Additions			Reductions			Impairment losses		Balance at 31/12/2019
		Subscriptions /Payments on capital a/c	Purchases, mergers	Reclass. Non-current assets held for sale	Incentive plans	Sales, liquidations, mergers, de- mergers	Reclass. Non-current assets held for sale	Write- back	(Write- down)	
<b>in subsidiaries</b>										
BancoPosta Fondi SpA SGR	9	-	-	-	-	-	-	-	-	9
CLP ScpA	-	-	-	-	-	-	-	-	-	-
Consorzio PosteMotori	-	-	-	-	-	-	-	-	-	-
Cons. per i Servizi di Telefonia Mobile ScpA	-	-	-	-	-	-	-	-	-	-
EGI SpA	170	-	-	-	-	-	-	-	-	170
Indabox Srl	2	-	-	-	-	-	-	-	-	2
Poste Air Cargo Srl	1	-	-	-	-	-	-	-	-	1
PatentiViaPoste ScpA	-	-	-	-	-	-	-	-	-	-
Poste Tributi ScpA (in liquidation)	-	-	-	-	-	-	-	-	-	-
Poste Vita SpA	1,219	-	-	-	-	-	-	-	-	1,219
Postel SpA	82	-	-	-	-	-	-	-	-	82
PostePay SpA	200	-	-	-	-	-	-	-	-	200
SDA Express Courier SpA	22	25	-	-	-	(1)	-	-	(32)	14
<b>Total subsidiaries</b>	<b>1,705</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(32)</b>	<b>1,697</b>
<b>in associates</b>										
FSIA Investimenti Srl	279	15	-	-	-	-	-	-	-	294
ItaliaCamp Srl	-	-	-	-	-	-	-	-	-	-
Anima Holding SpA	214	-	-	-	-	-	-	-	-	214
Conio Inc.	-	-	-	-	-	-	-	-	-	-
<b>Total associates</b>	<b>493</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>508</b>
<b>Total</b>	<b>2,198</b>	<b>40</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(32)</b>	<b>2,205</b>

The following movements occurred in 2019:

- Payment to SDA Express Courier SpA of a total of €25 million to cover losses incurred through 30 September 2019, reduction and simultaneous replenishment of share capital of €5 million and creation of an available reserve, as approved by the subsidiary's extraordinary general meeting of 27 November 2019;
- Capital contribution in favour of FSIA Investimenti Srl of a total of €15 million made on 4 October 2019. In addition, as described in Note 4 - Significant events during the year, at 31 December 2019, the investment was classified as an associate instead of the previous joint control;
- Sale, on 25 June 2019, of the Information & Communication Technology business unit of SDA Express Courier SpA to Poste Italiane with effect from 1 July 2019;
- Completion, on 21 October 2019, of the partial de-merger of SDA Express Courier SpA in favour of Poste Italiane, the business unit relating to the commercial and customer service activities of Express Courier and Parcels. The legal, accounting and tax effects of the transaction start on 1 November 2019;
- On 5 June 2019, the company Risparmio Holding SpA, already in liquidation, was removed from the register of companies.

Finally, with effect from 1 October 2019, the company Mistral Air Srl, following the change of the corporate mission, changed its name to Poste Air Cargo Srl.

The main corporate actions during 2019, are described in notes 4.1 – Principal corporate actions.

The impairment tests required by the related accounting standards have been conducted in order to identify any evidence of impairment. Based on the available information and the results of the impairment tests carried out<sup>86</sup>, the value of the investment in SDA Express Courier SpA was reduced by €32 million. In particular, in the valuation, shareholders' equity was taken as the best approximation of the value in use, which, in the circumstances, was considered not lower than the recoverable value of the companies.

Poste Italiane SpA has committed to providing financial support to the subsidiaries, SDA Express Courier SpA and Poste Air Cargo Srl, for 2020 and Poste Tributi ScpA throughout its liquidation.

86. The method applied and the criteria used in conducting impairment tests at 31 December 2019, are described in note 2.5 – Use of estimates, with regard to the impairment testing of goodwill, cash generating units and investments.

The following table shows a list of investments in subsidiaries and associates at 31 December 2019:

tab. A5.2 - List of investments

Name (€000)	% share	Share capital*	Net profit/ (loss) for the year	Carrying amount of equity	Share of equity	Carrying amount at 31/12/2019	Difference between equity and carrying amount
<b>in subsidiaries</b>							
BancoPosta Fondi SpA SGR	100.00	12,000	16,145	47,516	47,516	8,400	39,116
CLP ScpA	51.00	516	-	738	376	263	113
Consorzio PosteMotori	58.12	120	(170)	120	70	70	-
Consorzio per i Servizi di Telefonia Mobile ScpA	51.00	120	-	116	59	61	(2)
EGI SpA	55.00	103,200	755	238,413	131,127	169,893	(38,766)
Indabox Srl** ***	100.00	50	(143)	171	171	1,550	(1,379)
PatentiViaPoste ScpA	69.65	120	-	124	86	84	2
Poste Air Cargo Srl	100.00	1,000	395	1,213	1,213	845	368
Poste Tributi ScpA (in liquidation)**	88.89	2,325	-	(1,788)	(1,589)	-	(1,589)
Poste Vita SpA**	100.00	1,216,608	680,403	4,294,623	4,294,623	1,218,481	3,076,142
Postel SpA	100.00	20,400	383	83,798	83,798	81,984	1,814
PostePay SpA	100.00	7,561	172,636	382,223	382,223	200,614	181,609
SDA Express Courier SpA	100.00	5,000	(32,091)	14,177	14,177	14,177	-
<b>in associates</b>							
FSIA Investimenti Srl****	30.00	20	326,802	1,307,895	392,369	293,870	98,499
ItaliaCamp Srl*****	20.00	10	311	947	189	2	187
Anima Holding SpA*****	10.04	7,293	102,036	1,236,372	124,132	213,729	(89,597)
Conio Inc.**	19.74	3,115	(150)	2,748	542	486	56

\* Consortium fund in the case of consortia. The registered offices of all the companies are located in Rome, with the exception of Anima Holding SpA and FSIA Investimenti Srl, whose registered offices are in Milan, and Conio Inc., whose registered office is in California (USA).

\*\* These amounts have been calculated under IFRS and, therefore, may not be consistent with those included in the investee company's annual financial statements prepared in accordance with the Civil Code and Italian GAAP and, in the case of Conio Inc., in accordance with US GAAP.

\*\*\* Data derived from the accounts for the period ended 30 June 2019, the latest approved by the company.

\*\*\*\* Figures of the reporting package of the company at 31 December 2019, as approved by its board of directors, and including measurement of the SIA group using the equity method and recognition of the related effects with regard to Purchase Price Allocation.

\*\*\*\*\* Data derived from the accounts for the period ended 31 December 2018, the latest approved by the company.

\*\*\*\*\* Figures taken from the company's latest interim financial statements at 30 September 2019, as approved by its board of directors.

## A6 – Financial assets attributable to BancoPosta (€76,396 million)

tab. A6 - Financial assets attributable to BancoPosta

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Financial assets at amortised cost	23,638	15,815	39,453	21,507	9,890	31,397
Financial assets at FVTOCI	34,474	2,325	36,799	29,777	2,263	32,040
Financial assets at FVTPL	71	-	71	50	8	58
Financial derivatives	69	4	73	209	159	368
<b>Total</b>	<b>58,252</b>	<b>18,144</b>	<b>76,396</b>	<b>51,543</b>	<b>12,320</b>	<b>63,863</b>

The activities in question concern the financial transactions carried out by the Company pursuant to Presidential Decree no. 144 of 14 March 2001, as amended, which, as from 2 May 2011, fall within the scope of RFC (see note 6.2 - Information on BancoPosta RFC).

### Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

tab. A6.1 - Movements in financial assets at amortised cost

Securities (€m)	Loans	Receivables	Fixed income instruments		Total
	Carrying amount	Carrying amount	Nominal value	Carrying amount	Carrying amount
<b>Balance at 1 January 2019</b>	<b>251</b>	<b>8,274</b>	<b>20,935</b>	<b>22,872</b>	<b>31,397</b>
Purchases	66,692		2,305	2,449	69,141
Changes in amortised cost	-		-	(52)	(52)
Changes in fair value through profit or loss	-		-	1,902	1,902
Changes in cash flow hedge transactions*	-		-	40	40
Changes in impairment	-		-	1	1
Net changes	-	4,957	-	-	4,957
Effects of sales on profit or loss	-	-	-	(11)	(11)
Accruals	-		-	177	177
Sales, redemptions and settlement of accrued income	(65,785)		(2,065)	(2,314)	(68,099)
<b>Balance at 31 December 2019</b>	<b>1,158</b>	<b>13,231</b>	<b>21,175</b>	<b>25,064</b>	<b>39,453</b>

\* The item, Changes in cash flow hedges, relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

### Loans

The item refers to outstanding repurchase agreements entered into with Cassa di Compensazione e Garanzia SpA (the Central Counterparty)<sup>87</sup>. These transactions are guaranteed by securities for a total notional amount of €1,086 million.

87. The Central Counterparty is an entity that acts as an intermediary in a transaction between two parties, avoiding the parties' exposure to the risk that one of the counterparties to the agreement may default and guaranteeing successful completion of the transaction.

## Receivables

This item breaks down as follows:

tab. A6.1.1 - Receivables at amortised cost

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Deposits with the MEF	-	7,064	7,064	-	5,927	5,927
Credit	-	7,067	7,067	-	5,930	5,930
Provisions for doubtful amounts deposited with MEF	-	(3)	(3)	-	(3)	(3)
Other financial receivables	-	6,167	6,167	-	2,347	2,347
<b>Total</b>	<b>-</b>	<b>13,231</b>	<b>13,231</b>	<b>-</b>	<b>8,274</b>	<b>8,274</b>

Receivables include:

- **Amounts deposits with the MEF**, including public customers' current account deposits, which earn a variable rate of return, calculated on a basket of government bonds<sup>88</sup>. The deposit has been adjusted to reflect accumulated impairments of approximately €3 million, to reflect the risk of counterparty default (unchanged compared to 31 December 2018).
- **Other financial receivables** include (i) guarantee deposits of €5,660 million, of which €5,181 million provided to counterparties for interest rate swap transactions (with collateral provided by specific Credit Support Annexes), €208 million provided to counterparties for repurchase agreements on fixed income securities (with collateral contemplated by specific Global Master Repurchase Agreements) and €271 million in collateral deposited with the Central Counterparty, in relation to the clearing system (i.e. the Default Fund)<sup>89</sup> and (ii) €50 million in amounts due from the subsidiary PostePay SpA, primarily in the first few days of 2020.

## Fixed income instruments

These regard investments in fixed income euro area government securities, consisting of bonds issued by the Italian government and securities guaranteed by the Italian government, having a nominal value of €21,175 million. At 31 December 2019, the balance of €25,064 million refers to the amortised cost of unhedged fixed income instruments, totalling €10,047 million, and fair-value hedged fixed income instruments, totalling €12,146 million, increased by €2,871 million to take into account the effects of the hedge (€1,902 million in 2019). The value of these securities was adjusted to take into account the related impairments. Accumulated impairments at 31 December 2019 amount to approximately €8 million (€9 million at 31 December 2018). At 31 December 2019, the fair value<sup>90</sup> of these securities was €24,686 million (including €177 million in accrued income).

This category of financial asset includes fixed rate instruments, for a total nominal amount of €3,750 million, issued by Cassa Depositi e Prestiti SpA and guaranteed by the Italian government (at 31 December 2019, their carrying amount totals €3,946 million).

88. The rate in question is calculated as follows: 50% is based on the return on 6-month BOTs, with the remaining 50% based on the ten-year BTP return.

89. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.

90. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €20,613 million of the total amount qualifies for inclusion in level 1 and €4,073 million for inclusion in level 2.

## Financial assets at fair value through other comprehensive income

Movements in financial assets at fair value through other comprehensive income (FVTOCI) are shown below:

tab. A6.2 - Movements in financial assets at FVTOCI

Securities (€m)	Fixed income instruments	
	Nominal value	Fair value
<b>Balance at 1 January 2019</b>	<b>30,229</b>	<b>32,040</b>
Purchases	11,870	12,170
Transfers to equity reserves	-	(291)
Changes in amortised cost	-	(7)
Changes in fair value through equity	-	1,702
Changes in fair value through profit or loss	-	2,056
Changes in cash flow hedge transactions*	-	225
Effects of sales on profit or loss	-	350
Accruals	-	318
Sales, redemptions and settlement of accrued income	(10,929)	(11,764)
<b>Balance at 31 December 2019</b>	<b>31,170</b>	<b>36,799</b>

\* The item, Changes in cash flow hedges, relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

### Fixed income instruments

These are Eurozone fixed income instruments, consisting of government securities issued by the Italian government with a nominal value of €31,170 million. Total fair value gains for the year amount to €3,758 million, recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges (€1,702 million) and recognised through profit and loss in relation to the hedged portion (€2,056 million). These instruments are subject to impairments recognised in profit or loss with a matching entry in the relevant equity reserve. Accumulated impairments at 31 December 2019 amount to €11 million (€13 million at 31 December 2018).

Certain securities are encumbered as they have been delivered to counterparties for use as collateral in connection with loans and hedging transactions, as described in note 12 – Additional information.

## Financial assets measured at fair value through profit or loss

Below are the movements in financial assets at fair value through profit or loss (FVTPL):

tab. A6.3 - Movements in financial assets at FVTPL

(€m)	Receivables	Equity instruments	Total
	Fair value	Fair value	Fair value
<b>Balance at 1 January 2019</b>	<b>8</b>	<b>50</b>	<b>58</b>
Purchases	-	-	-
Changes in fair value through profit or loss	-	25	25
Net changes	(8)	-	(8)
Effects of sales on profit or loss	-	1	1
Sales, redemptions and settlement of accrued income	-	(5)	(5)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>71</b>	<b>71</b>

### Receivables

In June 2019, the outstanding amount of €8 million due following the sale of Visa Europe Ltd. share to Visa Incorporated was collected.

### Equity instruments

This item, totalling €71 million, reflects the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock) received for the sale of the Visa Europe Ltd. share to Visa Incorporated on 21 June 2016; these shares are convertible at the rate of 13,884<sup>91</sup> ordinary shares for each C share, minus a suitable illiquidity discount (considering the staggered conversion between the fourth and the twelfth year after the closing). Fair value gains in the year under review, amounting to €25 million, have been recognised in profit or loss in "Revenue from financial activities".

In 2019, the Company entered into a forward sale agreement for 400,000 ordinary Visa Incorporated shares at a price of US\$153.46 per share and at an exchange rate of 1.2037. The total consideration is €51 million and the settlement date is 1 March 2021. The ordinary shares involved in the forward sale amount to approximately 28,810 Visa Incorporated (series C) preference shares held in portfolio at the applicable conversion rate at 31 December 2019. The fair value of the forward sale has decreased by €15 million in the reporting year, reflecting movements in both the price of the shares in US dollars and the euro/dollar exchange rate (tab. A6.4). This reduction has been recognised in profit or loss in "Expenses from financial activities".

Finally, in 2019, Poste Italiane sold its previous holding of 11,144 class C Visa Incorporated shares following their prior conversion into class A shares. The transaction in question resulted in a total gain of €1.4 million recognised in profit or loss in "Other income from financial activities".

91. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, as of the reporting date, were considered as merely contingent.



## Derivative financial instruments

Below are movements in derivative financial instruments:

tab. A6.4 - Movements in derivative financial instruments

(€m)	Cash flow hedging						Fair value hedging		FV vs CE				Total	
	Forward purchases		Forward sales		Interest rate swap		Asset swap		Forward purchases		Forward sales		nominal	fair value
	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value		
<b>Balance at 1 January 2019</b>	<b>1,545</b>	<b>94</b>	<b>1,340</b>	<b>61</b>	<b>1,610</b>	<b>(57)</b>	<b>23,590</b>	<b>(1,559)</b>	-	-	-	-	<b>28,085</b>	<b>(1,461)</b>
Increases/(decreases)*	875	120	1,670	(46)	505	24	2,525	(3,971)	-	-	7	(15)	5,582	(3,888)
Gains/(Losses) through profit or loss**	-	-	-	-	-	-	-	(4)	-	-	-	-	-	(4)
Transactions settled***	(2,420)	(214)	(1,730)	(51)	(445)	29	(425)	95	-	-	(7)	-	(5,027)	(141)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>1,280</b>	<b>(36)</b>	<b>1,670</b>	<b>(4)</b>	<b>25,690</b>	<b>(5,439)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15)</b>	<b>28,640</b>	<b>(5,494)</b>
Of which:														
<b>Derivative assets</b>	-	-	-	-	<b>775</b>	<b>62</b>	<b>745</b>	<b>11</b>	-	-	-	-	<b>1,520</b>	<b>73</b>
<b>Derivative liabilities</b>	-	-	<b>1,280</b>	<b>(36)</b>	<b>895</b>	<b>(66)</b>	<b>24,945</b>	<b>(5,450)</b>	-	-	-	<b>(15)</b>	<b>27,120</b>	<b>(5,567)</b>

\* Increases/(decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the period.

\*\* Gains/(losses) through profit or loss refer to any ineffective components of hedges, recognised in other income and other expenses from financial activities.

\*\*\* Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

Cash flow hedge transactions refer to interest rate swaps for a nominal value of €1,670 million (securities hedged at FVTOCI) and forward sales with for nominal value of €1,280 million; the instruments in question underwent an overall net positive change in fair value during the year, due to the effective component of the hedge of €98 million reflected in the cash flow hedge reserve.

Fair value hedges in interest rate swaps refer to securities classified at amortised cost with a nominal value of €11,295 million and securities classified at FVTOCI with a nominal value of €14,395 million; overall, they underwent a net effective negative fair value change of €3,971 million during the year, taking into account the net positive fair value change of €3,958 million in hedged securities (Table A6.1 and A6.2) net of €13 million for differentials paid.

In the year under review, the Company entered into:

- forward purchases for a nominal amount of €875 million and settlement for €2,420 million, of which €1,545 million outstanding at 1 January 2019;
- forward sales for a nominal amount of €1,670 million and settlement for €1,730 million, of which €1,340 million outstanding at 1 January 2019;
- new interest rate swaps designated as cash flow hedges with a nominal value of €505 million;
- new interest rate swaps designated as fair value hedges with a nominal value of €2,525 million;
- a forward sale agreement for 400,000 ordinary Visa Incorporated shares (described above).

## Fair value hierarchy of BancoPosta's financial assets

The following table shows the classification of BancoPosta's financial assets measured at fair value by level in the fair value hierarchy:

tab. A6.5 - Fair value hierarchy

Description (€m)	31/12/2019				31/12/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI	36,506	293	-	36,799	31,780	260	-	32,040
Fixed income instruments	36,506	293	-	36,799	31,780	260	-	32,040
Equity instruments	-	-	-	-	-	-	-	-
Financial assets at FVTPL	-	-	71	71	-	13	45	58
Equity instruments	-	-	71	71	-	5	45	50
Receivables	-	-	-	-	-	8	-	8
Financial derivatives	-	73	-	73	-	368	-	368
<b>Total assets at fair value</b>	<b>36,506</b>	<b>366</b>	<b>71</b>	<b>36,943</b>	<b>31,780</b>	<b>641</b>	<b>45</b>	<b>32,466</b>

There were no transfers of the related financial instruments measured at fair value on a recurring basis between level 1 and level 2 in 2019.

## A7 – Financial assets (€941 million)

tab. A7 - Financial assets

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Financial assets at amortised cost	303	91	394	283	163	446
Financial assets at FVTOCI	437	110	547	532	5	537
<b>Total</b>	<b>740</b>	<b>201</b>	<b>941</b>	<b>815</b>	<b>168</b>	<b>983</b>

## Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

tab. A7.1 - Movements in financial assets at amortised cost

(€m)	Borrowings	Receivables	Total
	Carrying amount	Carrying amount	Carrying amount
<b>Balance at 1 January 2019</b>	<b>355</b>	<b>91</b>	<b>446</b>
Purchases	22		22
Changes in amortised cost	-	-	-
Changes in fair value through profit or loss	-		-
Changes in cash flow hedge transactions*	-		-
Changes in impairment	-	-	-
Net changes	-	(34)	(34)
Effects of sales on profit or loss	-		-
Accruals	2		2
Sales, redemptions and settlement of accrued income	(42)		(42)
<b>Balance at 31 December 2019</b>	<b>337</b>	<b>57</b>	<b>394</b>

\* The item, Changes in cash flow hedges, relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

## Loans

This item breaks down as follows:

tab. A7.1.1 - Borrowings at amortised cost

Name (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Borrowings	correspondence a/c	Total	Borrowings	correspondence a/c	Total
<b>Direct subsidiaries</b>						
Poste Air Cargo Srl	-	13	13	-	15	15
Poste Vita SpA	251	-	251	251	-	251
Postel SpA	-	13	13	-	12	12
SDA Express Courier SpA	21	39	60	-	77	77
<b>Total</b>	<b>272</b>	<b>65</b>	<b>337</b>	<b>251</b>	<b>104</b>	<b>355</b>

The item includes:

- €251 million relating to an irredeemable subordinated loan, issued to Poste Vita SpA in order to bring the subsidiary's capitalisation into line with expected growth in earned premiums, in compliance with the specific regulations governing the insurance sector;
- €21 million for a loan granted to the subsidiary SDA Express Courier SpA in 2019 and repayable in a single instalment on 2 August 2027, to support the construction of the new plant for the automated HUB in Bologna;
- €65 million regarding overdrafts on intercompany current accounts granted to subsidiaries, paying interest on an arm's length basis.

These loans have been adjusted to reflect accumulated impairments of approximately €0.4 million, to reflect the risk of counterparty default (€0.3 million at 31 December 2018).

## Receivables

tab. A7.1.2 - Receivables at amortised cost

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Guarantee deposits	-	23	23	-	30	30
Due from the purchasers of service accommodation	4	1	5	5	2	7
Due from Other	29	20	49	29	45	74
Provisions for doubtful debts	-	(20)	(20)	-	(20)	(20)
<b>Total</b>	<b>33</b>	<b>24</b>	<b>57</b>	<b>34</b>	<b>57</b>	<b>91</b>

**Guarantee deposits** relate to collateral provided to counterparties for interest rate swap transactions.

Other receivables, with a nominal value of €50 million, regard the remaining amount due from Invitalia SpA as a result of the sale of Banca del Mezzogiorno-MedioCreditoCentrale SpA on 7 August 2017<sup>92</sup>. Following the finalisation of the agreement between the parties in January 2019, €20 million of this amount was collected on 27 February 2019.

## Financial assets at fair value through other comprehensive income

Movements in financial assets at fair value through other comprehensive income (FVTOCI) are shown below:

tab. A7.2 - Movements in financial assets at FVTOCI

(€m)	Fixed income instruments		Equity instruments	Total
	Nominal value	Fair value	Fair value	Fair value
<b>Balance at 1 January 2019</b>	<b>500</b>	<b>532</b>	<b>5</b>	<b>537</b>
Purchases	-	-	17	17
Transfers to equity reserves	-	-	-	-
Other changes in equity	-	-	-	-
Changes in amortised cost	-	-	-	-
Changes in fair value through equity	-	2	1	3
Changes in fair value through profit or loss	-	(10)	-	(10)
Changes in cash flow hedge transactions(*)	-	-	-	-
Effects of sales on profit or loss	-	-	-	-
Accruals	-	5	-	5
Sales, redemptions and settlement of accrued income	-	(5)	-	(5)
<b>Balance at 31 December 2019</b>	<b>500</b>	<b>524</b>	<b>23</b>	<b>547</b>

\* The item, Changes in cash flow hedges, relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

92. Of a total consideration of €387 million, €158 million was collected in 2017 and €159 million in early 2018. As regards the remaining amount receivable, 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. On 16 January 2019, in line with the contractual provisions, Poste and Invitalia defined in good faith alternative methods for the payment of the aforementioned fee. Based on the agreement signed, on 27 February 2019, Invitalia paid Poste Italiane €20 million. The remaining €20 million will be paid from the dividends to be paid by BdM in 2018, 2019 and 2020. Payment of the remaining €30 million is expected to take place between 30 June 2021 and 30 June 2022 once certain conditions have been met.

## Fixed income instruments

This item regards BTPs with a total nominal value of €500 million. Of these, instruments with a value of €375 million have been hedged using interest rate swaps designated as fair value hedges. Accumulated impairments at 31 December 2019 amount to €0.2 million (unchanged with respect to 31 December 2018).

## Equity instruments

The item includes:

- for €75 million the investment in CAI SpA (formerly Alitalia CAI SpA), acquired in 2013 and written off in 2014;
- €16 million for the investment in MFM Investments Ltd acquired on 9 August 2019;
- €4.5 million for the historical cost of the 15% investment in Innovazione e Progetti ScpA in liquidation;
- €2 million for the investment in sender GmbH acquired on 11 November 2019.

Corporate actions during 2019, are described in note 4.1 – Principal corporate actions.

## Financial assets at fair value through profit or loss

This item consists of equity instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code) resulting from the conversion of Contingent Convertible Notes<sup>93</sup> whose value at 31 December 2019 is zero.

## Derivative financial instruments

tab. A7.3 - Change in financial derivatives

(€m)	FY 2019		
	Cash Flow hedging	Fair value hedging	Total
<b>Balance at 1 January</b>	<b>(5)</b>	<b>(26)</b>	<b>(31)</b>
Increases/(decreases)	(2)	(1)	(3)
Gains/(Losses) through profit or loss	-	-	-
Transactions settled*	1	11	12
<b>Balance at 31 December</b>	<b>(6)</b>	<b>(16)</b>	<b>(22)</b>
of which:			
<b>Derivative assets</b>	-	-	-
<b>Derivative liabilities</b>	<b>(6)</b>	<b>(16)</b>	<b>(22)</b>

\* Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

93. These are Contingent Convertible Notes with an original value of €75 million, a twenty-year term to maturity and issued by Midco SpA, which in turn owns 51% of the airline Alitalia SAI SpA. The Notes were subscribed for by Poste Italiane SpA on 23 December 2014, in connection with the strategic transaction that resulted in Etihad Airways' acquisition of an equity interest in Alitalia SAI, without giving rise to any involvement on the part of Poste Italiane in the management of the issuer or its subsidiary. Interest and principal payments were provided for in the relevant terms and conditions if, and to the extent that, there was available liquidity. On the fulfilment of certain negative pledge conditions, in 2017 the loan was converted into equity instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code), carrying the same rights associated with the Notes.

At 31 December 2019, derivative financial instruments include:

- a cash flow hedging interest rate swap contract entered into in 2013 to protect the cash flows of the €50 million bond issued on 25 October 2013 (Note B.7 - Financial liabilities); with this transaction, the Company assumed the obligation to pay the fixed rate of 4.035% and sold the floating rate of the bond, which at 31 December 2019 was 0.953%;
- nine interest rate swaps used as fair value hedges in 2010 to protect the value of BTPs with a nominal value of €375 million against movements in interest rates. These instruments have enabled the Company to sell the fixed rate on the BTPs of 3.75% and purchase a variable rate.

## Fair value hierarchy of financial assets

The following table shows the classification of financial assets measured at fair value by level in the fair value hierarchy:

**tab. A7.4 - Fair value hierarchy**

Description (€m)	31/12/2019				31/12/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI	524	-	23	547	532	-	5	537
Fixed income instruments	524	-	-	524	532	-	-	532
Equity instruments	-	-	23	23	-	-	5	5
Financial derivatives	-	-	-	-	-	-	-	-
<b>Total</b>	<b>524</b>	<b>-</b>	<b>23</b>	<b>547</b>	<b>532</b>	<b>-</b>	<b>5</b>	<b>537</b>

There were no transfers of the related financial instruments measured at fair value on a recurring basis between level 1 and level 2 in 2019.

## A8 – Trade receivables (€2,390 million)

**tab. A8 - Trade receivables**

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Receivables due from customers	5	1,859	1,864	6	1,790	1,796
Receivables due from subsidiaries, associates and joint ventures	-	481	481	-	397	397
Receivables due from Parent company	-	45	45	-	68	68
<b>Total</b>	<b>5</b>	<b>2,385</b>	<b>2,390</b>	<b>6</b>	<b>2,255</b>	<b>2,261</b>
<i>of which attributable to BancoPosta RFC</i>	-	860	860	-	891	891

## Receivables due from customers

tab. A8.1 - Receivables due from customers

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Ministries and Public Administration entities	-	513	513	-	663	663
Cassa Depositi e Prestiti	-	451	451	-	440	440
Overseas counterparties	-	357	357	-	304	304
Unfranked mail delivered	17	133	150	18	145	163
Overdrawn current accounts	-	39	39	-	154	154
Amounts due for other BancoPosta services	-	104	104	-	82	82
Other trade receivables	1	662	663	2	483	485
Provisions for doubtful debts	(13)	(400)	(413)	(14)	(481)	(495)
<b>Total</b>	<b>5</b>	<b>1,859</b>	<b>1,864</b>	<b>6</b>	<b>1,790</b>	<b>1,796</b>
<i>of which attributable to BancoPosta RFC</i>	-	576	576	-	600	600

Specifically<sup>94</sup>:

- Amounts due from Ministries and Public Administration entities refer mainly to the following services:
  - Integrated Notification and mailroom services rendered to central and local government bodies, amounting to €177 million.
  - Reimbursement of the costs associated with the management of property, vehicles and security incurred on behalf of the Ministry for Economic Development, totalling €79 million<sup>95</sup>, including €62 million involved in legal action brought by Poste Italiane in order to claim sundry costs resulting from the use of properties. At the hearing of 13 November 2019, the Judge held the case back in judgement with the allocation of time limits for closing arguments and replies. The judgement is therefore expected to be filed by the first half of 2020.
  - Unfranked mail services provided on credit, totalling €73 million, to central and local government entities.
  - Compensation for the discounts applied to publishers, due from the *Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria* (Cabinet Office – Publishing department), amounting to €50 million, of which €45 million accrued during the year. Of these receivables, approximately €13 million were not covered in the State's Budget and were written down at 31 December 2019. On 22 July 2019, pursuant to EU state aid regulations, the European Commission approved public service compensation for the years 2017 to 2019, of €171.74 million, in line with the related state appropriations, acknowledging that the level of compensation had not exceeded the amount necessary to cover the net cost incurred by the Company in providing the service. Following the decision of the European Commission on 6 September 2019, collections for offsetting purposes relating to the financial years 2017-2018 for a total amount of €99 million, which up to that date were recorded under other liabilities, were offset against the related receivables as a result of the disappearance of the unavailability constraint. A further €26 million were collected in February 2020.
  - The payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security), totalling €12 million. Moreover, in February 2019, having conducted a joint assessment, Poste Italiane and INPS signed an agreement that, among other things, has settled the respective past outstanding trade receivables (note B4). These positions were settled in April 2019.
- Receivables due from **Cassa Depositi e Prestiti** refer to fees for BancoPosta's deposit-taking activities during 2019.
- Receivables from **overseas counterparties** primarily relates to postal services carried out by the Company for overseas postal operators.
- Receivables arising from **Unfranked mail delivered** include €58 million in amounts due from customers who use the service on their own behalf and €92 million for amounts due from agents who provide the service for third parties, primarily regarding bulk mail. Collection of these receivables is delegated to the authorised agents who provide the service.

94. At 31 December 2019, the balance of trade receivables includes €17 million, net of the related provisions for doubtful accounts, relating to rental income falling within the scope of IFRS 15 – Revenue from Contracts with Customers.

95. See Revenue and receivables due from the State, showing overall amounts due from the Ministry for Economic Development (€80 million), including amounts due for postal and other services.

- Receivables for **overdrawn current accounts** derive almost exclusively from overruns due to the debiting of BancoPosta's periodic fees. During the year under review, upon completion of a process of analysis and a series of activities undertaken with regard to these receivables, it was found that it was not possible to recover these amounts, also taking into account the small amount of each receivable, in accordance with the provisions of IFRS 9, a total of €121 million was written off by using the provision for doubtful debts set aside at the time.
- **Other trade receivables** primarily include €189 million generated by parcel post operations, €45 million for Posta Time services, €24 million for Posta Target services, €22 million for Posta Contest services, €17 million for non-universal postal services, €12 million related to the Notification of Legal Process service and €11 for telegraphic services.

In general, there are delays in collecting amounts due from central and local government entities due primarily to the fact that no provision has been made in the related budgets or to the execution of contracts or agreements. In this regard, actions continue aimed at renewing expired agreements<sup>96</sup> and soliciting requests for appropriations.

**Provisions for doubtful debts relating to customers** are described in note 7 – *Risk management*.

## Receivables due from subsidiaries and joint ventures

tab. A8.2 - Receivables due from subsidiaries, associates and joint ventures

Name (€m)	Balance at 31/12/2019	Balance at 31/12/2018
<b>Direct subsidiaries</b>		
BancoPosta Fondi SpA SGR	22	16
CLP ScpA	14	15
Consorzio PosteMotori	21	15
EGI SpA	1	1
PatentiViaPoste ScpA	6	6
Poste Air Cargo Srl	4	3
Poste Tributi ScpA (in liquidation)	5	5
Poste Vita SpA	147	143
Postel SpA	46	42
PostePay SpA	122	103
SDA Express Courier SpA	85	40
<b>Indirect subsidiaries</b>		
Poste Assicura SpA	8	8
<b>Total</b>	<b>481</b>	<b>397</b>
<i>of which attributable to BancoPosta RFC</i>	<i>239</i>	<i>224</i>

These trade receivables include:

- Poste Vita SpA: primarily regarding fees deriving from the sale of insurance policies through Post Offices and attributable to BancoPosta RFC (€141 million);
- PostePay SpA: primarily for the distribution of products relating to payment services (€54 million) and for the provision of card payment and payment services (€27 million).

96. The principal agreements that have expired regard those governing relations with the tax authorities in relation to the collection and reporting of payments.



## Receivables from parent company

This item relates to trade receivables due from the Ministry of the Economy and Finance:

**tab. A8.3 - Receivables due from the Parent Company**

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Universal Service compensation	31	31
Delegated services	28	28
Remuneration of current account deposits	15	39
Publisher tariff and electoral subsidies	1	1
Other	2	1
Provision for doubtful debts due from Parent company	(32)	(32)
<b>Total</b>	<b>45</b>	<b>68</b>
<i>of which attributable to BancoPosta RFC</i>	45	67

- **Universal Service compensation** includes:

**tab. A8.3.1 - Universal Service compensation receivable**

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Remaining balance for 2012	23	23
Remaining balance for 2005	8	8
<b>Total</b>	<b>31</b>	<b>31</b>

In the year under review, the Group received €262 million in accrued compensation for the period. With reference to the amount receivable for 2012, AGCom has recognised a net cost incurred by the Company of €327 million, compared with compensation of €350 million originally recognised. Provision has not been made in the state budget for the remaining €23 million. The Company appealed AGCom's decision on 13 November 2014 before the Regional Administrative Court (TAR).

The outstanding receivable relating to compensation for 2005 was subject to cuts in the budget laws for 2007 and 2008.

Provisions for doubtful debts have been made for the full amount of the above receivables.

- Payments for **delegated services**, collected in January 2020, to fees accrued solely in 2019 for treasury services performed by BancoPosta on behalf of the state in accordance with a special agreement with the MEF, expired on 31 December 2019 and being renewed.
- The **remuneration of current account deposits** refers entirely to amounts accruing in 2019 and almost entirely relates to the deposit of funds deriving from accounts opened by Public Administration entities and attributable to BancoPosta RFC.
- Receivables arising from **electoral subsidies** refer to compensation for previous years, for which no provision has been made in the state budget.

**Provisions for doubtful debts relating to the Parent Company** are described in note 7 – Risk management.

## A9 – Other receivables and assets (€2,455 million)

This item breaks down as follows:

tab. A9 - Other receivables and assets

Description (€m)	Note	Balance at 31/12/2019			Balance at 31/12/2018		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Substitute tax paid		1,357	471	1,828	1,198	470	1,668
Receivables relating to fixed-term contract settlements		66	82	148	82	85	167
Receivables due from social security agencies and pension funds (excl. fixed-term contract settlements)		-	93	93	-	109	109
Receivables for amounts that cannot be drawn on due to court rulings		-	79	79	-	78	78
Accrued income and prepaid expenses from trading transactions		-	5	5	-	7	7
Tax assets		-	4	4	-	-	-
Receivables due from subsidiaries		-	257	257	-	25	25
Interest accrued on IRES refund	[C12]	-	46	46	-	46	46
Interest accrued on IRAP refund	[C12]	-	-	-	-	3	3
Sundry receivables		13	90	103	8	106	114
Provisions for doubtful debts due from others		(1)	(107)	(108)	-	(63)	(63)
<b>Total</b>		<b>1,435</b>	<b>1,020</b>	<b>2,455</b>	<b>1,288</b>	<b>866</b>	<b>2,154</b>
<i>of which attributable to BancoPosta RFC</i>		<i>1,357</i>	<i>544</i>	<i>1,901</i>	<i>1,198</i>	<i>544</i>	<i>1,742</i>

Specifically:

- **Substitute tax** paid, attributable to BancoPosta RFC, primarily regards:
  - €1,357 million charged to holder of Interest-bearing Postal Certificates for stamp duty at 31 December 2019<sup>97</sup>; this amount is balanced by a matching entry in “Other taxes payable” until expiration or early extinguishment of the Interest-bearing Postal Certificates, i.e. the date on which the tax is payable to the tax authorities (tab. B9.3);
  - €312 million relating to stamp duty to be paid in virtual form in 2020 and to be recovered from customers;
  - €120 million relating to stamp duty to be charged to Postal Savings Book holders, which the Company pays in virtual form as required by law;
  - €8 million in withholding tax on interest paid to current account holders for 2019, which is to be recovered from customers.
- **Amounts due from staff under fixed-term contract settlements** consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012, 21 March 2013, 30 July 2015 and 19 June 2018 between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of staff previously employed on fixed-term contracts. This item refers to receivables with a present value of €148 million from staff, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2042. A breakdown of the receivables by individual agreement is provided below:

97. Introduced by article 19 of Law Decree 201/2011 converted with amendments by Law 214/2011 in the manner provided for by the MEF Decree of 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

tab A9.1 - Receivables from fixed-term contract settlements

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018				
	Non-current assets	Current assets	Total	Non-current assets	Non-current assets	Current assets	Total	Non-current assets
Receivables								
due from staff under agreement of 2006	-	1	1	1	1	1	2	3
due from staff under agreement of 2008	14	10	24	26	21	12	33	35
due from staff under agreement of 2010	25	6	31	37	28	7	35	42
due from staff under agreement of 2012	19	5	24	30	22	6	28	34
due from staff under agreement of 2013	2	1	3	3	2	1	3	4
due from staff under agreement of 2015	2	1	3	3	3	1	4	4
due from staff under agreement of 2018	1	-	1	1	1	-	1	1
due from INPS (former IPOST)	-	42	42	42	-	42	42	42
due from INPS (Social security)	3	11	14	14	4	10	14	15
due from pension funds	-	5	5	5	-	5	5	5
<b>Total</b>	<b>66</b>	<b>82</b>	<b>148</b>		<b>82</b>	<b>85</b>	<b>167</b>	

The item includes €42 million receivable from INPS (formerly IPOST), covered by a specific agreement with IPOST dated 23 December 2009. Payment of this amount consists of six instalments of €6.9 million each, falling due between 30 June 2012 and 31 December 2014 and deemed to be collectible in full. Negotiations for the recovery of the same are underway and, in the event of a negative outcome, the Company reserves the right to take all necessary measures to better protect its rights.

- **Amounts that cannot be drawn on due to court rulings** include €66 million in amounts seized and not assigned to creditors in the process of recovery, and €13 million in amounts stolen from the Company in December 2007 as a result of an attempted fraud and that have remained on deposit with an overseas bank. The latter sum may only be recovered once the legal formalities are completed. The risks associated with collection of these items are taken into account in the provisions for doubtful debts due from others.
- Amounts due from **subsidiaries** include €242 million in amounts receivable from subsidiaries by Poste Italiane SpA, as the consolidating entity in the tax consolidation arrangement (note 2.3 – *Summary of significant accounting policies and measurement criteria*). The related amounts are mainly due from the subsidiaries, Poste Vita SpA and PostePay SpA.
- **Accrued interest on IRES refund**, refers to interest accruing up to 31 December 2019 in relation to the tax credit determined by an unreported deduction from the IRES tax base of IRAP paid on personnel expenses. With regard to the remaining overall tax credit, amounting to €50 million, two disputes were brought before the Provincial Tax Tribunal of Rome, which upheld Poste Italiane's appeals, ordering the tax authorities in Rome to refund the amounts claimed. The tax authorities have appealed both rulings before the Regional Tax Tribunal and, on 23 March 2018, the Tribunal upheld the tax authorities' appeal against one of the rulings. Poste Italiane has appealed this ruling before the Supreme Court of Cassation. In the last quarter of 2019, however, the Supreme Court of Cassation had the opportunity to rule on other proceedings concerning the operation of the reimbursement pursuant to Law Decree 201/2011; with respect to the judgement issued, there is a homogeneity of legal-formal circumstances that lead to the conclusion that the principle of law, referred to in the aforementioned judgement of the Court of legitimacy, can also have its effects in existing judgements. The introduction of the new and additional elements of uncertainty regarding the final outcome of the case was taken into account in the determination of the provision for doubtful debts with an allocation totalling €45 million, recorded in profit and loss under the item Impairment losses/(reversals of impairment losses) on financial assets (Table C.11).

**Provisions for doubtful debts due from others** are described in note 7 – Risk management.

## A10 – Cash and deposits attributable to BancoPosta (€4,303 million)

This item breaks down as follows:

tab. A10 - Cash and deposits attributable to BancoPosta

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Cash and cash equivalents in hand	3,487	2,967
Bank deposits	816	351
<b>Total</b>	<b>4,303</b>	<b>3,318</b>

This item relates exclusively to BancoPosta RFC assets.

The cash and cash equivalents on hand are derived from deposits made in postal current accounts and postal savings products (subscription of postal savings bonds and payments into Post Office savings books), or from advances withdrawn from the State Treasury to guarantee the operations of Post Offices. These funds, which are held at Post Offices (€853 million) and at service<sup>98</sup> companies (€2,634 million), may not be used for purposes other than to repay obligations contracted in the transactions described above. Bank deposits include amounts deposited in an account with the Bank of Italy to be used in interbank settlements (€814 million).

## A11 – Cash and cash equivalents (€1,206 million)

This item breaks down as follows:

tab. A11 - Cash and cash equivalents

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Bank deposits and amounts held at the Italian Treasury	698	810
Deposits with the MEF	494	1,306
Cash and cash equivalents in hand	14	11
<b>Total</b>	<b>1,206</b>	<b>2,127</b>
<i>of which attributable to BancoPosta RFC</i>	<i>509</i>	<i>1,318</i>

**Bank deposits and amounts held at the Italian Treasury** include €20 million whose use is restricted by court orders related to different disputes.

Cash held on **deposit with the MEF** at 31 December 2019 include approximately €123 million in amounts deposited with the MEF in a so-called buffer account, consisting of customer deposits subject to restrictions on their use and yet to be invested (note – 6.2 – Information on BancoPosta RFC).

98. They carry out transport and custody of valuables awaiting payment to the State Treasury.

## Equity

### B1 – Share capital (€1,306 million)

Poste Italiane SpA's share capital consists of 1,306,110,000 no-par value ordinary shares, of which Cassa Depositi e Prestiti SpA (CDP) holds 35% and the Ministry of the Economy and Finance holds 29.3%, while the remaining shares are held by institutional and retail investors.

At 31 December 2019, the Company holds 5,257,965 treasury shares (equal to 0.4026% of the share capital). All the shares in issue are fully subscribed and paid up. No preference shares have been issued.

### B2 – Reserves (€2,618 million)

tab. B2 - Reserves

(€m)	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Incentive plans reserve	Merger surplus	Total
<b>Balance at 1 January 2018</b>	<b>299</b>	<b>1,000</b>	<b>1,564</b>	<b>(61)</b>	<b>-</b>	<b>2</b>	<b>2,804</b>
Increases/(decreases) in fair value during the year	-	-	(1,897)	191	-	-	(1,706)
Tax effect of changes in fair value	-	-	541	(55)	-	-	486
Transfers to profit or loss	-	-	(385)	20	-	-	(365)
Tax effect of transfers to profit or loss	-	-	110	(5)	-	-	105
Increase/(Decrease) for expected credit loss	-	-	(1)	-	-	-	(1)
Gains/(losses) recognised in equity	-	-	(1,632)	151	-	-	(1,481)
Merger contribution	-	-	-	-	-	13	13
Injection of fresh capital into BancoPosta RFC	-	210	-	-	-	-	210
<b>Balance at 31 December 2018</b>	<b>299</b>	<b>1,210</b>	<b>(68)</b>	<b>90</b>	<b>-</b>	<b>15</b>	<b>1,546</b>
<i>of which attributable to BancoPosta RFC</i>	-	1,210	(71)	88	-	-	1,227
Increases/(decreases) in fair value during the year	-	-	1,705	96	-	-	1,801
Tax effect of changes in fair value	-	-	(486)	(28)	-	-	(514)
Transfers to profit or loss	-	-	(243)	(59)	-	-	(302)
Tax effect of transfers to profit or loss	-	-	69	17	-	-	86
Increase/(Decrease) for expected credit loss	-	-	(1)	-	-	-	(1)
Gains/(losses) recognised in equity	-	-	1,044	26	-	-	1,070
Incentive plans	-	-	-	-	2	-	2
<b>Balance at 31 December 2019</b>	<b>299</b>	<b>1,210</b>	<b>976</b>	<b>116</b>	<b>2</b>	<b>15</b>	<b>2,618</b>
<i>of which attributable to BancoPosta RFC</i>	-	1,210	970	115	-	-	2,295

This item breaks down as follows:

- the fair value reserve regards changes in the value of financial assets at fair value through other comprehensive income. The increase of €1,705 million during 2019 reflects:
  - a net increase of €1,702 million in financial assets measured at fair value through other comprehensive income and attributable to BancoPosta RFC;
  - a net increase of €3 million in financial assets measured at fair value through other comprehensive income held outside the ring-fence;
- the **cash flow hedge reserve** represents changes in the fair value of the effective portion of cash flow hedges outstanding. In 2019, the fair value gain of €96 million reflects a net gain of €98 million on derivative financial instruments attributable to BancoPosta RFC and a net loss of €2 million on the value of financial instruments held outside the ring-fence;
- the **Incentive Plans reserve** includes the estimate of the valuations for the period relating to the long-term ILT Performance Share incentive plan, carried out on the basis of the provisions of IFRS 2.

## B3 – Availability and distributability of reserves

The following table shows the availability and distributability of Poste Italiane SpA's reserves. Retained earnings include the profit for 2019 of €661 million

During the year, dividends were distributed using retained earnings for a total of €774 million, based on the following resolutions:

- on 28 May 2019, the General Meeting approved a dividend distribution of €574 million (dividend per share equal to €0.441) on 26 June 2019;
- On 5 November 2019, the Board of Directors of Poste Italiane resolved to advance part of the ordinary dividend for 2019 as an interim dividend. The interim dividend of €200 million was distributed on 20 November 2019 (unit dividend of €0.154).

tab. B3 - Availability and distributability of reserves

(€m)	31/12/2019	Potential use
<b>Share capital</b>		<b>1,306</b>
<b>Treasury shares</b>		<b>(40)</b>
<b>Reserves</b>		
- <b>legal reserve</b>		<b>299</b>
legal reserve	261	B
legal reserve	38	A B D
- <b>BancoPosta RFC reserve</b>		<b>1,210</b> --
- <b>fair value reserve</b>		<b>976</b> --
- <b>cash flow hedge reserve</b>		<b>116</b> --
- <b>incentive plans reserve</b>		<b>2</b> --
- <b>merger surplus</b>		<b>15</b> <b>A B D</b>
<b>Retained earnings / (Accumulated losses)</b>		<b>2,444</b>
retained earnings / (accumulated losses)	85	--
retained earnings / (accumulated losses)	1,127	C
retained earnings / (accumulated losses)	1,364	A B D
Unrealised gains/(losses) on financial assets at FVTPL net of tax effect	43	B C
after-tax actuarial gains/(losses)	(175)	--
<b>Total</b>		<b>6,328</b>
<i>of which distributable</i>		<i>1,417</i>

A: for capital increases  
B: to cover losses  
C: to cover BancoPosta losses  
D: for shareholder distributions

## Liabilities

### B4 – Provisions for risks and charges (€1,131 million)

Movements in provisions for risks and charges are as follows:

tab. B4 - Movements in provisions for risks and charges

Description (€m)	Balance at 01/01/2019	Provisions	Finance costs	Released to profit or loss	Uses	Balance at 31/12/2019
Provisions for operational risk	415	33	-	(23)	(193)	232
Provisions for disputes with third parties	302	22	1	(26)	(25)	274
Provisions for disputes with staff *	64	8	-	(1)	(17)	54
Provisions for personnel expenses	124	58	-	(71)	(48)	63
Provisions for early retirement incentives	444	369	-	-	(394)	419
Provisions for taxation	3	-	-	-	-	3
Other provisions for risks and charges	79	12	-	(2)	(3)	86
<b>Total</b>	<b>1,431</b>	<b>502</b>	<b>1</b>	<b>(123)</b>	<b>(680)</b>	<b>1,131</b>
of which attributable to BancoPosta RFC	511	42	-	(25)	(201)	327
Overall analysis of provisions:						
- non-current portion	608					434
- current portion	823					697
	<b>1,431</b>					<b>1,131</b>

\* Net provisions for Personnel expenses amount to €4 million. Service costs (legal assistance) total €4 million. Releases come to €1 million.

Specifically:

- The **provisions for operational risk**, relating to liabilities arising from BancoPosta's operations, mainly reflects the definition of items arising from the reconstruction of the operating accounts at the date of incorporation of the Company, risks associated with the distribution of postal savings products issued in past years, risks associated with customer requests for investment products whose performance is not in line with expectations, adjustments and settlements of income from previous years and estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta mainly as a third party. Provisions for the year, totalling €33 million, mainly reflect risks associated with the distribution of postal savings products issued in previous years and the adjustment of liabilities due to adjustments and settlements to income from previous years. Utilisations totalling €193 million refer for €100 million to liabilities defined in favour of customers subscribing to the Immobiliare Obelisco (due to expire on 31 December 2018) and Europa Immobiliare I funds, in relation to the voluntary protection initiatives approved by the Board of Directors of Poste Italiane and undertaken during 2019, and for €67 million to liabilities defined in favour of INPS, following the agreement signed between the parties in February 2019.
- **Provisions for disputes with third parties** regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Movements during the year primarily regard updated estimates of liabilities and uses to cover liabilities settled.
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various types. Net provisions of €7 million regard an update of the estimate of the liabilities and the related legal expenses, taking account of both the overall value of negative outcomes in terms of litigation.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour, which are certain or likely to occur but whose estimated amount is subject to change. They have increased by €58 million to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€71 million) and settled disputes (€48 million).

- **Provisions for early retirement incentives** reflect the estimated costs to be incurred as a result of the Company's binding commitment to pay early retirement incentives on a voluntary basis, under the current redundancy scheme agreed with the labour unions for a determinate number of employees who will leave the Company by 31 December 2021. The provisions made at 31 December 2018 were utilised for €394 million.
- **Provisions for taxation** have been made to cover estimated tax liabilities.
- **Other provisions for risks and charges** are likely to cover liabilities of various kinds, including the claim of prior rentals on assets used free of charge by the Company, the recognition of interest expense accrued in favour of certain suppliers, fraud, estimated risks that specific legal action to be taken for the release of certain foreclosures suffered by the Company is insufficient to recover the amounts and charges to be incurred for reclamation work on owned land. Provisions of €12 million for the year primarily regard the last two types.

## B5 – Employee termination benefits (€1,107 million)

Movements in employee termination benefits are as follows:

tab. B5 - Movements in provisions for employee termination benefits

(€m)		FY 2019
<b>Balance at 1 January</b>		<b>1,158</b>
interest component	17	
effect of actuarial gains/(losses)	68	
Provisions for the year		85
Uses for the period		(136)
<b>Balance at 31 December</b>		<b>1,107</b>
<i>of which attributable to BancoPosta RFC</i>		<i>3</i>

The interest component is recognised in finance costs. The current service cost, which from 2007 is paid to pension funds or third-party social security agencies and is no longer included in the employee termination benefits managed by the Company, is recognised in personnel expenses. Net uses of provisions for employee termination benefits amount to €135 million, €3 million to substitute tax and €2 million to transfers from a number of Group companies (of which €1 million from the partial de-merger of the business unit of the subsidiary SDA Express Courier SpA).

The main actuarial assumptions applied in calculating provisions for employee termination benefits, are as follows:

tab. B5.1 - Economic and financial assumptions

	31/12/2019
Discount rate	0.55%
Inflation rate	1.50%
Annual rate of increase of employee termination benefits	2.625%



**tab. B5.2 - Demographic assumptions**

	31/12/2019
Mortality	ISTAT 2018 differentiated by gender
Disability	INPS 1998 differentiated by gender
Rate of employee turnover	Specific table with rates differentiated by length of service. The average length of service for participants corresponds to an annual rate of 0.11%
Advance rate	1.25% for lengths of service of at least 8 years
Pensionable age	In accordance with rules set by INPS

Actuarial gains and losses are generated by the following factors:

**tab. B5.3 - Actuarial gains and losses**

(€m)	31/12/2019
Change in demographic assumptions	-
Change in financial assumptions	66
Other experience-related adjustments	2
<b>Total</b>	<b>68</b>

The sensitivity of employee termination benefits to changes in the principal actuarial assumptions is analysed below:

**tab. B5.4 - Sensitivity analysis**

(€m)	Employee termination benefits at 31/12/2019
Inflation rate +0.25%	1,123
Inflation rate -0.25%	1,092
Discount rate +0.25%	1,083
Discount rate -0.25%	1,133
Turnover rate +0.25%	1,105
Turnover rate -0.25%	1,109

**tab. B5.5 - Other information**

	31/12/2019
Expected service cost	-
Average duration of defined benefit plan	8,90
Average employee turnover	0.11%

## B6 – Financial liabilities attributable to BancoPosta (€77,937 million)

tab. B6 - Financial liabilities attributable to BancoPosta

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Postal current accounts	-	53,880	53,880	-	51,139	51,139
Borrowings	6,741	5,453	12,194	5,604	2,869	8,473
Borrowings from financial institutions	6,741	5,453	12,194	5,604	2,869	8,473
MEF account held at the Treasury	-	4,542	4,542	-	3,649	3,649
Derivative financial instruments*	5,522	45	5,567	1,772	57	1,829
Cash flow hedges	71	31	102	49	58	107
Fair value hedges	5,436	14	5,450	1,723	(1)	1,722
Fair value through profit or loss	15	-	15	-	-	-
Other financial liabilities	-	1,754	1,754	-	1,669	1,669
<b>Total</b>	<b>12,263</b>	<b>65,674</b>	<b>77,937</b>	<b>7,376</b>	<b>59,383</b>	<b>66,759</b>

\* In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

### Postal current accounts

These payables include net amounts accrued at 31 December 2019 and settled with customers in January 2020. The balance includes amounts due to Poste Italiane Group Companies, totalling €5,494 million, with €5,219 million relating to postal current accounts in the name of PostePay SpA and €227 million deposited in postal current accounts by Poste Vita SpA.

### Borrowings

#### Borrowings from financial institutions

At 31 December 2019, outstanding liabilities of €12,194 million relate to repurchase agreements entered into by the Company with major financial institutions and Central Counterparties, amounting to a total nominal value of securities committed for €11,550 million. €6,075 million of this amount regards Long Term Repos and €6,119 million to ordinary borrowing operations, the resources from both invested in Italian fixed income government securities and as funding for incremental deposits used as collateral.

At 31 December 2019, the fair value<sup>99</sup> of the above borrowings amounts to €12,205 million.

99. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

## MEF account held at the Treasury

tab. B6.1 - MEF account held at the Treasury

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Balance of cash flows for advances	-	4,397	4,397	-	3,546	3,546
Balance of cash flows from management of postal savings	-	(47)	(47)	-	(89)	(89)
Amounts payable due to theft	-	158	158	-	157	157
Amounts payable for operational risks	-	34	34	-	35	35
<b>Total</b>	<b>-</b>	<b>4,542</b>	<b>4,542</b>	<b>-</b>	<b>3,649</b>	<b>3,649</b>

The **balance of cash flows for advances**, represents the net amount payable as a result of advances from the MEF to meet the cash requirements of BancoPosta. These break down as follows:

tab. B6.1.1 - Balance of cash flows for advances

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Net advances	-	4,397	4,397	-	3,546	3,546
MEF postal current accounts and other payables	-	670	670	-	670	670
MEF - State pensions	-	(670)	(670)	-	(670)	(670)
<b>Total</b>	<b>-</b>	<b>4,397</b>	<b>4,397</b>	<b>-</b>	<b>3,546</b>	<b>3,546</b>

The **balance of cash flows from the management of postal savings**, amounting to a positive €47 million, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2019 consists of €25 million payable to Cassa Depositi e Prestiti, less €72 million receivable from the MEF for Interest-bearing Postal Certificates issued on its behalf.

**Amounts payable due to thefts** from Post Offices of €158 million regard the Company's liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud. This liability derives from cash withdrawals from the Treasury to make up for the losses resulting from these criminal acts, in order to ensure that Post Offices can continue to operate.

**Amounts payable for operational risks** for €34 million regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset under recovery is certain or probable.

## Derivative financial instruments

Movements in derivative financial instruments during 2019 are described in note A6.

## Other financial liabilities

tab. B6.2 - Other financial liabilities

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Domestic and international money transfers	-	668	668	-	689	689
Amounts to be credited to customers	-	257	257	-	235	235
Cashed cheques	-	255	255	-	243	243
Other amounts payable to third parties	-	164	164	-	145	145
Endorsed cheques	-	140	140	-	163	163
Guarantee deposits	-	112	112	-	70	70
Tax collection	-	19	19	-	19	19
Payables for items in process	-	139	139	-	105	105
<b>Total</b>	<b>-</b>	<b>1,754</b>	<b>1,754</b>	<b>-</b>	<b>1,669</b>	<b>1,669</b>

**Payables for guarantee deposits** refer to amounts received from counterparties in repurchase agreements on fixed income instruments (collateral provided by specific Global Master Repurchase Agreements). **Payable for items in process** regard €3 million in amounts credited to the subsidiary, PostePay SpA, primarily in early 2020.

## B7 – Financial liabilities (€2,301 million)

tab. B7 - Financial liabilities

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Borrowings	623	1	624	50	200	250
Bonds	50	-	50	50	-	50
Borrowings from financial institutions	573	1	574	-	200	200
Lease payables	959	190	1,149	-	-	-
Derivative financial instruments*	18	4	22	26	5	31
Fair value hedges	12	4	16	22	4	26
Cash flow hedges	6	-	6	4	1	5
Financial liabilities due to subsidiaries	-	505	505	-	112	112
Other financial liabilities	1	-	1	1	1	2
<b>Total</b>	<b>1,601</b>	<b>700</b>	<b>2,301</b>	<b>77</b>	<b>318</b>	<b>395</b>

\* In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

## Borrowings

Other than the guarantees described in the following notes, borrowings are unsecured and are not subject to financial covenants, which would require the Company to comply with financial ratios or maintain a certain minimum rating. Standard negative pledge provisions do apply<sup>100</sup>.

100. A commitment given to creditors by which a borrower undertakes not to give senior security or other restrictions on assets to other lenders ranking pari passu with creditors, unless the same degree of protection is also offered to them.

## Bonds

Bonds with an amortised cost of €50 million, issued by the Company under its €2 billion EMTN – Euro Medium Term Note programme and listed by the Company in 2013 on the Luxembourg Stock Exchange. These bonds were issued through a private placement on 25 October 2013. The term to maturity of the loan is ten years and the interest rate is 3.5% for the first two years and variable thereafter (EUR Constant Maturity Swap rate plus 0.955%, with a cap of 6% and a floor of 0%). The interest rate risk exposure was hedged as described in note A7 – *Financial assets*. At 31 December 2019, the fair value<sup>101</sup> of this liability is €51 million.

## Borrowings from financial institutions

tab. B7.1 - Borrowings from financial institutions

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
EIB fixed rate loan maturing 12/03/2026	173	-	173	-	-	-
EIB fixed rate loan maturing 16/10/2026	400	-	400	-	-	-
EIB fixed rate loan maturing 23/03/2019	-	-	-	-	200	200
Accrued interest expense	-	1	1	-	-	-
<b>Total</b>	<b>573</b>	<b>1</b>	<b>574</b>	<b>-</b>	<b>200</b>	<b>200</b>

An EIB loan of €200 million reached maturity and was repaid in March 2019, whilst an EIB credit facility granted in 2016, amounting to €173 million, was used in full. The new loan is subject to a fixed rate of interest of 0.879% and matures in March 2026. At 31 December 2019, the fair value<sup>102</sup> of this loan is €185 million.

On 3 October 2019, a new loan of €400 million was signed with the EIB. The loan disbursed on 18 October 2019 provides interest at a fixed rate of 0.29% and matures in October 2026. At 31 December 2019, the fair value<sup>103</sup> of this loan is €413 million.

The carrying amount of the other financial liabilities in table B7 approximates to their fair value.

## Credit facilities

At 31 December 2019, the following credit facilities are available:

- committed lines of €2,173 million, with €173 million used at 31 December 2019;
- uncommitted lines of credit of €1,857 million, including €1,009 million for short-term loans, €173 million for overdraft and €675 million in the form of personal guarantee facilities.

At 31 December 2019, the uncommitted credit lines for short-term loans have not been used. Unsecured guarantees with a value of €275 million have been used on behalf of Poste Italiane SpA and with a value €47 million, on behalf of Group companies. No collateral has been provided to secure the lines of credit obtained.

The uncommitted lines of credit are also available for overnight transactions entered into by BancoPosta RFC.

In addition, from 7 May 2019, BancoPosta's assets may access a short-term committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €5 billion and with a duration of 12 months that may be extended.

101. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

102. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

103. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €889 million, and the facility is unused at 31 December 2019.

The existing lines of credit and medium/long-term borrowings are adequate to meet expected financing requirements.

## Lease payables

The item is commented on in note 3 – Changes to accounting policies.

## Derivative financial instruments

Movements in derivative financial instruments during 2019, are described in note A7 – Financial assets.

## Financial liabilities due to subsidiaries

These liabilities relate to intercompany current accounts paying interest at market rates and break down as follows:

tab. B7.2 - Financial liabilities due to subsidiaries

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
<b>Direct subsidiaries</b>		
BancoPosta Fondi SpA SGR	3	15
Poste Vita SpA	103	79
PostePay SpA	399	18
<b>Total</b>	<b>505</b>	<b>112</b>

## Changes in liabilities arising from financing activities

The following disclosures are provided in accordance with IAS 7, following the amendments introduced by EU Regulation 1990/2017 of 6 November 2017.

tab. B7.3 - Changes in liabilities arising from financing activities

Description (€m)	Balance at 31/12/2018	Net cash flow from/(for) financing activities	Non-cash flows	Balance at 31/12/2019
Borrowings	250	373	1	624
Bonds	50	-	-	50
Borrowings from financial institutions	200	373	1	574
Lease payables	-	(184)	1,333	1,149
Financial liabilities due to subsidiaries	112	393	-	505
Other financial liabilities	2	(1)	-	1
<b>Total</b>	<b>364</b>	<b>581</b>	<b>1,334</b>	<b>2,279</b>

## B8 – Trade payables (€1,598 million)

tab. B8 - Trade payables

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Amounts due to suppliers	881	878
Amounts due to subsidiaries, associates and joint ventures	418	281
Contract liabilities	299	329
<b>Total</b>	<b>1,598</b>	<b>1,488</b>
<i>of which attributable to BancoPosta RFC</i>	<i>129</i>	<i>159</i>

## Amounts due to suppliers

tab. B8.1 - Amounts due to suppliers

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Italian suppliers	747	753
Overseas suppliers	24	15
Overseas counterparties*	110	110
<b>Total</b>	<b>881</b>	<b>878</b>
<i>of which attributable to BancoPosta RFC</i>	<i>13</i>	<i>18</i>

\* The amount due to overseas counterparties relates to fees payable to overseas postal operators and companies in return for postal and telegraphic services received.

## Amounts due to subsidiaries and joint ventures

tab. B8.2 - Amounts due to subsidiaries and joint ventures

Name (€m)	Balance at 31/12/2019	Balance at 31/12/2018
<b>Direct subsidiaries</b>		
BancoPosta Fondi SpA SGR	12	1
CLP ScpA	105	80
Consorzio PosteMotori	2	1
Consorzio per i Servizi di Telefonia Mobile ScpA	29	14
EGI SpA	10	15
PatentiViaPoste ScpA	1	1
Poste Vita SpA	1	1
Postel SpA	25	33
PostePay SpA	88	83
SDA Express Courier SpA	145	46
<b>Indirect subsidiaries</b>		
Poste Assicura SpA	-	1
<b>Joint ventures</b>		
FSIA Group	-	5
<b>Total</b>	<b>418</b>	<b>281</b>
<i>of which attributable to BancoPosta RFC</i>	<i>89</i>	<i>108</i>

The increase in amounts due to subsidiaries is primarily attributable to the subsidiary SDA Express Courier SpA, as a result of the new agreement entered into following the de-merger of the business unit on 1 November 2019, relating to the commercial offering of domestic and international express products.

## Contract liabilities

tab. B8.3 - Contract liabilities

Description (€m)	Balance at 01/01/2019	Increases / (Decreases)	Change due to recognition of revenue for period	Balance at 31/12/2019
Prepayments and advances from customers	296	(23)	-	273
Liabilities for fees to be refunded	26	(26)	20	20
Liabilities for volume discounts	4	(1)	-	3
Deferred income from trading transactions	3	-	-	3
<b>Total</b>	<b>329</b>	<b>(50)</b>	<b>20</b>	<b>299</b>
<i>of which attributable to BancoPosta RFC</i>	33	(27)	20	26

## Prepayments and advances from customers

This item refers to amounts received from customers as prepayment for the following services to be rendered:

tab. B8.3.1 - Prepayments and advances from customers

Description (€m)		Balance at 31/12/2019	Balance at 31/12/2018
Prepayments from overseas counterparties		196	149
Advances from the Cabinet Office - Publishing and Information department	[tab.A7.1]	-	72
Automated franking		38	36
Unfranked mail		16	16
Postage-paid mailing services		6	7
Other services		17	16
<b>Total</b>		<b>273</b>	<b>296</b>
<i>of which attributable to BancoPosta RFC</i>		-	-

**Liabilities for fees to be refunded** represent the estimated liability linked to the refund of fees on loan products sold after 1 January 2018, under the terms of which the related fees must be refunded if the customer opts for early cancellation of the agreement.



## B9 – Other liabilities (€2,960 million)

tab. B9 - Other liabilities

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Amounts due to staff	17	769	786	11	962	973
Social security payables	30	486	516	33	441	474
Other taxes payable	1,357	131	1,488	1,198	131	1,329
Other amounts due to subsidiaries	5	36	41	6	204	210
Sundry payables	86	31	117	85	29	114
Accrued liabilities and deferred income	10	2	12	10	4	14
<b>Total</b>	<b>1,505</b>	<b>1,455</b>	<b>2,960</b>	<b>1,343</b>	<b>1,771</b>	<b>3,114</b>
<i>of which attributable to BancoPosta RFC</i>	<i>1,434</i>	<i>62</i>	<i>1,496</i>	<i>1,274</i>	<i>39</i>	<i>1,313</i>

### Amounts due to staff

These items primarily regard accrued amounts that have yet to be paid at 31 December 2019. The breakdown is as follows:

tab. B9.1 - Amounts due to staff

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Fourteenth month salaries	-	211	211	-	224	224
Incentives	17	357	374	11	625	636
Accrued vacation pay	-	54	54	-	55	55
Other amounts due to staff	-	147	147	-	58	58
<b>Total</b>	<b>17</b>	<b>769</b>	<b>786</b>	<b>11</b>	<b>962</b>	<b>973</b>
<i>of which attributable to BancoPosta RFC</i>	<i>3</i>	<i>5</i>	<i>8</i>	<i>1</i>	<i>11</i>	<i>12</i>

The reduction in the debt for **Incentives** is due to the combined effect of the settlements made and the new liabilities which, recorded at 31 December 2018 in the provisions for early retirement incentives, can be determined with reasonable certainty during the year.

The increase in the item **Other personnel items** is due to the allocation of one-off provisions to cover the 2019 contractual vacancy defined by an agreement with the labour unions signed on 18 February 2020.

## Social security payables

tab. B9.2 - Social security payables

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
INPS	2	382	384	1	338	339
Pension funds	-	85	85	-	85	85
Health funds	-	5	5	-	5	5
INAIL	28	3	31	32	3	35
Other agencies	-	11	11	-	10	10
<b>Total</b>	<b>30</b>	<b>486</b>	<b>516</b>	<b>33</b>	<b>441</b>	<b>474</b>
<i>of which attributable to BancoPosta RFC</i>	-	3	3	-	3	3

The increase in **payables to INPS** is partly due to the one-off contribution component mentioned above.

## Other taxes payable

tab. B9.3 - Other taxes payable

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Withholding tax on employees' and consultants' salaries	-	87	87	-	102	102
Withholding tax on postal current accounts	-	10	10	-	3	3
Stamp duty payable	1,357	8	1,365	1,198	11	1,209
Other taxes due	-	26	26	-	15	15
<b>Total</b>	<b>1,357</b>	<b>131</b>	<b>1,488</b>	<b>1,198</b>	<b>131</b>	<b>1,329</b>
<i>of which attributable to BancoPosta RFC</i>	<i>1,357</i>	<i>25</i>	<i>1,382</i>	<i>1,198</i>	<i>19</i>	<i>1,217</i>

Specifically:

- **Withholding tax on employees' and consultants' salaries** relates to amounts paid to the tax authorities by Group companies in January and February 2020 as withholding agents.
- **Stamp duty** represents the amount payable to the tax authorities for stamp duty in virtual form, before the adjustment applied in 2020 pursuant to note 3-bis to art. 13 of the Tariff introduced by Presidential Decree 642/1972. The non-current portion of stamp duty payable primarily regards the amount due at 31 December 2019 on interest-bearing postal certificates in circulation, in compliance with the legislation referred to in note A9 – Other receivables and assets.

## Other amounts due to subsidiaries

tab. B9.4 - Other amounts due to subsidiaries

Name (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
<b>Direct subsidiaries</b>						
Poste Vita SpA	-	-	-	-	114	114
PostePay SpA	-	21	21	-	73	73
SDA Express Courier SpA	5	12	17	6	12	18
BancoPosta Fondi SpA SGR	-	2	2	-	2	2
Poste Air Cargo Srl	-	-	-	-	1	1
Postel SpA	-	1	1	-	1	1
Risparmio Holding SpA	-	-	-	-	1	1
<b>Total</b>	<b>5</b>	<b>36</b>	<b>41</b>	<b>6</b>	<b>204</b>	<b>210</b>
<i>of which attributable to BancoPosta RFC</i>	-	21	21	-	-	-

This item partly regards the amount payable to subsidiaries by Poste Italiane SpA, as the consolidating entity in the tax consolidation arrangement (note 2.3 – Summary of significant accounting policies and measurement criteria), to whom the subsidiaries have transferred tax assets in the form of payments on account, withholding taxes and taxes paid overseas, after deducting IRES payable to the Parent Company by the subsidiary BancoPosta Fondi SpA SGR and the benefit connected with the tax loss contributed by SDA Express Courier SpA in 2019.

During 2019, the amount due to the subsidiary, PostePay SpA, of €72 million generated by the transfer of the monetics and payment services business unit to the latter on 1 October 2018, was settled.

## Sundry payables

This item breaks down as follows:

tab. B9.5 - Sundry payables

Description (€m)	Balance at 31/12/2019			Balance at 31/12/2018		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	74	8	82	75	6	81
Guarantee deposits	12	-	12	10	-	10
Other payables	-	23	23	-	23	23
<b>Total</b>	<b>86</b>	<b>31</b>	<b>117</b>	<b>85</b>	<b>29</b>	<b>114</b>
<i>of which attributable to BancoPosta RFC</i>	74	8	82	75	6	81

Specifically:

- **Sundry payables attributable to BancoPosta's operations** primarily relate to prior period balances currently being verified.
- **Guarantee deposits** primarily relate to amounts collected from customers as a guarantee of payment for services (post-age-paid mailing services, the use of Post Office boxes, lease contracts, telegraphic service contracts, etc.).

## 6.4 Notes to the statement of profit or loss

### C1 – Revenue from sales and services (€8,541 million)

tab. C1 - Revenue from sales and services

Description (€m)	FY 2019	FY 2018
Postal Services	2,929	2,925
of which Revenue from contracts with customers	2,929	2,925
recognised at a point in time	490	589
recognised over time	2,439	2,336
BancoPosta services	5,435	5,419
of which Revenue from contracts with customers	3,796	3,863
recognised at a point in time	412	505
recognised over time	3,384	3,358
Other sales of goods and services	177	75
of which Revenue from contracts with customers	177	75
recognised at a point in time	1	1
recognised over time	176	74
<b>Total</b>	<b>8,541</b>	<b>8,419</b>

Revenue from contracts with customers breaks down as follows:

- **Revenue from Postal Services** refer to services provided to customers through the retail and business channels; revenue generated through the retail channel is recognised at a point in time given the number of transactions handled through the various sales channels (Post Offices, call centres and online) and measured on the basis of the rates applied; revenue generated through the business channel is generally earned as a result of annual or multi-annual contracts and is recognised over time using the output method determined on the basis of shipments requested and handled. These contracts include elements of variable consideration (primarily volume discounts and penalties linked to the quality of service provided) estimated using the expected value method and recognised as a reduction from revenue.
- **Revenue from BancoPosta Services**, which breaks down as follows:
  - revenue from placement and brokerage: these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. In terms of payment for the collection of postal savings, the agreement entered into with Cassa Depositi e Prestiti envisages payment of a variable consideration on achieving certain levels of inflows, determined annually on the basis of the volume of inflows and expected redemptions; certain commercial agreements, entered into with leading financial partners for the placement of financial products, envisage the return of placement fees in the event of early termination or surrender by the customer;
  - revenue from current account and related services: these are recognised over time, measured on the basis of the service rendered (including the related services, e.g. bank transfers, securities deposits, etc.) and quantified on the basis of the contract terms and conditions offered to the customer;
  - revenue from fees on the processing of payment slips: these are recognised at a point in time given the number of transactions handled by Post Offices and quantified on the basis of the terms and conditions in the contract of sale.

## Revenue from Postal Services

tab. C1.1 - Revenue from Postal Services

Description (€m)	FY 2019	FY 2018
Mail	2,169	2,277
Parcels	431	318
Philately	8	7
<b>Total external revenue</b>	<b>2,608</b>	<b>2,602</b>
Universal Service compensation	262	262
Publishing subsidies	59	61
<b>Total revenue</b>	<b>2,929</b>	<b>2,925</b>

During the year under review, to allow easier reading of the item **Revenue from Postal Services**, a different breakdown of this item is provided to allow a more immediate assessment of the economic and financial performance by segment of operations.

**External revenue**, substantially in line with 2018, show a decrease in revenue from Mail, offset by the increase in revenue from the Parcels segment, mainly due to the sale of express parcel courier services and pre- and after-sales assistance to customers acquired following the partial de-merger of SDA Express Courier SpA and the increase in shipments resulting from the partnership with Amazon and other main operators.

**Universal Service** compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. Annual compensation, amounting to €262 million, is established in the *Contratto di Programma* (Service Contract) for 2015-2019, which expired 31 December 2019. On 30 December 2019, the new Contract for the years 2020-2024 was signed, which was formally notified to the European Commission for the usual assessments, still in progress, related to the European framework on State aid.

**Publisher tariff subsidies**<sup>104</sup> relate to the amount receivable by the Company from the *Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria* (Cabinet Office - Publishing department) as compensation for the discounts applied to publishers and non-profit organisations when sending mail. The compensation is determined on the basis of the tariffs set in the decree issued by the Ministry for Economic Development, in agreement with the Ministry of the Economy and Finance, on 21 October 2010 and Law Decree 63 of 18 May 2012, as converted into Law 103 of 16 July 2012. In this regard, it should be noted that for the year under review, the amount of subsidies that the Company has granted is partially covered in the 2019 State Budget.

104. Law Decree 162 of 30 December 2019 - as converted by Law no. 8 of 28 February 2020 - ordered that reimbursements of publishing tariff subsidies to Poste Italiane continue "for a duration equal to that of the universal postal service" (i.e. until April 2026). The application of the regulation is subject to approval by the European Commission.

## BancoPosta services

tab. C1.2 - Revenue from BancoPosta services

Description (€m)	FY 2019	FY 2018
Fees for collection of postal savings deposits	1,799	1,827
Income from investment of postal current account deposits	1,638	1,556
Insurance brokerage	437	407
Other revenue from current account services	457	497
Commissions on payment of bills by payment slip	390	412
Distribution of loan products	327	262
Distribution of payment products and services	191	47
Income from delegated services	97	101
Distribution of investment funds	62	51
Money transfers	21	29
Commissions from securities trading	4	4
Securities custody	3	4
Fees for issue and use of prepaid cards	-	173
Other products and services	9	49
<b>Total</b>	<b>5,435</b>	<b>5,419</b>

Revenue from BancoPosta Services, substantially in line with 2018, include the decrease in commissions on the issue and use of prepaid cards due to the transfer of products in the monetics and payments segment to the subsidiary PostePay, with effect from 1 October 2018. This decrease is offset by the commissions received from the same following the contract entered into on the same date for the placement of payment products and services.

Specifically:

- **Fees for the collection of postal savings deposits** relates to remuneration for the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement of 14 December 2017 to cover the three-year period 2018-2020.
- **Income from the investment of postal current account deposits** breaks down as follows

tab. C1.2.1 - Income from investment of postal current account deposits

Description (€m)	FY 2019	FY 2018
Income from investments in securities	1,570	1,488
Interest income on securities at amortised cost	535	485
Interest income on securities at FVTOCI	1,012	981
Interest income (expense) on asset swaps of CFH on securities at FVOCI and CA	4	9
Interest income (expense) on asset swaps of FVH on securities at FVOCI and CA	(27)	(2)
Interest on repurchase agreements	46	15
Income from deposits held with the MEF	64	65
Remuneration of current account deposits (deposited with the MEF)	64	63
Differential on derivatives stabilising returns	-	2
Other	4	3
<b>Total</b>	<b>1,638</b>	<b>1,556</b>

Income from investments in securities relates to interest earned on investment of deposits paid into postal current accounts by private customers. The total includes the impact of the interest rate hedge described in note A6 – Financial assets attributable to BancoPosta.

Income from deposits held with the MEF primarily represents accrued interest for the year on amounts deposited by Public Administration entities.

- **Revenue from insurance brokerage** derives from fees receivable from the subsidiaries, Poste Vita and Poste Assicura, in return for the sale of insurance policies.
- **Revenue from current account services** primarily relates to charges on current accounts (€216 million), fees on amounts collected and on statements of account sent to customers (€108 million), annual fees on debit cards (€21 million) and related transactions (€28 million).
- Revenue from the **distribution of loan products** relate to commissions received by the Company on the placement of personal loans and mortgages on behalf of third parties.
- Income from the **distribution of payment products** and services regards fees received in return for distributing and promoting the products issued by the subsidiary, PostePay SpA.
- **Income from delegated services** primarily regards amounts received by the Company for the payment of pensions and vouchers issued by INPS (€36 million), and for the provision of treasury services on the basis of the agreement with the MEF (€58 million).

## Other sales of goods and services

The main revenue items include: income recognised from the subsidiary PostePay SpA, for cash and payment transactions (€114 million) and income from call centre services (€7 million).

## C2 – Other income from financial activities (€384 million)

tab. C2 - Other income from financial activities

Description (€m)	FY 2019	FY 2018
Income from equity instruments at FVTPL	27	9
Fair value gains	25	9
Realised gains	1	-
Dividends from other equity investments	1	-
Income from financial instruments at FVTOCI	353	400
Realised gains	353	400
Income from financial assets at amortised cost	-	4
Realised gains	-	4
Foreign exchange gains	4	4
Realised gains	4	4
Other income	-	1
<b>Total</b>	<b>384</b>	<b>418</b>

Other income from financial activities decreased by €34 million compared to 2018, mainly due to lower profits from the sale of financial assets to FVTOCI (-€47 million), partly offset by the increase in the fair value of the preferred shares of Visa Incorporated (+€16 million).

## C3 – Other operating income (€478 million)

tab. C3 - Other operating income

Description (€m)	FY 2019	FY 2018
Dividends from subsidiaries	348	262
Recoveries of contract expenses and other recoveries	16	12
Rentals	12	14
Government grants	8	10
Gains on disposals	2	117
Recovery of cost of seconded staff	1	6
Other income	91	31
<b>Total</b>	<b>478</b>	<b>452</b>

The increase in Other operating income is due to the recognition of income deriving from non-existent liabilities defined as a result of analyses carried out on the transitional accounts used as part of the operations of BancoPosta RFC.

## Dividends from subsidiaries

tab. C3.1 - Dividends from subsidiaries

Name (€m)	FY 2019	FY 2018
Poste Vita SpA	285	238
PostePay SpA	33	9
BancoPosta Fondi SpA SGR	30	15
<b>Total</b>	<b>348</b>	<b>262</b>

## Gains on disposals

Name (€m)	FY 2019	FY 2018
Gains on disposal of investments	2	116
Gains on disposal of investment property	-	1
<b>Total</b>	<b>2</b>	<b>117</b>

For the purposes of reconciliation with the statement of cash flows, in 2019 this item amounts to €1 million, after losses of €1 million. In 2018, this item, after losses of €2 million, amounted to €115 million.



## C4 – Cost of goods and services (€1,854 million)

tab. C4 - Cost of goods and services

Name (€m)	FY 2019	FY 2018
Service costs	1,678	1,361
Lease expense	74	270
Raw, ancillary and consumable materials and goods for resale	102	94
<b>Total</b>	<b>1,854</b>	<b>1,725</b>

The increase of €129 million compared with 2018 is mainly due to higher service costs, partly offset by the decrease in Lease and rental costs (following the application from 1 January 2019 of IFRS 16 - Leases).

### Services

tab. C4.1 - Service costs

Description (€m)	FY 2019	FY 2018
Outsourcing fees and external service charges	483	208
Transport of mail, parcels and forms	387	243
Routine maintenance and technical assistance	196	194
Personnel services	131	133
Energy and water	116	108
Transport of cash	89	91
Cleaning, waste disposal and security	67	68
Mail, telegraph and telex	58	58
Advertising and promotions	53	57
Telecommunications and data transmission	36	43
Electronic document management, printing and enveloping services	28	46
Consultants' fees and legal expenses	15	21
Insurance premiums	9	9
Agent commissions and other	5	6
Credit and debit card fees and charges	3	74
Securities custody and management fees	2	2
<b>Total</b>	<b>1,678</b>	<b>1,361</b>

The increase in Outsourcing fees and external service charges is primarily due to the cost of services provided by the subsidiary PostePay SpA, which in 2018 will only be affected from 1 October 2018, the effective date of the contract to outsource the management of service products.

## Lease expense

tab. C4.2 - Lease expense

Description (€m)	FY 2019	FY 2018
Property rentals	6	155
Vehicle leases	2	57
Equipment hire and software licences	60	54
Other lease expense	6	4
<b>Total</b>	<b>74</b>	<b>270</b>

## Raw, ancillary and consumable materials and goods for resale

tab. C4.3 - Raw, ancillary and consumable materials and goods for resale

Description (€m)	FY 2019	FY 2018
Fuels and lubricants	47	45
Consumables and goods for resale	30	28
Stationery and printed matter	18	17
Printing of postage and revenue stamps	7	4
<b>Total</b>	<b>102</b>	<b>94</b>

## C5 – Expenses from financial activities (€100 million)

tab. C5 - Expenses from financial activities

Description (€m)	FY 2019	FY 2018
Interest expense	67	23
Interest on customers' deposits	32	10
Interest on guarantee deposits	21	4
Interest expense on repurchase agreements	9	6
Interest due to MEF	5	3
Expense from financial instruments at FVTOCI	3	22
Realised losses	3	22
Expenses from financial assets at amortised cost	11	3
Realised losses	11	3
Expenses from fair value hedges	4	2
Fair value losses	4	2
Expenses from financial assets at FVTPL	15	-
Fair value losses	15	-
<b>Total</b>	<b>100</b>	<b>50</b>

Charges from financial operations increased by €50 million compared to 2018 mainly due to the increase in interest expense (+€44 million) and valuation charges on forward sales of preference shares of Visa Incorporated (+€15 million) partly offset by the decrease in realised losses from financial assets at FVTOCI (-€19 million).

## C6 – Personnel expenses (€5,702 million)

tab. C6 - Personnel expenses

Description (€m)	Note	FY 2019	FY 2018
Wages and salaries		3,978	3,976
Social security contributions		1,154	1,137
Employee termination benefits: supplementary pension funds and INPS		241	248
Agency staff		15	8
Remuneration and expenses paid to Directors		2	2
Share-based payments		11	4
Early retirement incentives		16	173
Net provisions (reversals) for disputes with staff	[tab. B4]	4	2
Provisions for early retirement incentives	[tab. B4]	369	444
Amounts recovered from staff due to disputes		(10)	(5)
Other personnel expenses/(cost recoveries)		(78)	(42)
<b>Total</b>		<b>5,702</b>	<b>5,947</b>

The personnel expenses decreased by a total of €245 million compared to 2018, mainly due to lower costs for early retirement incentives and higher recovery of personnel costs due to changes in estimates made in previous years. The ordinary component of the personnel expenses reflects the reduction in the average number of staff employed (more than 5 thousand FTE less than 2018), which almost entirely offset the increase in the cost per capita linked to the effect of the latest contract renewal (2016-2018 National Collective Labour Contract), as well as the recognition of an all-inclusive amount to cover the entire year 2019 established by an agreement with the labour unions signed on 18 February 2020.

Net provisions for disputes with staff and provisions for restructuring charges are described in note B4 – Provisions for risks and charges.

Other personnel expenses/(cost recoveries) include the release of liabilities of €45 million allocated in previous years to support unprotected early retirement.

The following table shows the Company's average and year-end headcounts by category:

tab. C6.1 - Number of employees

Permanent workforce	Average		Year end	
	FY 2019	FY 2018	31/12/2019	31/12/2018
Executives	550	573	547	549
Middle managers (A1)	6,173	6,389	6,092	6,184
Middle managers (A2)	7,818	8,130	7,597	7,879
Grades B, C, D	101,163	107,149	97,071	103,820
Grades E, F	2,161	580	4,156	891
<b>Total employees on permanent contracts*</b>	<b>117,865</b>	<b>122,821</b>	<b>115,463</b>	<b>119,323</b>

\* Figures expressed in full-time equivalent terms.

Furthermore, taking account of staff on flexible contracts, the average number of full-time equivalent staff is 125,894 (in 2018: 130,867).

## C7 – Depreciation, amortisation and impairments (€674 million)

tab. C7 - Depreciation, amortisation and impairments

Description (€m)	FY 2019	FY 2018
Depreciation of property, plant and equipment	295	297
Properties used in operations	108	111
Plant and machinery	70	68
Industrial and commercial equipment	9	9
Leasehold improvements	40	32
Other assets	68	77
Impairments/recoveries/adjustments of property, plant and equipment	(5)	(6)
Depreciation of investment property	4	4
Amortisation of right-of-use assets	189	-
Properties used in operations	128	-
Company fleet	54	-
Vehicles for mixed use	4	-
Other assets	3	-
Amortisation and impairments of intangible assets	191	179
Industrial patents and intellectual property rights	191	179
<b>Total</b>	<b>674</b>	<b>474</b>

Depreciation, amortisation and impairments are up €200 million compared with 2018, almost entirely due to depreciation of right-of-use assets (IFRS 16).

## C8 – Other operating costs (€196 million)

tab. C8 - Other operating costs

Description (€m)	Note	FY 2019	FY 2018
Operational risk events		34	46
Thefts	[tab. B6.1.2]	4	5
Loss of BancoPosta assets, net of recoveries		-	1
Other operating losses of BancoPosta		30	40
Net provisions for risks and charges made/(released)		16	72
for disputes with third parties	[tab. B4]	(4)	2
for operational risks	[tab. B4]	10	79
for expired and statute barred postal certificates	[tab. B4]	-	(15)
for other risks and charges	[tab. B4]	10	6
Capital losses		1	2
Other taxes and duties		88	64
Municipal property tax		26	25
Urban waste tax		21	21
Other		41	18
Impairments of investments	[tab. A5.1]	32	94
Other recurring expenses		25	28
<b>Total</b>		<b>196</b>	<b>306</b>

The decrease of €110 million compared with 2018 is mainly due to lower net provisions for risks and charges (-€56 million), lower operating losses on BancoPosta RFC (-€10 million) and lower impairment of investments (-€62 million), partly offset by higher costs for non-deductible VAT on lease agreements, reclassified by nature at 31 December 2019, as a result of the application of IFRS 16.

## C9 – Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets (€41 million)

tab. C9 - Impairment losses/(Reversals of impairment losses) on debt instruments, receivables and other assets

Description (€m)	FY 2019	FY 2018
Net provisions and losses on receivables and other assets (uses of provisions)	43	21
Provisions (reversal of provisions) for receivables due from customers	37	8
Provisions (reversal of provisions) for receivables due from the MEF	-	(1)
Provisions (reversal of provisions) for sundry receivables	6	14
Net impairment losses on debt instruments and receivables attributable to financial activities	(2)	1
Impairment/(reversal) on debt instruments at FVTOCI	(1)	(1)
Impairment/(reversal) on debt instruments at amortised cost	(1)	2
<b>Total</b>	<b>41</b>	<b>22</b>

The increase of €19 million compared with 2018 is mainly due to higher impairment of trade receivables (+€29 million), offset in part by lower impairment of other receivables (-€8 million).

## C10 – Finance income (€70 million) and costs (€59 million)

### Finance income

tab C10.1 - Finance income

Description (€m)	FY 2019	FY 2018
Income from subsidiaries and associates	53	29
Interest on loans	7	6
Interest on intercompany current accounts	1	1
Dividends from associates*	6	17
Other finance income	39	5
Income from financial instruments at FVTOCI	5	5
Interest on fixed-income instruments	16	16
Accrued differentials on fair value hedges	(11)	(11)
Other finance income	7	6
Finance income on discounting receivables**	4	5
Late payment interest	14	13
Impairment of amounts due as late payment interest	(14)	(13)
Other	3	1
Foreign exchange gains*	5	4
<b>Total</b>	<b>70</b>	<b>44</b>

\* For the purposes of reconciliation with the statement of cash flows, in 2019 finance income after foreign exchange gains and dividends from associates amounts to €59 million (€23 million in 2018).

\*\* Finance income on discounted receivables regards interest on amounts due from staff and INPS under the fixed-term contract settlements of 2006, 2008, 2010, 2012, 2013, 2015 and 2018.

The increase of €26 million compared with 2018 is due mainly to commissions for non-utilisation of committed credit lines provided to certain subsidiaries, offset in part by lower dividends received from associates.

## Finance costs

tab. C10.2 - Finance costs

Description (€m)	Note	FY 2019	FY 2018
Finance costs on financial liabilities		29	15
on lease payables		25	-
on borrowings from financial institutions		2	1
on bonds		1	13
on derivative financial instruments		1	1
Finance costs on provisions for employee termination benefits and pension plans	[tab. B5]	17	19
Finance costs on provisions for risks	[tab. B4]	1	-
Impairment of investments in joint ventures		-	27
Other finance costs		8	5
Foreign exchange losses*		4	4
<b>Total</b>		<b>59</b>	<b>70</b>

\* For the purposes of reconciliation with the statement of cash flows, in 2019 finance costs after foreign exchange losses amounted to €55 million (€66 million in 2018).

The decrease of €11 million compared with 2018 is due mainly to lower charges on bond issues following the redemption in June 2018 of a bond issue with nominal value of €750 million (-€12 million), the absence of impairment of investments in associates (-€27 million), offset in part by higher charges on lease obligations (+€25 million).

## C11 – Impairment losses / (reversals of impairment losses) on financial assets (€45 million)

tab. C11 - Impairment losses/(Reversals of impairment losses) on financial assets

Description (€m)	FY 2019	FY 2018
Net impairment losses on financial receivables	-	20
Impairment losses/(Reversals of impairment losses) on financial receivables	-	20
Impairment of the receivable for interest income on IRES	45	-
<b>Total</b>	<b>45</b>	<b>20</b>

The impairment of the receivable for interest income on IRES repayment is commented on in note A9.

## C12 – Income tax expense (€162 million)

The nominal tax rate for IRES is 24%, whilst the nominal tax rate for IRAP is 3.90% for entities as a whole and 4.20% for entities that hold concessions other than those relating to the construction and operation of motorways and tunnels (+/-0.92% resulting from regional surtaxes and/or relief and +0.15% as a result of additional surtaxes levied in regions with a health service deficit). The Company's average statutory rate for IRAP is 4.49%.

tab. C12 - Income tax expense

Description (€m)	FY 2019			FY 2018		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	60	34	94	119	35	154
Deferred tax assets	59	10	69	(7)	2	(5)
Deferred tax liabilities	(1)	-	(1)	(1)	-	(1)
<b>Total</b>	<b>118</b>	<b>44</b>	<b>162</b>	<b>111</b>	<b>37</b>	<b>148</b>

The tax rate for 2019 is 19.7% and consists of:

tab. C12.1 - Reconciliation between theoretical and effective IRES rate

Description (€m)	FY 2019		FY 2018	
	IRES	Tax Rate	IRES	Tax Rate
<i>Profit before tax</i>	823		732	
Theoretical tax charge	198	24.0%	176	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Dividends from investee companies	(81)	-9.83%	(64)	-8.68%
Taxation for previous years	(6)	-0.74%	(7)	-0.95%
Realised gains on investments	(1)	-0.04%	(27)	-3.62%
Adjustments to investments	8	0.95%	29	3.97%
Net provisions for risks and charges and bad debts	6	0.73%	3	0.37%
Non-deductible out-of-period losses	5	0.59%	3	0.41%
Non-deductible taxes	3	0.40%	5	0.67%
Other	(14)	-1.74%	(7)	-0.93%
<b>Effective tax charge</b>	<b>118</b>	<b>14.32%</b>	<b>111</b>	<b>15.24%</b>



tab. C12.2 - Reconciliation between theoretical and effective IRAP rate

Description (€m)	FY 2019		FY 2018	
	IRAP	Tax Rate	IRAP	Tax Rate
Profit before tax	823		732	
Theoretical tax charge	37	4.49%	33	4.49%
Effect of increases/(decreases) on theoretical tax charge				
Dividends from investee companies	(16)	-1.94%	(13)	-1.71%
Non-deductible personnel expenses	13	1.53%	12	1.69%
Net provisions for risks and charges and bad debts	6	0.73%	2	0.29%
Impairment loss/(reversal) on financial instruments	2	0.25%	6	0.87%
Taxation for previous years	-	-	(3)	-0.35%
Other	2	0.32%	(1)	-0.23%
<b>Effective tax charge</b>	<b>44</b>	<b>5.38%</b>	<b>36</b>	<b>5.06%</b>

## Current tax expense

tab. C12.3 - Movements in current tax assets /(liabilities)

Description (€m)	Current tax 2019		
	IRES	IRAP	Total
	Assets/(Liabilities)	Assets/(Liabilities)	
<b>Balance at 1 January</b>	<b>80</b>	<b>3</b>	<b>83</b>
Payment of	181	46	227
payments on account for the current year	181	38	219
balance payable for the previous year	-	8	8
Claim for IRAP refund	-	(8)	(8)
Provisions to profit or loss	(60)	(34)	(94)
Provisions to equity	-	3	3
Tax consolidation	(385)	-	(385)
Other	21*	-	21
<b>Balance at 31 December</b>	<b>(163)</b>	<b>10</b>	<b>(153)</b>
of which:			
Current tax assets	36	10	46
Current tax liabilities	(199)	-	(199)

\* This item refers to receivables for withholding taxes.

Under IAS 12 – Income Taxes, IRES and IRAP credits are offset against the corresponding current tax liabilities, when applied by the same tax authority to the same taxable entity, which has a legally enforceable right to offset and intends to exercise this right.

Current tax assets/(liabilities) for the year ended 31 December 2019 primarily regard:

- a tax liability of €190 million relating to all the companies participating in the tax consolidation arrangement and reflecting payments of IRES and IRAP on account and refundable IRAP from the previous year, after provisions for IRES and IRAP for 2019;
- the substitute tax credit of €32 million relating to the redemption carried out by the Company during 2018, pursuant to art. 15, paragraph 10 ter of Law Decree 185 of 29 November 2008, of the higher values resulting from the notes to the consolidated financial statements at 31 December 2017, of goodwill and other intangible assets relating to the acquisition of the investment in FSIA Investimenti Srl;
- the remaining IRES receivable of €4 million to be recovered on the failure to deduct IRAP resulting from the requests filed pursuant to art. 6 of Law Decree 185 of 29 November 2008 and art. 2 of Law Decree 201 of 6 December 2011, which provided for a partial deductibility of IRAP for IRES purposes (in this regard, see as reported on receivables for related interest in Note A9).

## Deferred tax assets and liabilities

Details of this item at 31 December 2019 are shown in the following table:

**tab. C12.4 - Deferred taxes**

Description (€m)	Balance at 31/12/2019	Balance at 31/12/2018
Deferred tax assets	675	863
Deferred tax liabilities	(666)	(376)
<b>Total</b>	<b>9</b>	<b>487</b>
<i>of which attributable to BancoPosta RFC</i>		
Deferred tax assets	312	507
Deferred tax liabilities	(662)	(372)

Movements in deferred tax assets and liabilities are shown below:

**tab. C12.5 - Movements in deferred tax assets and liabilities**

Description (€m)	Note	FY 2019
<b>Balance at 1 January</b>		<b>487</b>
Net income/(expense) recognised in profit or loss		(68)
Net income/(expense) recognised in equity	[tab. C12.8]	(411)
Extraordinary transactions*		1
<b>Balance at 31 December</b>		<b>9</b>

\* Extraordinary transactions relate to the balance of deferred tax assets transferred to Poste Italiane SpA following the partial de-merger of the business unit of the subsidiary SDA Express Courier SpA, on 1 November 2019.

The following table shows movements in deferred tax assets and liabilities, broken down according to the events that generated such movements:

**tab. C12.6 - Movements in deferred tax assets**

Description (€m)	Investment property	Financial assets and liabilities	Provisions to cover expected losses	Provisions for risks and charges	Discounting of provisions for employee termination benefits	Contract liabilities	Other	Total
<b>Balance at 1 January 2019</b>	<b>17</b>	<b>370</b>	<b>89</b>	<b>313</b>	<b>19</b>	<b>10</b>	<b>45</b>	<b>863</b>
Income/(expense) recognised in profit or loss	1	1	(5)	(76)	-	3	7	(69)
Income/(expense) recognised in equity	-	(137)	-	-	17	-	-	(120)
Extraordinary transactions	-	-	1	-	-	-	-	1
<b>Balance at 31 December 2019</b>	<b>18</b>	<b>234</b>	<b>85</b>	<b>237</b>	<b>36</b>	<b>13</b>	<b>52</b>	<b>675</b>

**tab. C12.7 - Movements in deferred tax liabilities**

Description (€m)	Financial assets and liabilities	Other	Total
<b>Balance at 1 January 2019</b>	<b>373</b>	<b>2</b>	<b>375</b>
Income/(expense) recognised in profit or loss	-	(1)	(1)
Income/(expense) recognised in equity	291	-	291
<b>Balance at 31 December 2019</b>	<b>664</b>	<b>1</b>	<b>665</b>

At 31 December 2019, deferred tax assets and liabilities recognised directly in equity are as follows:

**tab. C12.8 - Income/(expense) recognised in equity**

Description (€m)	Increases/(decreases) in equity	
	FY 2019	FY 2018
Fair value reserve for financial assets at FVTOCI	(417)	651
Cash flow hedge reserve	(11)	(60)
Actuarial gains /(losses) on employee termination benefits	17	(5)
<b>Total</b>	<b>(411)</b>	<b>586</b>

## 6.5 Related party transactions

### Impact of related party transactions on statement of financial position and profit and loss

Impact of related party transactions on the financial position at 31 December 2019

Name (€m)	Balance at 31/12/2019								
	BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
<b>Direct subsidiaries</b>									
BancoPosta Fondi SpA SGR	-	-	22	-	-	16	3	12	2
CLP ScpA	-	-	14	-	-	1	-	105	-
Consorzio PosteMotori	-	-	21	-	-	44	-	2	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	-	-	29	-
EGI SpA	-	-	1	1	-	13	43	10	-
Poste Air Cargo Srl	-	13	4	1	-	-	-	-	-
PatentiViaPoste ScpA	-	-	6	-	-	12	-	1	-
Poste Tributi ScpA (in liquidation)	-	-	5	-	-	2	-	-	-
Poste Vita SpA	-	251	147	207	-	237	103	1	-
Postel SpA	-	13	46	1	-	7	-	25	1
Postepay SpA	50	-	121	40	-	5,222	398	88	21
SDA Express Courier SpA	-	60	85	2	-	4	-	145	17
<b>Indirect subsidiaries</b>									
Kipoint SpA	-	-	-	-	-	1	-	-	-
Poste Assicura SpA	-	-	8	4	-	8	-	-	-
Poste Welfare Servizi Srl	-	-	-	-	-	8	-	-	-
<b>Related parties external to the Group</b>									
MEF	7,066	-	188	4	495	4,542	4	9	8
Cassa Depositi e Prestiti Group	3,948	-	452	-	-	-	-	-	-
Enel Group	-	-	25	-	-	-	-	-	-
Eni Group	-	-	8	-	-	-	-	9	-
Leonardo Group	-	-	1	-	-	-	-	45	-
Monte dei Paschi di Siena Group	143	-	8	-	-	400	-	-	-
Invitalia Group	-	49	2	-	-	-	-	-	-
Other related parties external to the Group	-	-	12	-	-	-	5	15	64
Provision for doubtful debts owing from external related parties	(4)	(20)	(40)	-	-	-	-	-	-
<b>Total</b>	<b>11,203</b>	<b>366</b>	<b>1,136</b>	<b>260</b>	<b>495</b>	<b>10,517</b>	<b>556</b>	<b>496</b>	<b>113</b>

## Impact of related party transactions on the financial position at 31 December 2018

Name (€m)	Balance at 31/12/2018								
	BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
<b>Direct subsidiaries</b>									
BancoPosta Fondi SpA SGR	-	-	16	-	-	20	15	1	2
CLP ScpA	-	-	15	-	-	1	-	80	-
Consorzio PosteMotori	-	-	15	-	-	45	-	1	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	1	-	14	-
EGI SpA	-	-	1	-	-	7	-	15	-
Mistral Air Srl	-	15	3	1	-	-	-	-	1
PatentiViaPoste ScpA	-	-	6	-	-	9	-	1	-
Poste Tributi ScpA (in liquidation)	-	-	5	-	-	1	-	-	-
Poste Vita SpA	-	256	143	-	-	539	79	1	114
Postel SpA	-	12	42	1	-	6	-	33	1
PostePay SpA	174	-	103	17	-	4.291	18	83	73
Risparmio Holding SpA	-	-	-	-	-	-	-	-	1
SDA Express Courier SpA	-	77	40	2	-	3	-	46	18
<b>Indirect subsidiaries</b>									
Poste Assicura SpA	-	-	8	4	-	5	-	1	-
Poste Welfare Servizi Srl	-	-	-	-	-	9	-	-	-
<b>Joint ventures</b>									
SIA Group	-	-	-	-	-	-	-	5	-
<b>Related parties external to the Group</b>									
MEF	5.930	-	197	11	1.306	3.649	-	43	8
Cassa Depositi e Prestiti Group	4.541	-	440	-	-	-	-	-	-
Enel Group	-	-	26	-	-	-	-	-	-
Eni Group	-	-	5	-	-	-	-	12	-
Leonardo Group	-	-	-	-	-	-	-	41	-
Monte dei Paschi Group	44	-	3	-	-	337	-	-	-
Invitalia Group	-	69	2	-	-	-	-	-	-
Other related parties external to the Group	-	-	18	-	-	-	-	10	64
Provisions for doubtful debts from external related parties	(5)	(20)	(39)	(3)	-	-	-	-	-
<b>Total</b>	<b>10.684</b>	<b>409</b>	<b>1.049</b>	<b>33</b>	<b>1.306</b>	<b>8.923</b>	<b>112</b>	<b>387</b>	<b>282</b>

At 31 December 2019, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Company and attributable primarily to trading relations amount to €70 million (€71 million at 31 December 2018).

## Impact of related party transactions on profit or loss

Name (€m)	FY 2019										
	Revenue			Costs							
	Revenue from sales and services	Other operating income	Finance income	Capital expenditure		Current expenditure					
				Property, plant and equipment	Intangible assets	Cost of goods and services	Expenses from financial activities	Personnel expenses	Other operating costs	Impairment losses/ (Reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
<b>Direct subsidiaries</b>											
BancoPosta Fondi SpA SGR	66	30	-	-	-	11	-	(1)	-	-	-
CLP ScpA	5	-	-	4	2	171	-	-	3	-	-
Consorzio PosteMotori	42	-	-	-	-	-	-	-	2	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	2	23	-	-	-	-	-
EGI SpA	-	-	-	-	-	97	-	-	-	-	1
Poste Air Cargo Srl	-	-	-	-	-	-	-	-	-	-	-
PatentiViaPoste ScpA	26	-	-	-	-	-	-	-	-	-	-
Poste Tributi ScpA (in liquidation)	-	-	-	-	-	-	-	-	-	-	-
Poste Vita SpA	445	285	46	-	-	-	-	-	-	-	-
Postel SpA	10	2	-	-	-	32	-	3	-	-	-
Postepay SpA	397	36	-	-	-	326	22	-	-	-	-
Risparmio Holding SpA	-	1	-	-	-	-	-	-	-	-	-
SDA Express Courier SpA	17	2	1	-	-	210	-	8	-	-	-
<b>Indirect subsidiaries</b>											
Poste Assicura SpA	40	-	-	-	-	-	-	-	-	-	-
<b>Associates</b>											
Anima Group	3	-	6	-	-	-	-	-	-	-	-
<b>Related parties external to the Group</b>											
MEF	466	-	-	-	-	1	5	-	1	-	-
Cassa Depositi e Prestiti Group	1.875	-	-	-	-	-	-	-	-	1	1
Enel Group	57	-	-	-	-	-	-	-	-	-	-
Eni Group	19	-	-	-	-	26	-	-	-	-	-
Leonardo Group	-	-	-	-	3	19	-	-	-	-	-
Monte dei Paschi Group	16	-	-	-	-	-	-	-	-	-	-
Invitalia Group	1	-	-	-	-	-	-	-	-	-	-
Other related parties external to the Group	38	-	-	-	-	3	-	49	-	-	-
<b>Total</b>	<b>3.523</b>	<b>356</b>	<b>53</b>	<b>(4)</b>	<b>7</b>	<b>920</b>	<b>27</b>	<b>59</b>	<b>6</b>	<b>1</b>	<b>2</b>

## Impairment loss/(reversal) on financial instruments

Name (€m)	FY 2018										
	Revenue			Costs							
	Revenue from sales and services	Other operating income	Finance income	Capital expenditure		Current expenditure					
				Property, plant and equipment	Intangible assets	Cost of goods and services	Expenses from financial activities	Personnel expenses	Other operating costs	Impairment losses/ (Reversals of impairment losses) on debt instruments, receivables and other assets	Impairment loss/ (reversal) on financial instruments
<b>Direct subsidiaries</b>											
BancoPosta Fondi SpA SGR	53	15	-	-	-	-	-	-	-	-	-
CLP ScpA	5	-	-	2	-	152	-	-	3	-	-
Consorzio PosteMotori	40	-	-	-	-	-	-	-	1	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	2	24	-	-	-	-	-
EGI SpA	-	1	-	-	-	96	-	-	-	-	-
Mistral Air Srl	-	1	-	-	-	-	-	-	-	-	-
PatentiViaPoste ScpA	25	-	-	-	-	-	-	-	-	-	-
Poste Vita SpA	412	239	11	-	-	-	-	1	-	-	-
Postel SpA	4	2	-	-	-	47	-	2	-	-	-
Postepay SpA	108	11	-	-	-	83	4	1	-	-	-
SDA Express Courier SpA	9	4	1	-	-	87	-	2	-	-	-
<b>Indirect subsidiaries</b>											
Kipoint SpA	-	-	-	-	-	1	-	-	-	-	-
Poste Assicura SpA	31	-	-	-	-	-	-	-	-	-	-
<b>Joint ventures</b>											
SIA Group	-	-	11	-	3	27	-	-	-	-	-
<b>Associates</b>											
Anima Group	2	116	6	-	-	-	-	-	-	-	-
<b>Related parties external to the Group</b>											
MEF	513	5	-	-	-	3	3	-	-	(4)	-
Cassa Depositi e Prestiti Group	1.892	-	-	-	-	-	-	-	-	1	-
Enel Group	58	-	-	-	-	-	-	-	-	-	-
Eni Group	20	-	-	-	-	30	-	-	-	-	-
Leonardo Group	-	-	-	-	12	28	-	-	-	-	-
Monte dei Paschi Group	20	-	-	-	-	-	-	-	-	-	-
Invitalia Group	2	-	-	-	-	-	-	-	-	-	20
Other related parties external to the Group	27	-	-	-	-	7	-	42	-	-	-
<b>Total</b>	<b>3.221</b>	<b>394</b>	<b>29</b>	<b>2</b>	<b>17</b>	<b>585</b>	<b>7</b>	<b>48</b>	<b>4</b>	<b>(3)</b>	<b>20</b>

At 31 December 2019, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Company and primarily attributable to trading relations amount to €1 million (€2 million at 31 December 2018).

The nature of the Company's principal transactions with related parties external to the Group is summarised below:

- Amounts received from the MEF relate primarily to payment for carrying out the (Universal Service) USO, the management of postal current accounts, as payment for delegated services, the franking of mail on credit, and for the integrated notification service.
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits.
- Amounts received from the Enel Group primarily relate to payment for bulk mail shipments, unfranked mail, franking of mail on credit and postage paid mailing services. The costs incurred primarily relate to the supply of gas and electricity.
- Amounts received from the ENI Group primarily regard payment for mail shipments. The costs incurred relate to the supply of gas and of fuel for motorcycles and vehicles.
- Purchases from the Leonardo Group primarily relate to the supply, by Leonardo SpA, of equipment, maintenance and technical assistance for mechanised sorting equipment, and systems and IT assistance regarding the creation of document storage facilities, specialist consulting services and software maintenance, and the supply of software licences and of hardware.
- Amounts received from the Monte dei Paschi di Siena group primarily regard payment for mail shipments.



## Impact of related party transactions and positions

The impact of related party transactions on the financial position, profit or loss and cash flows is shown in the following table:

### Impact of related party transactions

Description (€m)	31/12/2019			31/12/2018		
	Total in financial statements	Total related parties	Impact (%)	Total in financial statements	Total related parties	Impact (%)
<b>Financial position</b>						
Financial assets attributable to BancoPosta	76,396	11,203	14.7	63,863	10,684	16.7
Financial assets	941	367	39.0	983	409	41.6
Trade receivables	2,385	1,139	47.8	2,261	1,049	46.4
Other receivables and assets	2,455	260	10.6	2,150	33	1.5
Cash and cash equivalents	1,206	495	41.0	2,127	1,306	61.4
Provisions for risks and charges	1,130	70	6.2	1,431	71	5.0
Financial liabilities attributable to BancoPosta	77,937	10,518	13.5	66,759	8,923	13.4
Financial liabilities	2,301	557	24.2	395	112	28.4
Trade payables	1,598	497	31.1	1,488	387	26.0
Other liabilities	2,961	114	3.9	3,114	282	9.1
<b>Profit or loss</b>						
Revenue from sales and services	8,541	3,524	41.3	84,719	3,221	3.8
Other operating income	478	358	74.9	448	394	87.9
Cost of goods and services	1,854	922	49.7	1,725	585	33.9
Expenses from financial activities	100	27	27.0	50	7	14.0
Personnel expenses	5,702	58	1.0	5,947	48	0.8
Other operating costs	196	6	3.1	306	4	1.3
Finance costs	59	3	5.1	70	-	n.a.
Finance income	70	54	77.1	44	29	65.9
<b>Cash flow</b>						
Net cash flow from /(for) operating activities	49	780	n.a.	1,974	2,607	n.a.
Net cash flow from /(for) investing activities	(736)	(50)	6.8	(399)	130	n.a.
Net cash flow from/(for) financing activities and shareholder transactions	(234)	(60)	25.6	(1,487)	(409)	27.5

## Key management personnel

Key management personnel consist of Directors, members of the Board of Statutory Auditors and the Supervisory Board, managers at the first organisational level of the Company and Poste Italiane's manager responsible for financial reporting. The related remuneration, gross of expenses and social security contributions, is as follows:

### Remuneration of key management personnel

Description (€000)	31/12/2019	31/12/2018
Remuneration to be paid in short/medium term	12,505	13,127
Post-employment benefits	510	532
Other benefits to be paid in longer term	1,855	1,223
Termination benefits	1,704	2,075
Share-based payments	4,906	2,840
<b>Total</b>	<b>21,480</b>	<b>19,797</b>

### Remuneration of Statutory Auditors

Description (€000)	31/12/2019	31/12/2018
Remuneration	247	270
Expenses	20	19
<b>Total</b>	<b>267</b>	<b>289</b>

The remuneration paid to members of the Company's Supervisory Board for 2019 amounts to €84 thousand. In determining the re, the amounts paid to managers of Poste Italiane who are members of the Supervisory Board is not taken into account, as this remuneration is passed on to the employer.

No loans were granted to key management personnel during the year and, at 31 December 2019, the Company does not report receivables in respect of loans granted to key management personnel.

## Transactions with staff pensions funds

Poste Italiane SpA and the subsidiaries that apply the National Collective Labour Contract are members of the Fondoposte Pension Fund, the national supplementary pension fund for Poste Italiane personnel, established on 31 July 2002 as a non-profit entity. The Fund's officers and boards are the General Meeting of delegates, the Board of Directors, the Chairman and Deputy Chairman of the Board of Directors and Board of Statutory Auditors. Representation of members on the above boards is shared equally between the companies and the workers that are members of the Fund. The participation of members in the running of the Fund is guaranteed by the fact that they directly elect the delegates to send to the General Meeting.

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# 7. Risk management

## Introduction

The note on Risk management is common to both the Group and Poste Italiane SpA. It deals with both financial risk (as defined by IFRS 7) and other types of risk that the Group deems it appropriate or necessary to disclose. Quantitative disclosures for Poste Italiane SpA alone are provided in the specific section of this note, unless otherwise indicated.

## Financial risk

Information on financial risk management at 31 December 2019 is provided below, in accordance with the requirements of the international financial reporting standard, IFRS 7 – Financial Instruments: Disclosures.

Responsibility for coordinating and managing investment and hedging strategies related to BancoPosta RFC and Poste Italiane has been assigned to BancoPosta Fondi SpA SGR respectively from 1 January and 1 July 2019.

Poste Italiane SpA's financial activities, related to treasury management, medium-term funding transactions, including capital market transactions, and extraordinary and subsidised finance are the responsibility of the Parent Company's Administration, Finance and Control function.

Management of the Group's financial transactions and of the associated risks relates mainly to the operations of Poste Italiane SpA and the Poste Vita insurance Group.

■ **Poste Italiane SpA's** financial transactions primarily relate to BancoPosta's operations, asset financing and liquidity investment.

BancoPosta RFC's operations consist in the active management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties. The funds deposited by private account holders in postal current accounts are invested in euro zone government securities<sup>105</sup>, whilst deposits by Public Administration entities are deposited with the MEF. The investment profile is based on the constant monitoring of habits of current account holders and the use of a statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Accordingly, the *portfolio* composition aims to replicate the financial structure of current accounts by private customers. Management of the relationship between the structure of deposits and investments is handled through an appropriate Asset & Liability Management system. The above-mentioned model is thus the general reference for the investments, in order to limit exposure to interest rate risk and liquidity risks. The prudential requirements introduced by the third revision of the Bank of Italy Circular 285/2013 require Bancoposta to apply the same regulations applicable to banks in terms of its controls, establishing that its operations are to be conducted in accordance with the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF). BancoPosta RFC is, therefore, required to establish a system of internal controls in line with the provisions of Circular 285<sup>106</sup>, which, among other things, requires definition of a Risk Appetite Framework (RAF<sup>107</sup>), the containment of risks within the limits set by the RAF, protection of the value of assets and against losses, and identification of material transactions to be subject to prior examination by the risk control function.

With reference to BancoPosta RFC, following the positive development in revenue volumes and the change in the market scenario, the Leverage Ratio fell during the year to 3.0% at 31 December 2019, taking into account the increase in capital deriving from the calculation of part of the 2019 profits, no subject to distribution.

105. The funds raised by private customers on postal current accounts must be used in euro area government securities and, for a portion not exceeding 50% of the funds raised, in other securities backed by the Italian government guarantee.

106. See in particular the provisions laid down in Part I – Section IV – Chapter 3.

107. The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits, and risk management policies, together with the processes needed to define and implement them.

Operations not covered by BancoPosta RFC, primarily relating to management of the Parent Company's own liquidity, are carried out in accordance with investment guidelines approved by the Board of Directors, which require the Company to invest in instruments such as government securities, high-quality corporate or bank bonds and term bank deposits. Liquidity is also deposited in postal current accounts, subject to the same requirements applied to the investment of deposits by private current account holders.

- Financial instruments held by the insurance company, **Poste Vita SpA**, primarily relate to investments designed to cover its contractual obligations to policyholders on traditional life policies and unit-linked policies. Other investments in financial instruments regard investment of the insurance company's free capital.

Traditional Life policies, classified under Class I and V, primarily include products whose benefits are revaluated based on the return generated through the management of pools of financial assets, which are separately identifiable in accounting terms only, within the company's assets (so-called separately managed accounts). In the case of policies sold in previous years, the company has guaranteed a minimum return payable at maturity on such products (at 31 December 2019, this minimum return on existing policies ranged between 0% and 1.5%). Gains and losses resulting from measurement are attributed in full to policyholders and accounted for in specific technical provisions under the shadow accounting method. The calculation technique used by the Group in applying this method is based on the prospective yield on each separately managed account, considering a hypothetical realisation of unrealised gains and losses over a period of time that matches the assets and liabilities held in the *portfolio* (see note 2.3 in relation to "Insurance contracts").

The impact of financial risk on investment performance can be absorbed in full or in part by the insurance provisions based on the level and structure of the guaranteed minimum returns and the profit-sharing mechanisms of the "separate *portfolio*" for the policyholder. The company determines the sustainability of minimum returns through periodic analyses using an internal financial-actuarial (Asset-Liability Management) model which simulates, for each separate *portfolio*, the change in value of the financial assets and the expected returns under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions. This model makes it possible to manage the risks assumed by Poste Vita SpA on a quantitative basis, thereby fostering reduced earnings volatility and optimal allocation of financial resources. Unit-linked products, relating to Class III insurance products, regard policies where the premium is invested in mutual investment funds. The Company constantly monitors the evolution of the risk profile of individual products.

**Poste Assicura SpA's** investment policies are designed to preserve the Company's financial strength, as outlined in the framework resolution approved by the Board of Directors of **Poste Vita SpA** on 22 May 2019. Regular analyses of the macroeconomic context and market trends for the different asset classes, with the relevant effects on asset-liability management, are conducted. For the Non-life business, the focus is on the management of liquidity in order to meet claims.

Within the above context, balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including the progressive introduction of appropriate information systems.

In this regard, on 19 February 2018, the Board of Directors of Poste Italiane SpA adopted a revised version of the Guidelines for Internal Control and Risk Management System (SCIGR), which contains integrated guidelines for Poste Italiane SpA's Internal Control and Risk Management System.

From an organisational viewpoint, the model consists of:

- the **Audit, Risk and Sustainability Committee**, established in 2015, whose role, based on adequate research activity, is to act in an advisory capacity and make recommendations to support the Board of Directors in assessing and making decisions regarding Poste Italiane SpA's internal control and risk management system and, from February 2018, issues relating to Poste Italiane SpA's sustainability.
- the **Financial and Insurance Services Committee**, established on 19 March 2018 to replace the previous Finance, Savings and Investment Committee, with the aim of overseeing the process of developing the products and services distributed by BancoPosta, in order to take a uniform, integrated view of the entire offering and to monitor the performance of the financial investments in which private customer deposits are invested.
- an **Investment Committee established at the Group's insurance Company, Poste Vita SpA**, which, based on analyses by the relevant functions, provides advice to senior management on the development, implementation and oversight of investment strategy;
- appropriate functions established within the Parent Company and the subsidiaries providing financial and insurance services (BancoPosta Fondi SGR SpA and Poste Vita SpA) that perform Risk Measurement and Control activities, ensuring the organisational separation of risk assessment from risk management activities; the results of these activities are examined by the relevant advisory Committees, which are responsible for carrying out an integrated assessment of the main risk profiles.

In constructing the Risk Model used by BancoPosta RFC, account was also taken of the existing prudential supervisory standards for banks and the specific instructions for BancoPosta, published by the Bank of Italy on 27 May 2014 with the third revision of Circular 285 of 17 December 2013.

# Poste Italiane Group

## Fair value interest rate risk

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 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.

The following interest rate sensitivity analysis was based on changes in fair value with a parallel shift in the forward yield curve of +/- 100 bps. The sensitivities data shown by the analysis provide a base scenario that can be used to measure potential changes in fair value, in the presence of changes in interest rates.

The table below shows the sensitivity analysis for the fair value interest rate risk at 31 December 2019 for the Poste Italiane Group's positions.



## Poste Italiane Group - Fair value interest rate risk

Description (€m)	Risk exposure		Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation	
	Nominal	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
<b>2019 effects</b>										
Financial assets										
Financial assets at FVTOCI	123,884	139,821	(7,638)	7,625	(6,550)	6,550	-	-	(1,088)	1,075
Fixed income instruments	123,384	139,282	(7,635)	7,622	(6,547)	6,547	-	-	(1,088)	1,075
Other investments	500	539	(3)	3	(3)	3	-	-	-	-
Financial assets at FVTPL	1,431	2,459	(281)	281	(278)	278	(3)	3	-	-
Fixed income instruments	1,396	1,499	(58)	58	(55)	55	(3)	3	-	-
Other investments*	35	960	(223)	223	(223)	223	-	-	-	-
Financial liabilities										
Financial derivatives	1,450	(43)	72	(77)	4	(4)	-	-	68	(73)
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	1,330	(42)	68	(73)	-	-	-	-	68	(73)
Fair value hedges	120	(1)	4	(4)	4	(4)	-	-	-	-
<b>Variability at 31 December 2019</b>	<b>126,765</b>	<b>142,237</b>	<b>(7,847)</b>	<b>7,829</b>	<b>(6,824)</b>	<b>6,824</b>	<b>(3)</b>	<b>3</b>	<b>(1,020)</b>	<b>1,002</b>
<b>2018 effects</b>										
Financial assets										
Financial assets at FVTOCI	123,693	127,751	(5,967)	5,923	(5,132)	5,132	-	-	(835)	791
Fixed income instruments	123,193	127,226	(5,965)	5,921	(5,130)	5,130	-	-	(835)	791
Other investments	500	525	(2)	2	(2)	2	-	-	-	-
Financial assets at FVTPL	1,579	2,207	(232)	232	(232)	232	-	-	-	-
Fixed income instruments	1,550	1,571	(29)	29	(29)	29	-	-	-	-
Other investments*	29	636	(203)	203	(203)	203	-	-	-	-
Financial derivatives	2,885	155	(4)	4	-	-	-	-	(4)	4
Cash flow hedges	2,885	155	(4)	4	-	-	-	-	(4)	4
Fair value hedges	-	-	-	-	-	-	-	-	-	-
Financial liabilities										
Financial derivatives	50	(5)	2	(2)	-	-	-	-	2	(2)
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	50	(5)	2	(2)	-	-	-	-	2	(2)
Fair value hedges	-	-	-	-	-	-	-	-	-	-
<b>Variability at 31 December 2018</b>	<b>128,207</b>	<b>130,108</b>	<b>(6,201)</b>	<b>6,157</b>	<b>(5,364)</b>	<b>(5,364)</b>	<b>-</b>	<b>-</b>	<b>(837)</b>	<b>793</b>

\* For Other investments relative to Mutual investment funds, the nominal value indicates the number of units held without taking into account the face value of the equity security.

In terms of **financial assets recognised at fair value through other comprehensive income**, the risk in question primarily relates to:

- fixed income government bonds held by Poste Vita SpA, totalling €84,998 million; of this amount, €83,112 million is used to cover Class I and V policies linked to separately managed funds, and €1,886 million relates to the company's free capital;
- €36,799 million in fixed income government bonds held by BancoPosta RFC, which consist of: fixed rate bonds amounting to €14,944 million; variable rate bonds converted into fixed rate bonds via interest rate swaps designated as cash flow hedges, totalling €2,076 million, inflation-linked securities amounting to €2,303 million, and fixed or variable rate bonds converted to variable rate positions via fair value hedges amounting to €17,476 million (including €15,555 million in forward starts);
- €16,714 million in non-government debt instruments held by Poste Vita SpA, used mainly to meet obligations towards policyholders.

**Financial assets at fair value through profit or loss**, which are recognised at risk, are held almost entirely by Poste Vita SpA and are primarily used to cover commitments to policyholders. These relate to a portion of investments in fixed income instruments totalling €1,499 million and the position in Other investments consisting mainly of units in mutual funds amounting to €938 million.

Within the context of **derivative financial instruments**, the risk in question primarily concerns:

- forward sales of government bonds with a nominal value of €1,280 million, classified as cash flow hedges, entered into by BancoPosta RFC;
- a derivative contract entered into by the Parent Company to protect cash flows relating to the €50 million variable rate bond;
- forward sale of a government bond with a nominal value of €120 million, classified as fair value hedge and entered into during the year by Poste Vita SpA.

At 31 December 2019, with reference to the interest rate risk exposure determined by the average duration<sup>108</sup>, the duration of BancoPosta's overall investments went from 5.18 to 5.53. On the other hand, with respect to Class I and Class V policies sold by Poste Vita SpA, the duration of the matching assets went from 6.18 at 31 December 2018 to 7.02 at 31 December 2019, whilst the duration of the liabilities went from 8.18 to 9.24 (assessment of the duration was carried out using the new Coherent Duration method<sup>109</sup>). The financial instruments intended to cover the technical provisions for Class III policies have maturities that match those of the liabilities.

## Spread risk

This is the risk of a potential fall in the value of bonds held, following deterioration in the creditworthiness of issuers. This is due to the importance that the impact of the spread of returns on government securities had on the fair value of euro zone government and corporate securities, reflecting the market's perception of the credit rating of issuers.

The value of the *portfolio* of bonds issued or guaranteed by the Italian government is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due to the fact that changes in credit spreads are not hedged and regard the entire securities *portfolio*, meaning both the fixed and variable rate components. In this latter case, in fact, fair value derivatives, used to convert variable rate instruments, hedge only the risk-free interest rate risk and not credit risk. This means that a change in the credit spread has an equal impact on both fixed and variable instruments.

The 2019 financial year was characterised by a reduction in yields on Italian government bonds (the 10-year BTP fell from 2.7% to 1.4%), which brought the BTP-Bund spread to 160 basis points compared to 250 last year.

The performance of the Group's *portfolio* in the period under review is as follows:

- i. the *portfolio of financial assets at fair value through other comprehensive income* held by Poste Italiane SpA (notional amount of approximately €32 billion) has undergone an overall net increase in fair value of approximately €3.7 billion: this change was partly recognised in the profit and loss for a positive amount of approximately €2 billion relating to the change in the fair value of securities hedged against interest rate risk, whilst the positive change in the fair value of unhedged securities and the spread risk component (not hedged) was reflected in consolidated equity for approximately €1.7 billion;
- ii. an overall net increase of approximately €7.7 billion in the Poste Vita Group's *financial assets at fair value through other comprehensive income* (a nominal value of the fixed income instruments of approximately €92 billion), almost entirely passed on to policyholders and recognised in specific technical provisions under the shadow accounting mechanism.

The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the yield curve for Italian government bonds.

108. Duration is the indicator used to estimate the percentage change in price in response to a shift in market returns.

109. The Coherent Duration of assets and liabilities is defined as changes in the value of assets and liabilities, in proportion to the total amount of assets exposed to interest rate risk, following parallel shocks raising and lowering interest rates by 10 basis points.

The table below shows the results of the analysis of sensitivity<sup>110</sup> to spread risk of the most significant positions in the *portfolios* of both the Parent Company and the Poste Vita Group at 31 December 2019.

### Poste Italiane SpA - Effect of credit spread on fair value

Description (€m)	Risk exposure		Change in value		Equity reserves before taxation	
	Nominal	Fair value	+100bps	-100bps	+100bps	-100bps
<b>2019 effects</b>						
Financial assets						
Financial assets at FVTOCI	31,670	37,323	(3,464)	4,062	(3,464)	4,062
Fixed income instruments	31,670	37,323	(3,464)	4,062	(3,464)	4,062
Other investments	-	-	-	-	-	-
Financial liabilities						
Financial derivatives	1,280	(36)	70	(74)	70	(74)
Fair value through profit or loss	-	-	-	-	-	-
Cash flow hedges	1,280	(36)	70	(74)	70	(74)
<b>Variability at 31 December 2019</b>	<b>32,950</b>	<b>37,287</b>	<b>(3,394)</b>	<b>3,988</b>	<b>(3,394)</b>	<b>3,988</b>
<b>2018 effects</b>						
Financial assets						
Financial assets at FVTOCI	30,729	32,572	(2,598)	3,036	(2,598)	3,036
Fixed income instruments	30,729	32,572	(2,598)	3,036	(2,598)	3,036
Other investments	-	-	-	-	-	-
Financial derivatives	2,885	155	(4)	4	(4)	4
Cash flow hedges	2,885	155	(4)	4	(4)	4
Fair value hedges	-	-	-	-	-	-
<b>Variability at 31 December 2018</b>	<b>33,614</b>	<b>32,727</b>	<b>(2,602)</b>	<b>3,040</b>	<b>(2,602)</b>	<b>3,040</b>

For the purposes of full disclosure, a movement in the spread would have no accounting effect on financial assets measured at amortised cost, but would only impact unrealised gains and losses. In other words, fixed income instruments measured at amortised cost attributable entirely to BancoPosta, which at 31 December 2019 amounted to €25,064 million (nominal value of €21,175 million) and have a fair value of €24,686 million, would be reduced in fair value by approximately €2.7 billion following an increase in the spread of 100 bps, with the change not reflected in the accounts.

Movements in the spread have no impact on BancoPosta RFC's ability to meet its capital requirements, as the fair value reserves are not included in the computation of own funds for supervisory purposes.

110. For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of 21 bps and the spread of the BTP compared to the 10-year swap rate of 120 bps).

## Poste Vita Group - Effect of credit spread on fair value

Description (€m)	Risk exposure		Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation	
	Notional	Fair Value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
<b>2019 effects</b>										
Financial assets										
Financial assets at FVTOCI	92,183	102,466	(8,118)	8,118	(8,013)	8,013	-	-	(105)	105
Fixed income instruments	91,683	101,927	(8,098)	8,098	(7,993)	7,993	-	-	(105)	105
Other investments	500	539	(20)	20	(20)	20	-	-	-	-
Financial assets at FVTPL	1,431	2,459	(555)	555	(543)	543	(12)	12	-	-
Fixed income instruments	1,396	1,499	(331)	331	(319)	319	(12)	12	-	-
Other investments*	35	960	(224)	224	(224)	224	-	-	-	-
Financial liabilities										
Financial derivatives	120	(1)	4	(4)	4	(4)	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Fair value hedges	120	(1)	4	(4)	4	(4)	-	-	-	-
<b>Variability at 31 December 2019</b>	<b>93,734</b>	<b>104,924</b>	<b>(8,669)</b>	<b>8,669</b>	<b>(8,552)</b>	<b>8,552</b>	<b>(12)</b>	<b>12</b>	<b>(105)</b>	<b>105</b>
<b>2018 effects</b>										
Financial assets										
Financial assets at FVTOCI	92,933	95,147	(5,818)	5,806	(5,753)	5,753	(12)	-	(53)	53
Fixed income instruments	92,433	94,622	(5,792)	5,780	(5,727)	5,727	(12)	-	(53)	53
Other investments	500	525	(26)	26	(26)	26	-	-	-	-
Financial assets at FVTPL	1,579	2,206	(235)	235	(234)	234	(1)	1	-	-
Fixed income instruments	1,550	1,571	(30)	30	(29)	29	(1)	1	-	-
Other investments*	29	635	(205)	205	(205)	205	-	-	-	-
<b>Variability at 31 December 2018</b>	<b>94,512</b>	<b>97,353</b>	<b>(6,053)</b>	<b>6,041</b>	<b>(5,987)</b>	<b>5,987</b>	<b>(13)</b>	<b>1</b>	<b>(53)</b>	<b>53</b>

\* For Other investments relative to Mutual investment funds, the nominal value indicates the number of units held without taking into account the face value of the equity security.

For the purposes of full disclosure, following an increase in the spread of 100 bps, the Poste Vita Group's fixed income instruments measured at amortised cost, which at 31 December 2019 amounted to €1,729 million (nominal value of €1,697 million) and have a fair value of €1,955 million, would be reduced in fair value by approximately €136 million, with the change not reflected in the accounts.

In addition to using the above sensitivity analysis, Poste Italiane SpA and the Poste Vita Group monitor spread risk by calculating its maximum potential losses, through an estimate of Value at Risk (VAR) on statistical bases, over a 1-day time horizon and at a 99% confidence level. Risk analysis performed through VAR takes into account the historical variability of the risk (spread) in question, in addition to modelling parallel shifts of the yield curve.

The following table shows the maximum potential loss computed at 31 December 2019, limited, in terms of materiality, to the financial assets held by the Parent Company and the Poste Vita Group.

## Poste Italiane SpA - VAR analysis

Description (€m)	Risk exposure		SpreadVaR
	Nominal	Fair value	
<b>2019 effects</b>			
Financial assets			
Financial assets at FVTOCI	31,670	37,323	308
Fixed income instruments	31,670	37,323	308
Other investments	-	-	-
<b>Variability at 31 December 2019</b>	<b>31,670</b>	<b>37,323</b>	<b>308</b>
<b>2018 effects</b>			
Financial assets			
Financial assets at FVTOCI	30,729	32,572	380
Fixed income instruments	30,729	32,572	380
Other investments	-	-	-
Financial derivatives	1,545	94	24
Cash flow hedges	1,545	94	24
Fair value hedges	-	-	-
<b>Variability at 31 December 2018</b>	<b>32,274</b>	<b>32,666</b>	<b>404</b>

\* The VAR indicated for derivative financial instruments only refers to forward purchases, whilst the VAR relating to fixed income instruments also takes into account forward sales.

## Poste Vita Group - VAR analysis

Description (€m)	Risk exposure		SpreadVaR
	Nominal	Fair value	
<b>2019 effects</b>			
Financial assets			
Financial assets at FVTOCI	92,183	102,466	981
Fixed income instruments	91,683	101,927	1,003
Other investments	500	539	-
Financial assets at FVTPL	1,431	2,459	8
Fixed income instruments	1,396	1,499	7
Other investments*	35	960	1
<b>Variability at 31 December 2019</b>	<b>93,614</b>	<b>104,925</b>	<b>980</b>
<b>2018 effects</b>			
Financial assets			
Financial assets at FVTOCI	92,933	95,147	1,655
Fixed income instruments	92,433	94,622	1,655
Other investments	500	525	1
Financial assets at FVTPL	1,459	2,206	3
Fixed income instruments	1,430	1,571	2
Other investments*	29	635	1
<b>Variability at 31 December 2018</b>	<b>94,392</b>	<b>97,353</b>	<b>1,657</b>

\* For Other investments relative to Mutual investment funds, the nominal value indicates the number of units held without taking into account the face value of the equity security.

## Cash flow interest rate risk

This is defined as the uncertainty related to the generation of future cash flows, due to interest rate fluctuations. It may result from the misalignment - in terms of interest rates, indexation methods and maturities - of financial assets and liabilities that tend to remain in place until their contractual and/or expected maturity (so-called banking book) which, as such, generate economic effects in terms of net interest income, reflecting on the income results of future periods.

The following analysis refers to the uncertainty over future cash flows generated by variable rate instruments and variable rate instruments created through fair value hedges following fluctuations in market interest rates.

Sensitivity to cash flow interest rate risk relating to these instruments is calculated by assuming a parallel shift in the yield curve of +/- 100 bps.

Sensitivity to cash flow interest rate risk at 31 December 2019 on the Poste Italiane Group's positions is shown in the table below.

### Poste Italiane Group - Cash flow interest rate risk

Description (€m)	Risk exposure	Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax	
	Nominal	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
<b>2019 effects</b>							
Financial assets							
Financial assets at amortised cost							
Receivables							
Deposits with the MEF	7,066	71	(71)	-	-	71	(71)
Other financial receivables	5,683	57	(57)	-	-	57	(57)
Fixed income instruments	2,560	26	(26)	-	-	26	(26)
Financial assets at FVTOCI							
Fixed income instruments	12,677	127	(127)	83	(83)	44	(44)
Other investments	500	5	(5)	5	(5)	-	-
Financial assets at FVTPL							
Fixed income instruments	40	-	-	-	-	-	-
Other investments	21	-	-	-	-	-	-
Cash and deposits attributable to BancoPosta							
Bank deposits	816	8	(8)	-	-	8	(8)
Cash and cash equivalents							
Bank deposits	1,597	16	(16)	6	(6)	10	(10)
Deposits with the MEF	495	5	(5)	-	-	5	(5)
Financial liabilities							
Other financial liabilities	(112)	(1)	1	-	-	(1)	1
<b>Variability at 31 December 2019</b>	<b>31,343</b>	<b>314</b>	<b>(314)</b>	<b>94</b>	<b>(94)</b>	<b>220</b>	<b>(220)</b>

Description (€m)	Risk exposure	Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax	
	Nominal	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
<b>2018 effects</b>							
Financial assets							
Financial assets at amortised cost							
Receivables							
Deposits with the MEF	5,930	59	(59)	-	-	59	(59)
Other financial receivables	1,682	17	(17)	-	-	17	(17)
Fixed income instruments	425	4	(4)	-	-	4	(4)
Financial assets at FVTOCI							
Fixed income instruments	14,018	140	(140)	110	(110)	30	(30)
Other investments	500	5	(5)	5	(5)	-	-
Financial assets at FVTPL							
Fixed income instruments	35	-	-	-	-	-	-
Other investments	21	-	-	-	-	-	-
Cash and deposits attributable to BancoPosta							
Bank deposits	351	4	(4)	-	-	4	(4)
Cash and cash equivalents							
Bank deposits	1,720	17	(17)	9	(9)	8	(8)
Deposits with the MEF	1,306	13	(13)	-	-	13	(13)
Financial liabilities							
Other financial liabilities	(71)	(1)	1	-	-	(1)	1
<b>Variability at 31 December 2018</b>	<b>25,917</b>	<b>258</b>	<b>(258)</b>	<b>124</b>	<b>(124)</b>	<b>134</b>	<b>(134)</b>

Specifically, with respect to **financial assets**, the cash flow interest rate risk primarily relates to:

- investment by the Parent Company of the funds deriving from the current account deposits of Public Administration entities in the following: deposits with the MEF, with a nominal value of €7,066 million;
- receivables of €5,683 million, reflecting collateral posted to secure liabilities arising in relation to derivative financial instruments and repurchase agreements held by BancoPosta RFC, amounting to €5,660 million;
- a portion of the securities *portfolio* held by Poste Vita SpA, with a total nominal value of €9,253 million;
- fixed rate government bonds held by the Parent Company and swapped into variable rate through fair value hedges, with a total nominal amount of €6,400 million (including €4,385 million in securities hedged against changes in fair value, where the hedges will begin to have an effect on profit or loss in the 12 months after the end of the period under review); in addition to an inflation-linked bond issued by the Italian Republic, with a nominal value of €100 million, both of which have been hedged against changes in its fair value.

In relation to **cash and cash equivalents**, cash flow interest rate risk primarily relates to the bank deposits of Poste Italiane SpA and Poste Vita SpA, in addition to amounts deposited by the Parent Company with the MEF and held in the so-called buffer account.

## Credit risk

This is the risk of default of one of the counterparties to which there is an exposure, with the exception of equities and units of mutual funds.

### Credit risk management practices: inputs, assumptions and estimation techniques

The impairment model applicable to financial instruments measured at amortised cost and at fair value through other comprehensive income is based on Expected Credit Losses (ECL). Below, the methods adopted to manage credit risk are described.

#### General description of the models utilised

The Group uses the general impairment model in accordance with risk ratings estimated on the basis of the type of counterparty:

- Securities/deposits with Sovereign, Banking and Corporate counterparties: internal risk rating estimation models;
- Public Administration and Central Counterparties: risk ratings provided by an external provider and average default rates for the sector.

The simplified approach is applied to trade receivables, as described in greater detail later.

#### Significant increase in credit risk

Based on the impairment model adopted by the Poste Italiane Group to meet the requirements of the new accounting standard, any significant increase in credit risk associated with the financial instruments held, other than trade receivables, is determined on the basis of a change in the relevant credit rating between the time of the initial investment and the reporting date. This change in notches is compared with a threshold that takes into account the following factors:

- the rating of the financial instrument at the time of investment;
- the rating of the financial instrument at the reporting date;
- the seniority of the position within the *portfolio* (vintage factor);
- an additive factor to mitigate the non-linearity of PD with respect to the rating classes<sup>111</sup>;
- a judgmental factor to be used only in the presence of sudden changes in the creditworthiness not yet reflected by the rating<sup>112</sup>.

The ratings used in stage allocation derive from internal models in the case of banking, sovereign and corporate counterparties, and external models in the case of Public Administration and Central Counterparties. Based on the above information, the Poste Italiane Group rebuts the presumption that there have been significant increases in credit risk following initial recognition, when financial assets are more than 30 days past due.

The Poste Italiane Group decided not to adopt the Low Credit Risk Exemption and to proceed instead with stage allocation of the financial instruments concerned.

Regarding trade receivables, given the adoption of the simplified approach under the new accounting standard, expected credit losses are determined throughout the lifetime of the instrument.

111. The additive factor is built in view of the rating level at the reporting date, where the better the final rating the higher the threshold for the transition to Stage 2.

112. The judgmental factor can summarise significant aspects in determining the significant increase of credit risk, considering such elements as:

- an actual or expected significant change of the internal/external credit rating of the financial instrument;
- actual or expected negative changes in economic, financial or business conditions that might cause a significant change in the borrower's ability to honour its obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in the unemployment rate.



## Definition of default

The Poste Italiane Group defines default on the basis of ad hoc assessments that take into account:

- any payment delays;
- market information such as a default rating by the rating agencies;
- internal analyses of specific exposures.

## Collective and individual provisions

The collective impairment of a homogenous group of financial assets defines the expected credit loss (ECL) of the instrument, even though it cannot be associated with a specific exposure. Grouping takes place in relation to the type of counterparty on the basis of the estimated PD.

Individual provisions are considered only following the review of trade receivables for amounts in excess of a given threshold and only in relation to single receivables.

## Forward looking information

According to the standard, the ECL calculation must also factor in forward looking components based on broad consensus scenarios.

The Poste Italiane Group incorporates forward looking information directly in the PD estimation. In particular, the internal approach adopted allows completion of the input dataset necessary to calculate PD starting from a number of scenario values related to the approach. The objective of the approach is to estimate the unknown variables by using the historical correlation of the available information<sup>113</sup>.

## Estimation techniques used

Since events of default cannot be used, as they are not very frequent, to develop credit scoring models for Sovereign, Banking and Corporate counterparties, a shadow rating approach has been adopted.

This method entails the use of target variables related to the level of external rating produced by the agencies. The target could be directly the rating or, alternatively, the default rate linked to the rating level.

The target was constructed on the basis of a rating agency selected as reference, considering both the large number of counterparties rated and the availability of historical data over a time horizon considered adequate.

The models have been constructed by extracting and utilising the following types of data for each country in the sample:

- macroeconomic data;
- market data: domestic equity indices, global energy/non-energy indices, Eurostoxx and S&P 500;
- financial statement data.

The internal model estimate used a definition of default based on the following approach:

- Government financial instruments – payment delays, including also for one day, or debt renegotiation;
- Corporate and Banking financial instruments – 90-day payment delays.

113. In particular, the use of such approach is limited to situations where, actually, the available data are deemed to be no longer representative of the counterparty's risk.

## ECL measurement

Expected credit losses (ECL) are determined over a time horizon consistent with the stage level (12 months or lifetime) on the basis of the following factors:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Time Factor (TF).

The main assumptions/choices adopted in the determination of the factors are as follows:

- PD: as indicated from the start a Point in Time (PIT) or forward-looking PD has been adopted, depending on the stage of the exposure;
- LGD: use has been made of the Internal Ratings-Based (IRB) approach under the Basel guidelines (45% for senior risk assets, 75% for subordinated risk assets);
- EAD: exposure calculated prospectively until maturity of the instrument, starting from the development of projected cash flows. In the development account was taken of specific indexation assumptions for every asset class (fixed income securities, floating-rate securities, inflation-indexed securities, etc.);
- TF: the effective interest rate of each exposure was used as discount factor.

## Trade receivables

The Group adopts the simplified approach to test for the impairment of trade receivables, on the basis of which provisions for credit losses are determined for an amount equal to expected losses throughout the lifetime of the receivable. Such approach is implemented through the following process:

- based on total revenue or the historical credit exposure, all receivables or credit exposures exceeding a certain pre-established credit threshold are assessed analytically. The analytical evaluation of the exposures entails an analysis of the borrower's credit quality and solvency, as determined on the basis of internal and external supporting evidence;
- for receivables falling below the threshold set, through the preparation of a matrix with the different impairment percentages determined on the basis of historical losses, or on the historical pattern of collections. In constructing the impairment matrix, receivables are grouped by homogeneous categories, based on their characteristics, to take into account the historical loss experience.

## Exposure to credit risk

With regard to the **financial assets** exposed to this risk and to which the accounting rules governing impairment apply, the following table shows the Poste Italiane Group's exposure at 31 December 2019, relating to financial assets measured at amortised cost and at fair value through other comprehensive income, for which a general deterioration model was used. The analysis shows the exposure by financial asset class by stages. The amounts refer to the gross carrying amount (amortised cost before ECL), unless otherwise indicated, and do not take into account guarantees or other credit enhancements.

## Poste Italiane Group - Credit risk - Credit risk concentration

Description (€m)	from AAA to AA+		from A+ to BBB-		from BB+ to C		Not rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2			
<b>2019 effects</b>									
<b>Financial assets at amortised cost</b>									
Borrowings	-	-	1,158	-	-	-			1,158
Receivables	1,532	-	11,026	-	265	-			12,823
Fixed income instruments	-	-	23,932	-	-	-			23,932
Other investments	-	-	-	-	-	-			-
<b>Gross carrying amount - Total</b>	<b>1,532</b>	<b>-</b>	<b>36,116</b>	<b>-</b>	<b>265</b>	<b>-</b>			<b>37,913</b>
Provision to cover expected losses	-	-	(32)	-	-	-			(32)
<b>Total amortised cost at 31 December 2019</b>	<b>1,532</b>	<b>-</b>	<b>36,084</b>	<b>-</b>	<b>265</b>	<b>-</b>	<b>569</b>	<b>2,871</b>	<b>41,321</b>
<b>2018 effects</b>									
<b>Financial assets at amortised cost</b>									
Borrowings	-	-	251	-	-	-			251
Receivables	13	-	7,690	-	15	-			7,718
Fixed income instruments	-	-	23,356	-	-	-			23,356
Other investments	-	-	-	-	-	-			-
<b>Gross carrying amount - Total</b>	<b>13</b>	<b>-</b>	<b>31,297</b>	<b>-</b>	<b>15</b>	<b>-</b>			<b>31,325</b>
Provision to cover expected losses	-	-	(33)	-	-	-			(33)
<b>Total amortised cost at 31 December 2018</b>	<b>13</b>	<b>-</b>	<b>31,264</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>584</b>	<b>993</b>	<b>32,869</b>

Description (€m)	from AAA to AA+		from A+ to BBB-		from BB+ to C		Not rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2			
<b>2019 effects</b>									
<b>Financial assets at FVTOCI</b>									
Fixed income instruments	1,986	-	121,158	-	1,409	9			124,562
Other investments	-	-	500	-	-	-			500
<b>Gross carrying amount - Total</b>	<b>1,986</b>	<b>-</b>	<b>121,658</b>	<b>-</b>	<b>1,409</b>	<b>9</b>			<b>125,062</b>
<b>Carrying amount - Fair value at 31 December 2019</b>	<b>2,125</b>	<b>-</b>	<b>136,241</b>	<b>-</b>	<b>1,448</b>	<b>9</b>	<b>-</b>		<b>139,823</b>
<b>2018 effects</b>									
<b>Financial assets at FVTOCI</b>									
Fixed income instruments	1,591	-	121,268	35	743	21			123,658
Other investments	-	-	500	-	-	-			500
<b>Gross carrying amount - Total</b>	<b>1,591</b>	<b>-</b>	<b>121,768</b>	<b>35</b>	<b>743</b>	<b>21</b>			<b>124,158</b>
<b>Carrying amount - Fair value at 31 December 2018</b>	<b>1,688</b>	<b>-</b>	<b>125,281</b>	<b>36</b>	<b>725</b>	<b>20</b>	<b>-</b>		<b>127,750</b>

The following table shows the counterparty concentration of credit risk by financial asset class. Amounts refer to the gross carrying amount.

## Poste Italiane Group - Credit risk - Credit risk concentration

Description (€m)	31/12/2019		31/12/2018	
	Gross Carrying amount	Provision to cover expected losses	Gross Carrying amount	Provision to cover expected losses
Financial assets at amortised cost	37,913	(32)	31,325	(33)
Borrowings	1,158	-	251	-
Sovereign	-	-	-	-
Corporate	1,158	-	251	-
Banking	-	-	-	-
Receivables	12,823	(23)	7,718	(23)
Sovereign	7,066	(3)	5,930	(3)
Corporate	1,105	(20)	410	(20)
Banking	4,652	-	1,378	-
Fixed income instruments	23,932	(9)	23,356	(10)
Sovereign	20,151	(8)	18,827	(10)
Corporate	3,770	(1)	4,518	-
Banking	11	-	11	-
Financial assets at FVTOCI	125,062	(48)	124,158	(14)
Fixed income instruments	124,562	(48)	123,658	(14)
Sovereign	108,464	(37)	108,393	(14)
Corporate	9,461	(9)	8,265	-
Banking	6,637	(2)	7,000	-
Other investments	500	-	500	-
Sovereign	-	-	-	-
Corporate	-	-	-	-
Banking	500	-	500	-
<b>Total</b>	<b>162,975</b>	<b>(80)</b>	<b>155,483</b>	<b>(47)</b>

## Collateral held and other credit enhancements

### Principles and processes involved in measuring and managing guarantees and other credit risk mitigation instruments

The Poste Italiane Group uses instruments to mitigate credit risk and counterparty risk. Specifically:

- as regards Poste Italiane SpA, primarily in relation to BancoPosta RFC, the credit and counterparty risks associated with hedging derivatives and repurchase agreements are mitigated by entering into a master netting agreement and requiring collateral in the form of cash or government bonds;
- the Poste Vita Group invests in, among other things, corporate bonds that are guaranteed in order to mitigate the overall exposure to credit risk;
- in terms of trade receivables, the Poste Italiane Group credit terms are extended for customers, requesting, in certain cases, guarantees or sureties issued by prime banks or insurance companies.

At 31 December 2019, the Group does not hold financial assets secured by guarantees or other risk mitigation instruments for which no loss provisions have been made (except for the temporary use of liquidity in repurchase agreements).

The main types of instrument used to mitigate credit risk are described below:

## Fixed income instruments

Debt instruments held by the Group and secured by guarantees or other risk mitigation instruments are as follows:

- bonds issued by CDP SpA guaranteed by the Italian State and subscribed by BancoPosta RFC, amounting to a nominal value of €3,750 million at 31 December 2019. These are recognised as financial assets measured at amortised cost and, in determining the associated expected credit losses, account was taken of the PD of the Italian Republic;
- bonds held by the Poste Vita Group, amounting to a nominal value of €3,845 million at 31 December 2019. In these cases, the guarantee covers 100% of the nominal value of the securities. The guarantees securing these financial instruments are as follows:
  - corporate bonds backed by personal guarantees provided the parent company or another associate, amounting to a nominal value of €3,458 million;
  - covered bonds backed by mortgages, primarily property mortgages, amounting to a nominal value of €282 million;
  - bonds guaranteed by sovereign states, amounting to a nominal value of €105 million.

In the case of instruments backed by personal guarantees provided by a sovereign state or one or more companies, expected losses are calculated on the basis of the credit rating of the guarantor. With regard to covered bonds, the underlying guarantees were considered through the recognition of upgrades according to the type of guarantee.

## Derivative financial instruments and repurchase agreements

In order to limit the counterparty risk exposure, Poste Italiane SpA has concluded standard ISDA master agreements (with attached CSA) and GMRA which govern the collateralization of derivative transactions and repurchase agreements, respectively.

In addition, in order to mitigate counterparty risk and gain easier access to the market, from December 2017, BancoPosta RFC has entered into repurchase agreements with the Central Counterparty, the Cassa di Compensazione e Garanzia.

The calculation of positions in derivatives and repurchase agreements and the related risk mitigation instruments are illustrated in the paragraph Offsetting financial assets and liabilities.

## Trade receivables

To mitigate the risks arising from the extension of credit terms to its customers, the Poste Italiane Group has implemented a policy and suitable guidelines that govern the management of trade receivables, the terms and conditions of payment applicable to customers and defines the corporate process aimed at checking the customer's creditworthiness, as well as the sustainability of the business risk inherent in the contract involving extended payment terms.

Depending on the evaluations, the contracts entered into with customers may require a suitable guarantee. Guarantees are also requested if they are required by rules and regulations and/or implementing rules of specific services.

The Poste Italiane Group accepts mainly guarantees issued by primary banks or insurance companies. Alternatively, upon request of the customer and after a risk analysis, it accepts sureties issued by other institutions, security deposits or the opening of a postal escrow account.

The Poste Italiane Group, as a rule, exempts the Public Administration from the provision of guarantees to secure trade receivables arising from transactions with it, save for the cases when such guarantees are mandatory by law or due to implementing rules of specific services.

For all the exposures evaluated individually, to calculate loss provisions, guarantees reduce the amount of the exposure at risk.

## ECL measurement

The following tables show, for each class of financial instrument, the reconciliation between the opening and closing balances of the ECL provisions required by IFRS 9.

### Financial assets

#### Poste Italiane Group - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost

Description (€m)	Amortised cost		Total
	Receivables	Fixed income instruments	
	Stage 1	Stage 1	
<b>Balance at 1 January 2019</b>	<b>23</b>	<b>10</b>	<b>33</b>
Impairment of securities / receivables held at the beginning of the period	-	-	-
Reversal of securities / receivables held at the beginning of the period	-	(2)	(2)
Impairment of securities / receivables purchased/paid in the period	-	1	1
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	-	-
<b>Balance at 31 December 2019</b>	<b>23</b>	<b>9</b>	<b>32</b>

At 31 December 2019, estimated expected losses on financial instruments at amortised cost amount to approximately €32 million, substantially in line with the provision made at 1 January 2019.

#### Poste Italiane Group - Credit risk - Details of the provision to cover expected losses on financial instruments at FVTOCI

Description (€m)	FVTOCI		Total
	Receivables	Fixed income instruments	
	Stage 1	Stage 1	
<b>Balance at 1 January 2019</b>	<b>-</b>	<b>14</b>	<b>14</b>
Impairment of securities / receivables held at the beginning of the period	-	-	-
Reversal of securities / receivables held at the beginning of the period	-	(3)	(3)
Impairment of securities / receivables purchased/paid in the period	-	2	2
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	(1)	(1)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>12</b>	<b>12</b>

At 31 December 2019, estimated expected losses on financial instruments measured at fair value through other comprehensive income amount to approximately €12 million, substantially in line with the provision made at 1 January 2019.

## Trade receivables

The Poste Italiane Group's exposure to credit risk, in relation to each class of **trade receivable** at 31 December 2019, is shown separately depending on whether or not the model used to estimate ECL is based on an individual or a collective assessment.

### Poste Italiane Group - Credit risk - Trade receivables impaired on the analytical basis

Description (€m)	31/12/2019		31/12/2018	
	Gross Carrying amount	Provision to cover expected losses	Gross Carrying amount	Provision to cover expected losses
Trade receivables				
Receivables due from customers	1,621	305	1,889	422
Cassa Depositi e Prestiti	451	-	440	-
Ministries and public entities	322	124	501	107
Overseas counterparties	229	2	201	4
Private customers	619	179	747	311
Receivables due from the Parent Company	74	31	100	32
Other receivables	1	-	4	-
<b>Total</b>	<b>1,696</b>	<b>336</b>	<b>1,993</b>	<b>454</b>

### Poste Italiane Group - Credit risk - Trade receivables impaired on the basis of the simplified matrix

Range of past due (€m)	31/12/2019		31/12/2018	
	Gross Carrying amount	Provision to cover expected losses	Gross Carrying amount	Provision to cover expected losses
Not past due trade receivables	555	8	413	5
Past due 0 - 1 year	158	7	193	7
Past due 1 - 2 years	85	12	32	8
Past due 2 - 3 years	19	9	22	10
Past due 3 - 4 years	14	9	12	8
Past due > 4 years	64	63	49	49
Positions subject to legal recovery and/or insolvency proceedings	139	114	132	106
<b>Total</b>	<b>1,034</b>	<b>222</b>	<b>853</b>	<b>194</b>

Movements in the expected credit loss provisions for trade receivables (due from customers and the MEF) are as follows:

### Details of the provision to cover expected losses on trade receivables

Item (€m)	Balance at 31 December 2018	Net provisions	Uses	Balance at 31 December 2019
Trade receivables				
Receivables due from customers	615	63	(153)	525
Public administration entities	147	16	(1)	162
Overseas postal operators	9	3	-	12
Private customers	406	30	(145)	291
Interest on late payments	53	14	(7)	60
Receivables due from the MEF	32	-	-	32
<b>Total</b>	<b>647</b>	<b>63</b>	<b>(153)</b>	<b>557</b>

The provision for doubtful debts includes amounts set aside as part of BancoPosta's operations to cover the risk of non-recovery of numerous individually immaterial amounts due from current account holders with a debit balance; this provision, which was used during the year for €153 million (of which €121 million related to the elimination of receivables due from current account holders with a debit balance), amounted to €557 million at 31 December 2019.

The provision for doubtful debts for the Public Administration relate to items that may in part not be recoverable as a result of legislation limiting public spending and delays in payment and problems with a number of debtor entities. Credit loss provisions for amounts due from the MEF reflect the absence of funds in the state budget, meaning it is not possible to collect certain amounts receivable, recognised on the basis of legislation or contracts and agreements in effect at the time of recognition.

## Other receivables and assets

Movements in the credit loss provisions for other receivables and assets are shown below.

### Poste Italiane Group - Movements in Provisions for doubtful debts due from others

Description (€m)	Balance at 31/12/2018	Net provisions	Uses	Balance at 31/12/2019
Interest accrued on IRES refund	-	46	-	46
Public Administration entities for sundry services	3	(1)	(1)	1
Receivables relating to fixed-term contract settlements	10	3	-	13
Other receivables	83	11	(8)	86
<b>Total</b>	<b>96</b>	<b>59</b>	<b>(9)</b>	<b>146</b>

More detailed information about the provision of €46 million for Interest income receivables on IRES reimbursement is provided in Table A9 - Other receivables and assets.



## Offsetting financial assets and liabilities

In compliance with IFRS 7 – Financial instruments: Disclosures, this section provides details of financial assets and liabilities that are subject to master netting agreements or similar arrangements, regardless of whether the financial instruments have been offset in keeping with paragraph 42 of IAS 32<sup>114</sup>.

In particular, the disclosures in question concern the following positions relating to Poste Italiane SpA at 31 December 2019:

- derivative assets and liabilities and related collateral, represented both by cash and government securities;
- repurchase agreements and reverse repurchase agreements and the related collateral, represented both by cash and government securities.

The positions in question are subject to standard bilateral netting agreements that allow, in the event of the counterparty's default, the offsetting of debit and credit positions covered by ISDA contracts and repurchase agreements, for which GMRA agreements have been entered into.

In order to present the tables in compliance with the requirements of IFRS 7, repurchase agreements are shown at amortised cost, whilst derivative transactions are shown at fair value; the relevant financial guarantees are measured at fair value.

### Financial assets offset in the financial statements or subject to framework master netting agreements or similar arrangements

Technical form (€m)	Gross amount of financial assets * (a)	Amount of financial liabilities offset in financial statements (b)	Financial assets, net (c=a-b)	Related amounts not subject to offset in the financial statements		Financial assets/ (liabilities), net (f=c-d-e)
				Collateral		
				Financial instruments (d)	Cash deposits provided/(received) as collateral(e)	
<b>FY 2019</b>						
Financial assets attributable to BancoPosta						
Derivatives	73	-	73	73	-	-
Repurchase agreements	1.158	-	1.158	1.158	-	-
Other	-	-	-	-	-	-
Financial assets						
Derivatives	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total at 31 December 2019</b>	<b>1.231</b>	<b>-</b>	<b>1.231</b>	<b>1.231</b>	<b>-</b>	<b>-</b>
<b>FY 2018</b>						
Financial assets attributable to BancoPosta						
Derivatives	368	-	368	353	14	1
Repurchase agreements	251	-	251	251	-	-
Other	-	-	-	-	-	-
Financial assets						
Derivatives	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total at 31 December 2018</b>	<b>619</b>	<b>-</b>	<b>619</b>	<b>604</b>	<b>14</b>	<b>1</b>

114. Paragraph 42 of IAS 32 provides that "A financial asset and a financial liability can be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- a. currently has a legally enforceable right to set off the recognised amounts; and
- b. intends either to settle on a net basis or to realise the asset and settle the liability simultaneously".

## Financial liabilities offset in the financial statements or subject to master netting agreements or similar arrangements

Technical form (€m)	Gross amount of financial liabilities* (a)	Amount of financial assets offset in financial statements (b)	Financial liabilities, net (c=a-b)	Related amounts not subject to offset in the financial statements		Financial assets/ (liabilities), net (h=d+e+f+g)
				Collateral		
				Securities provided/ (received) as collateral (f)	Cash deposits provided/ (received) as collateral (g)	
<b>FY 2019</b>						
Financial liabilities attributable to BancoPosta						
Derivatives	5.552	-	5.552	573	4.979	-
Repurchase agreements	12.194	-	12.194	12.185	9	-
Other	-	-	-	-	-	-
Financial liabilities						
Derivatives	22	-	22	-	22	-
Repurchase agreements	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total at 31 December 2019</b>	<b>17.768</b>	<b>-</b>	<b>17.768</b>	<b>12.758</b>	<b>5.010</b>	<b>-</b>
<b>FY 2018</b>						
Financial liabilities attributable to BancoPosta						
Derivatives	1.829	-	1.829	500	1.326	3
Repurchase agreements	8.473	-	8.473	8.423	50	-
Other	-	-	-	-	-	-
Financial liabilities						
Derivatives	30	-	30	-	30	-
Repurchase agreements	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total at 31 December 2018</b>	<b>10.332</b>	<b>-</b>	<b>10.332</b>	<b>8.923</b>	<b>1.406</b>	<b>3</b>

\* The gross amount of financial assets and liabilities includes the financial instruments subject to offsetting and those subject to master netting agreements or similar arrangements, regardless of whether the financial instruments have been offset.

## Liquidity risk

This is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments.

In order to minimise this 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; availability of relevant lines of credit in terms of amounts and the number of banks; gradual and consistent distribution of the maturities of medium/long-term borrowings; and use of dedicated analytical models to monitor the maturities of assets and liabilities.

The following tables compare the Poste Italiane Group's liabilities and assets at 31 December 2019, in terms of liquidity risk.

### Poste Italiane Group - Liquidity Risk - Liabilities

Description (€m)	31/12/2019				31/12/2018			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Flows from Poste Vita Group's policies	13,000	34,452	108,125	155,577	15,154	35,121	124,600	174,875
Financial liabilities	38,137	16,147	18,408	72,692	28,882	14,057	22,164	65,103
Postal current accounts	18,062	12,438	17,827	48,327	15,973	9,702	20,577	46,252
Borrowings	8,557	3,705	578	12,840	6,303	3,191	10	9,504
Other financial liabilities	11,518	4	3	11,525	6,606	1,164	1,577	9,347
Trade payables	1,627	-	-	1,627	1,583	-	-	1,583
Other liabilities	2,112	1,510	18	3,640	2,320	1,361	22	3,703
<b>Total</b>	<b>54,876</b>	<b>52,109</b>	<b>126,551</b>	<b>233,536</b>	<b>47,939</b>	<b>50,539</b>	<b>146,786</b>	<b>245,264</b>

The above table shows expected cash outflows at the date of the financial statements, broken down by maturity, while the maturities of postal current account deposits are reported on the basis of the estimates made with a statistic/econometric model. Repayments of principal at nominal value are increased by interest payments calculated, where applicable, on the basis of the yield curve applicable at 31 December 2019. The liabilities of Poste Vita SpA and Poste Assicura SpA are reflected in Flows from Poste Vita Group's policies.

### Poste Italiane Group - Liquidity risk - Assets

Description (€m)	31/12/2019				31/12/2018			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets	30,298	53,302	160,095	243,695	22,461	63,877	164,746	251,084
Trade receivables	2,166	3	2	2,171	2,192	4	3	2,199
Other receivables and assets	950	3,702	35	4,687	1,110	3,446	41	4,597
Cash and deposits attributable to BancoPosta	4,303	-	-	4,303	3,318	-	-	3,318
Cash and cash equivalents	2,149	-	-	2,149	3,195	-	-	3,195
<b>Total Assets</b>	<b>39,866</b>	<b>57,007</b>	<b>160,132</b>	<b>257,005</b>	<b>32,276</b>	<b>67,327</b>	<b>164,790</b>	<b>264,393</b>

In the case of assets, cash inflows are broken down by maturity, shown at nominal value and increased, where applicable, by interest receivable. Held-to-maturity and available-for-sale financial assets include financial instruments held by BancoPosta RFC and the Group's insurance companies, shown on the basis of expected cash flows, consisting of principal and interest paid at the various payment dates. In order to mitigate liquidity risk in the event of extreme market scenarios, during the year, BancoPosta RFC entered into a contract that provides for the granting by Cassa Depositi e Prestiti of a short-term committed line of credit for repurchase agreements up to a maximum of €5 billion and a 12-month extension period.

The key point of note is the liquidity risk associated with the investment of customers' current account balances and with the Class I and V policies issued by Poste Vita SpA.

In terms of BancoPosta RFC's specific operations, the liquidity risk regards current account deposits and prepaid cards<sup>115</sup>, the related investment of the deposits in Eurozone government securities and /or securities guaranteed by the Italian government, and the margins on derivative transactions. The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of the maturity schedule for assets with the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of twenty years for retail customers, ten years for business customers and PostePay cards and five years for Public Administration customers.

As to the policies sold by Poste Vita SpA, in order to analyse its liquidity risk profile, the company performs Asset/liability management (ALM) analysis to manage assets effectively in relation to its obligations to policyholders, and also develops projections of the effects deriving from financial market shocks (asset dynamics) and of the behaviour of policyholders (liability dynamics).

Lastly, for the proper evaluation of the liquidity risk attributable to BancoPosta RFC, it should be borne in mind that, unless they are restricted, investments in euro area government securities are highly liquid assets and can be used as collateral in interbank repurchase agreements to obtain short-term financing. This practice is normally adopted by BancoPosta.

115. Since 1 October 2018, prepaid cards are the responsibility of PostePay SpA. The liquidity raised through these cards is transferred to BancoPosta, which invests the funds raised in euro area government bonds or bonds guaranteed by the Italian State. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

## Price risk

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.

Price risk relates to financial assets classified as measured at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss (FVTPL), and certain derivative financial instruments where changes in value are recognised in profit or loss.

The sensitivity analysis at 31 December 2019 took into account positions potentially exposed to fluctuations in value. Financial statement balances have been subjected to a stress test, based on actual volatility during the year, considered to be representative of potential market movements. The results of the sensitivity analysis carried out as at 31 December 2019 for the Poste Italiane Group are shown in the following table.

### Poste Italiane Group - Price risk

Description (€m)	Risk exposure	Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
<b>2019 effects</b>									
Financial assets									
Financial assets at FVTPL	35,237	2,457	2,457	2,443	(2,443)	14	(14)	-	-
Equity instruments	248	55	55	41	(41)	14	(14)	-	-
Other investments	34,989	2,402	2,402	2,402	(2,402)	-	-	-	-
Financial derivatives	(16)	(12)	12	-	-	(12)	12	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	(16)	(12)	12	-	-	(12)	12	-	-
<b>Variability at 31 December 2019</b>	<b>35,221</b>	<b>2,445</b>	<b>(2,445)</b>	<b>2,443</b>	<b>(2,443)</b>	<b>2</b>	<b>(2)</b>	<b>-</b>	<b>-</b>
<b>2018 effects</b>									
Financial assets									
Financial assets at FVTPL	27,555	1,096	(1,096)	1,082	(1,082)	14	(14)	-	-
Equity instruments	217	58	(58)	45	(45)	13	(13)	-	-
Other investments	27,338	1,038	(1,038)	1,037	(1,037)	1	(1)	-	-
Financial derivatives	45	8	(8)	8	(8)	-	-	-	-
Fair value through profit or loss	45	8	(8)	8	(8)	-	-	-	-
Fair value through profit or loss (liabilities)	-	-	-	-	-	-	-	-	-
<b>Variability at 31 December 2018</b>	<b>27,600</b>	<b>1,104</b>	<b>(1,104)</b>	<b>1,090</b>	<b>(1,090)</b>	<b>14</b>	<b>(14)</b>	<b>-</b>	<b>-</b>

In relation to **financial assets measured at fair value through profit or loss**, price risk concerns the following:

- investments in units of mutual investment funds held by Poste Vita SpA, with a fair value of €34,989 million, including approximately €31,709 million used to cover Class I policies, approximately €3,223 million used to cover Class III policies and a residual amount relating the free capital;
- equity instruments held by Poste Vita SpA, totalling €177 million, used to cover Class I policies linked to separately managed accounts and to cover Class III policies;
- Visa Incorporated (Series C Convertible Participating Preferred Stock) preference shares held by BancoPosta RFC for a total of €71 million. For the purpose of the sensitivity analysis, the equities are matched with the corresponding amount of the Class A shares, considering the volatility of the shares listed on the NYSE.

In the area of **Derivative Financial Instruments**, price risk mainly relates to the forward sale contract for 400,000 of *Visa Incorporated* ordinary shares entered into by the Parent Company during the year.

Lastly, during 2019, shares in MoneyGram and sender, classified as **financial assets measured at fair value through other comprehensive income** and not subject to sensitivity in the table above, were acquired by the Parent Company, as described in further detail in the notes above.

## Cash flow inflation risk

This is defined as the uncertainty related to future cash flows due to changes in the rate of inflation observed in the market.

The table below analyses the sensitivity of future cash flows for the Poste Italiane Group's financial assets at 31 December 2019.

### Poste Italiane Group - Cash flow inflation risk

Description (€m)	Risk exposure		Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax	
	Nominal	Carrying amount	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
<b>2019 effects</b>								
Financial assets								
Financial assets at amortised cost	127	156	-	-	-	-	-	-
Fixed income instruments	127	156	-	-	-	-	-	-
Financial assets at FVTOCI	11,428	13,236	41	(41)	39	(39)	2	(2)
Fixed income instruments	11,428	13,236	41	(41)	39	(39)	2	(2)
<b>Variability at 31 December 2019</b>	<b>11,555</b>	<b>13,392</b>	<b>41</b>	<b>(41)</b>	<b>39</b>	<b>(39)</b>	<b>2</b>	<b>(2)</b>
<b>2018 effects</b>								
Financial assets								
Financial assets at amortised cost	142	173	-	-	-	-	-	-
Fixed income instruments	142	173	-	-	-	-	-	-
Financial assets at FVTOCI	12,258	12,957	44	(44)	42	(42)	2	(2)
Fixed income instruments	12,258	12,957	44	(44)	42	(42)	2	(2)
<b>Variability at 31 December 2018</b>	<b>12,400</b>	<b>13,130</b>	<b>44</b>	<b>(44)</b>	<b>42</b>	<b>(42)</b>	<b>2</b>	<b>(2)</b>

At 31 December 2019, cash flow inflation risk relates to inflation-linked government securities not subject to cash flow hedges or fair value hedges. Of the total nominal value, securities totalling €9,638 million are held by Poste Vita SpA and securities totalling €1,875 million by BancoPosta RFC.

## 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.

Sensitivity analysis of the items subject to foreign exchange risk was based on the most significant positions, assuming a stress scenario determined by the levels of exchange rate volatility applicable to each foreign currency position. The test applies an exchange rate movement based on volatility during the year, which was considered to be representative of potential market movements.

The table below shows the sensitivity to foreign exchange risk of the Poste Italiane Group's most significant positions at 31 December 2019.

### Poste Italiane Group - Foreign exchange risk

Description (€m)	Position in GBP	Position in USD	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
				+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
<b>2019 effects</b>									
Financial assets									
Financial assets at FVTOCI	14	1	17	1	(1)	-	-	1	(1)
Equity instruments	14	-	16	1	(1)	-	-	1	(1)
Fixed income instruments	-	1	1	-	-	-	-	-	-
Financial assets at FVTPL	-	153	137	6	(6)	6	(6)	-	-
Equity instruments	-	79	71	3	(3)	3	(3)	-	-
Other investments	-	74	66	3	(3)	3	(3)	-	-
Financial derivatives	-	(17)	(15)	(1)	1	(1)	1	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	-	(17)	(15)	(1)	1	(1)	1	-	-
<b>Variability at 31 December 2019</b>	<b>14</b>	<b>137</b>	<b>139</b>	<b>6</b>	<b>(6)</b>	<b>5</b>	<b>(5)</b>	<b>1</b>	<b>(1)</b>
<b>2018 effects</b>									
Financial assets									
Financial assets at FVTPL	-	123	107	8	(8)	8	(8)	-	-
Equity instruments	-	58	50	4	(4)	4	(4)	-	-
Other investments	-	65	57	4	(4)	4	(4)	-	-
<b>Variability at 31 December 2018</b>	<b>-</b>	<b>123</b>	<b>107</b>	<b>8</b>	<b>(8)</b>	<b>8</b>	<b>(8)</b>	<b>-</b>	<b>-</b>

The risk in question relates to equities held by the Parent Company and units in certain alternative investment funds in which Poste Vita SpA has invested.

Foreign exchange risk refers to the net receivable/(payable) position in SDRs, a synthetic currency resulting from the weighted average of the exchange rates of four major currencies (the euro, US dollar, British pound and Japanese yen) held by Poste Italiane SpA and used worldwide to settle debts and credits among postal operators.

### Poste Italiane Group - Foreign exchange risk/SDR

Description (€m)	Position in DSP	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
<b>2019 effects</b>								
Current assets in SDRs	164	203	5	(5)	5	(5)	-	-
Current liabilities in SDRs	(148)	(182)	(4)	4	(4)	4	-	-
<b>Variability at 31 December 2019</b>	<b>16</b>	<b>21</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>-</b>
<b>2018 effects</b>								
Current assets in SDRs	145	176	6	(6)	6	(6)	-	-
Current liabilities in SDRs	(124)	(150)	(5)	5	(5)	5	-	-
<b>Variability at 31 December 2018</b>	<b>21</b>	<b>26</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>-</b>

# Poste Italiane SpA

For the purposes of full disclosure, information on Poste Italiane SpA's exposure to financial risk is reported below if not already covered in the above information regarding the Poste Italiane Group.

## Fair value interest rate risk

### Fair value interest rate risk

Description (€m)	Risk exposure		Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
	Nominal	Fair Value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
<b>2019 effects</b>								
Financial assets attributable to BancoPosta								
Financial assets at FVTOCI	31,170	36,799	(1,016)	1,003	-	-	(1,016)	1,003
Fixed income instruments	31,170	36,799	(1,016)	1,003	-	-	(1,016)	1,003
Financial derivatives	-	-	-	-	-	-	-	-
Cash flow hedge	-	-	-	-	-	-	-	-
Financial assets								
Financial assets at FVTOCI	500	524	(2)	2	-	-	(2)	2
Fixed income instruments	500	524	(2)	2	-	-	(2)	2
Financial liabilities attributable to BancoPosta								
Financial derivatives	1,280	(36)	67	(71)	-	-	67	(71)
Cash flow hedge	1,280	(36)	67	(71)	-	-	67	(71)
Financial liabilities								
Financial derivatives	50	(6)	2	(2)	-	-	2	(2)
Cash flow hedge	50	(6)	2	(2)	-	-	2	(2)
<b>Variabilità al 31 dicembre 2019</b>	<b>33,000</b>	<b>37,281</b>	<b>(949)</b>	<b>932</b>	<b>-</b>	<b>-</b>	<b>(949)</b>	<b>932</b>
<b>2018 effects</b>								
Financial assets attributable to BancoPosta								
Financial assets at FVTOCI	30,229	32,040	(798)	753	-	-	(798)	753
Fixed income instruments	30,229	32,040	(798)	753	-	-	(798)	753
Financial derivatives	2,885	155	(4)	4	-	-	(4)	4
Cash flow hedge	2,885	155	(4)	4	-	-	(4)	4
Financial assets								
Financial assets at FVTOCI	500	532	(3)	3	-	-	(3)	3
Fixed income instruments	500	532	(3)	3	-	-	(3)	3
Financial liabilities								
Financial derivatives	50	(5)	2	(2)	-	-	2	(2)
Cash flow hedge	50	(5)	2	(2)	-	-	2	(2)
<b>Variability at 31 December 2018</b>	<b>33,664</b>	<b>32,722</b>	<b>(803)</b>	<b>758</b>	<b>-</b>	<b>-</b>	<b>(803)</b>	<b>758</b>

## Cash flow interest rate risk

### Cash flow interest rate risk

Description (€m)	Risk exposure		Change in value		Profit/(Loss) before tax	
	nominal	+100 bps	-100 bps	+100 bps	-100 bps	
<b>2019 effects</b>						
Financial assets attributable to BancoPosta						
Financial assets at amortised cost						
Receivables						
Amounts due from MEF	7,067	71	(71)	71	(71)	
Other financial receivables	5,660	56	(56)	56	(56)	
Fixed income instruments	2,560	26	(26)	26	(26)	
Financial assets at FVTOCI						
Fixed income instruments	3,565	36	(36)	36	(36)	
Financial assets						
Financial assets at amortised cost						
Borrowings	337	3	(3)	3	(3)	
Receivables						
Other financial receivables	23	-	-	-	-	
Financial assets at FVTOCI						
Fixed income instruments	375	4	(4)	4	(4)	
Cash and deposits attributable to BancoPosta						
Bank deposits	816	8		8	(8)	
Cash and cash equivalents						
Deposits with the MEF	495	5	(5)	5	(5)	
Bank deposits	683	7	(7)	7	(7)	
Financial liabilities attributable to BancoPosta						
Other financial liabilities	(112)	(1)	1	(1)	1	
Financial liabilities						
Borrowings	-	-	-	-	-	
Financial liabilities due to subsidiaries	(505)	(5)	5	(5)	5	
Other financial liabilities	-	-	-	-	-	
<b>Variability at 31 December 2019</b>	<b>20,964</b>	<b>210</b>	<b>(210)</b>	<b>210</b>	<b>(210)</b>	
<b>2018 effects</b>						
Financial assets attributable to BancoPosta						
Financial assets at amortised cost						
Receivables						
Amounts due from MEF	5,930	59	(59)	59	(59)	
Other financial receivables	1,652	17	(17)	17	(17)	
Fixed income instruments	425	4	(4)	4	(4)	
Financial assets at FVTOCI						
Fixed income instruments	1,740	17	(17)	17	(17)	
Financial assets						
Financial assets at amortised cost						



Description (€m)	Risk exposure		Change in value		Profit/(Loss) before tax	
	nominal		+100 bps	-100 bps	+100 bps	-100 bps
Borrowings	354		4	(4)	4	(4)
Receivables						
Other financial receivables	30		-	-	-	-
Financial assets at FVTOCI						
Fixed income instruments	375		4	(4)	4	(4)
Cash and deposits attributable to BancoPosta						
Bank deposits	351		4	(4)	4	(4)
Cash and cash equivalents						
Deposits with the MEF	1,306		13	(13)	13	(13)
Bank deposits	686		7	(7)	7	(7)
Financial liabilities attributable to BancoPosta						
Other financial liabilities	(70)		(1)	1	(1)	1
Financial liabilities						
Borrowings	-		-	-	-	-
Financial liabilities due to subsidiaries	(112)		(1)	1	(1)	1
Other financial liabilities	(1)		-	-	-	-
<b>Variability at 31 December 2018</b>	<b>12,666</b>		<b>127</b>	<b>(127)</b>	<b>127</b>	<b>(127)</b>

## Credit risk

### Credit risk - Rating for BancoPosta RFC

Description (€m)	from AAA to AA+		from A+ to BBB-		from BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
<b>2019 effects</b>										
<b>Financial assets at amortised cost</b>										
Borrowings	-	-	1,159	-	-	-	-			1,159
Receivables	1,532	-	10,944	-	251	-	-			12,727
Fixed income instruments	-	-	22,202	-	-	-	-			22,202
<b>Gross carrying amount - Total</b>	<b>1,532</b>	<b>-</b>	<b>34,305</b>	<b>-</b>	<b>251</b>	<b>-</b>	<b>-</b>			<b>36,088</b>
Provision to cover expected losses	-	-	(11)	-	-	-	-	-	-	(11)
<b>Total amortised cost at 31 December 2019</b>	<b>1,532</b>	<b>-</b>	<b>34,294</b>	<b>-</b>	<b>251</b>	<b>-</b>	<b>-</b>	<b>507</b>	<b>2,870</b>	<b>39,454</b>
<b>2018 effects</b>										
<b>Financial assets at amortised cost</b>										
Borrowings	-	-	251	-	-	-	-			251
Receivables	13	-	7,554	-	15	-	-			7,582
Fixed income instruments	-	-	21,888	-	-	-	-			21,888
<b>Gross carrying amount - Total</b>	<b>13</b>	<b>-</b>	<b>29,693</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>			<b>29,721</b>
Provision to cover expected losses	-	-	(12)	-	-	-	-			(12)
<b>Total amortised cost at 31 December 2018</b>	<b>13</b>	<b>-</b>	<b>29,681</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>695</b>	<b>993</b>	<b>31,397</b>

Description (€m)	from AAA to AA+		from A+ to BBB-		from BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
<b>2019 effects</b>										
<b>Financial assets at FVTOCI</b>										
Fixed income instruments	-	-	32,907	-	-	-	-	-	-	32,907
<b>Gross carrying amount - Total</b>	-	-	<b>32,907</b>	-	-	-	-	-	-	<b>32,907</b>
Provision to cover expected losses - OCI	-	-	(11)	-	-	-	-	-	-	(11)
<b>Carrying amount - Fair value at 31 December 2019</b>	-	-	<b>36,798</b>	-	-	-	-	-	-	<b>36,798</b>
<b>2018 effects</b>										
<b>Financial assets at FVTOCI</b>										
Fixed income instruments	-	-	31,590	-	-	-	-	-	-	31,590
<b>Gross carrying amount - Total</b>	-	-	<b>31,590</b>	-	-	-	-	-	-	<b>31,590</b>
Provision to cover expected losses - OCI	-	-	(13)	-	-	-	-	-	-	(13)
<b>Carrying amount - Fair value at 31 December 2018</b>	-	-	<b>32,040</b>	-	-	-	-	-	-	<b>32,040</b>

### Credit risk - Ratings for assets outside the ring-fence

Description (€m)	from AAA to AA+		from A+ to BBB-		from BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
<b>2019 effects</b>										
<b>Financial assets at amortised cost</b>										
Borrowings	-	-	337	-	-	-	-	-	-	337
Receivables	-	-	64	-	8	-	-	-	-	72
<b>Gross carrying amount - Total</b>	-	-	<b>401</b>	-	<b>8</b>	-	-	-	-	<b>409</b>
Provision to cover expected losses	-	-	(20)	-	-	-	-	-	-	(20)
<b>Total amortised cost at 31 December 2019</b>	-	-	<b>381</b>	-	<b>8</b>	-	-	<b>5</b>	-	<b>394</b>
<b>2018 effects</b>										
<b>Financial assets at amortised cost</b>										
Borrowings	-	-	356	-	-	-	-	-	-	356
Receivables	-	-	104	-	-	-	-	-	-	104
<b>Gross carrying amount - Total</b>	-	-	<b>460</b>	-	-	-	-	-	-	<b>460</b>
Provision to cover expected losses	-	-	(20)	-	-	-	-	-	-	(20)
<b>Total amortised cost at 31 December 2018</b>	-	-	<b>440</b>	-	-	-	-	<b>6</b>	-	<b>446</b>

Description (€m)	from AAA to AA+		from A+ to BBB-		from BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
<b>2019 effects</b>										
<b>Financial assets at FVTOCI</b>										
Fixed income instruments	-	-	505	-	-	-	-	-	-	505
<b>Gross carrying amount - Total</b>	-	-	<b>505</b>	-	-	-	-	-	-	<b>505</b>
<b>Carrying amount - Fair value at 31 December 2019</b>	-	-	<b>524</b>	-	-	-	-	-	-	<b>524</b>
<b>2018 effects</b>										
<b>Financial assets at FVTOCI</b>										
Fixed income instruments	-	-	505	-	-	-	-	-	-	505
<b>Gross carrying amount - Total</b>	-	-	<b>505</b>	-	-	-	-	-	-	<b>505</b>
<b>Carrying amount - Fair value at 31 December 2018</b>	-	-	<b>532</b>	-	-	-	-	-	-	<b>532</b>

**BancoPosta RFC - Credit risk - Concentration**

Description (€m)	31/12/2019		31/12/2018	
	Gross Carrying amount	Provision to cover expected losses	Gross Carrying amount	Provision to cover expected losses
Financial assets at amortised cost	36,086	(11)	29,721	(12)
Borrowings	1,158	-	251	-
Sovereign	-	-	-	-
Corporate	1,158	-	251	-
Banking	-	-	-	-
Receivables	12,726	(3)	7,582	(3)
Sovereign	7,066	(3)	5,930	(3)
Corporate	1,040	-	303	-
Banking	4,620	-	1,349	-
Fixed income instruments	22,202	(8)	21,888	(9)
Sovereign	18,440	(7)	17,378	(9)
Corporate	3,762	(1)	4,510	-
Banking	-	-	-	-
Financial assets at FVTOCI	32,907	(11)	31,590	(13)
Fixed income instruments	32,907	(11)	31,590	(13)
Sovereign	32,907	(11)	31,590	(13)
Corporate	-	-	-	-
Banking	-	-	-	-
<b>Total at 31 December 2019</b>	<b>68,993</b>	<b>(22)</b>	<b>61,311</b>	<b>(25)</b>

**Assets outside the ring-fence - Credit risk - Concentration**

Description (€m)	31/12/2019		31/12/2018	
	Gross Carrying amount	Provision to cover expected losses	Gross Carrying amount	Provision to cover expected losses
Financial assets at amortised cost	415	(20)	466	(20)
Borrowings	338	-	355	-
Sovereign	-	-	-	-
Corporate	338	-	355	-
Banking	-	-	-	-
Receivables	77	(20)	111	(20)
Sovereign	-	-	-	-
Corporate	47	(20)	81	(20)
Banking	30	-	30	-
Financial assets at FVTOCI	505	-	510	-
Fixed income instruments	505	-	510	-
Sovereign	505	-	510	-
Corporate	-	-	-	-
Banking	-	-	-	-
<b>Total at 31 December 2019</b>	<b>920</b>	<b>(20)</b>	<b>976</b>	<b>(20)</b>

**BancoPosta RFC - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost**

Description (€m)	Amortised cost		Total
	Receivables	Fixed income instruments	
	Stage 1	Stage 1	
<b>Balance at 1 January 2019</b>	<b>2,609</b>	<b>9,345</b>	<b>11,954</b>
Impairment of securities / receivables held at the beginning of the period	4	-	4
Reversal of securities / receivables held at the beginning of the period	-	(1,489)	(1,489)
Impairment of securities / receivables purchased/paid in the period	-	900	900
Reversal due to sale / collection	-	(777)	(777)
Reversal for write-off	-	-	-
<b>Balance at 31 December 2019</b>	<b>2,613</b>	<b>7,979</b>	<b>10,592</b>

**BancoPosta RFC - Credit risk - Details of the provision to cover expected losses on financial assets at FVTOCI**

Description (€m)	FVTOCI		Total
	Receivables	Fixed income instruments	
	Stage 1	Stage 1	
<b>Balance at 1 January 2019</b>	<b>-</b>	<b>13,107</b>	<b>13,107</b>
Impairment of securities / receivables held at the beginning of the period	-	-	-
Reversal of securities / receivables held at the beginning of the period	-	(2,406)	(2,406)
Impairment of securities / receivables purchased/paid in the period	-	1,983	1,983
Reversal due to sale / collection	-	(1,228)	(1,228)
Reversal for write-off	-	-	-
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>11,456</b>	<b>11,456</b>

**Assets outside the ring-fence - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost**

Description (€m)	Amortised cost					Total
	Borrowings	Receivables		Fixed income instruments		
	Stage 1	Stage 1	Stage 2	Total	Stage 1	
<b>Balance at 1 January 2019</b>	<b>320</b>	<b>20,057</b>	<b>326</b>	<b>20,383</b>	<b>-</b>	<b>20,703</b>
Impairment of securities / receivables held at the beginning of the period	73	21	-	21	-	94
Reversal of securities / receivables held at the beginning of the period	(19)	(20)	(4)	(24)	-	(43)
Impairment of securities / receivables purchased/paid in the period	-	-	-	-	-	-
Reversal due to sale / collection	-	-	-	-	-	-
Reversal for write-off	-	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>374</b>	<b>20,058</b>	<b>322</b>	<b>20,380</b>	<b>-</b>	<b>20,754</b>

**Assets outside the ring-fence - Credit risk - Details of the provision to cover expected losses on financial assets at FVTOCI**

Description (€m)	FVTOCI					Total
	Borrowings		Receivables		Fixed income instruments	
	Stage 1	Stage 1	Stage 2	Total	Stage 1	
<b>Balance at 1 January 2019</b>	-	-	-	-	<b>218</b>	<b>218</b>
Impairment of securities / receivables held at the beginning of the period	-	-	-	-	-	-
Reversal of securities / receivables held at the beginning of the period	-	-	-	-	(41)	(41)
Impairment of securities / receivables purchased/paid in the period	-	-	-	-	-	-
Reversal due to sale / collection	-	-	-	-	-	-
Reversal for write-off	-	-	-	-	-	-
<b>Balance at 31 December 2019</b>	-	-	-	-	<b>177</b>	<b>177</b>

**Credit risk - Trade receivables adjusted for individual impairments**

Description (€m)	31/12/2019		31/12/2018	
	Gross Carrying amount	Provisions for doubtful debts	Gross Carrying amount	Provisions for doubtful debts
Trade receivables				
Receivables due from customers	1,434	(259)	1,666	(364)
Cassa Depositi e Prestiti	451	-	440	-
Ministries and public entities	300	(110)	482	(96)
Overseas counterparties	229	(2)	201	(4)
Private customers	454	(147)	543	(264)
Receivables due from the Parent Company	74	(32)	99	(31)
Receivables due from Group companies	482	-	397	-
<b>Total</b>	<b>1,990</b>	<b>(291)</b>	<b>2,162</b>	<b>(395)</b>

**Credit risk - Trade receivables adjusted on the basis of the provision matrix**

Range of past due (€m)	31/12/2019		31/12/2018	
	Gross Carrying amount	Provisions for doubtful debts	Gross Carrying amount	Provisions for doubtful debts
Not past due trade receivables	477	(6)	310	(3)
Past due 0 - 1 year	127	(4)	148	(5)
Past due 1 - 2 years	79	(9)	24	(5)
Past due 2 - 3 years	16	(7)	17	(6)
Past due 3 - 4 years	10	(7)	7	(4)
Past due > 4 years	53	(52)	42	(42)
Positions subject to legal recovery and/or insolvency proceedings	85	(72)	80	(68)
<b>Total</b>	<b>847</b>	<b>(157)</b>	<b>628</b>	<b>(133)</b>

## Details of the provision to cover expected credit losses on trade receivables

(€m)	Balance at 01/01/2019	Net provisions	Uses	De-merger of the BU SDA SpA	Balance at 31/12/2019
Trade receivables					
Receivables due from customers	450	37	(130)	4	361
Private customers	300	18	(129)	4	193
Public administration entities	141	17	(1)	-	157
Overseas postal operators	9	2	-	-	11
Interest on late payments	46	14	(8)	-	52
Receivables due from the MEF	32	-	-	-	32
<b>Total</b>	<b>528</b>	<b>51</b>	<b>(138)</b>	<b>4</b>	<b>445</b>
of which attributable to BancoPosta RFC	152	10	(122)	-	40

## Details of the provision to cover expected credit losses due from others

(€m)	Balance at 01/01/2019	Acc.ti netti	Utilizzi	Balance at 31/12/2019
Public Administration entities for sundry services	3	-	(1)	2
Interest accrued on IRES refund	-	45	-	45
Receivables relating to fixed-term contract settlements	10	2	-	12
Other receivables	50	4	(5)	49
<b>Total</b>	<b>63</b>	<b>51</b>	<b>(6)</b>	<b>108</b>
of which attributable to BancoPosta RFC	27	2	-	29

## Liquidity risk

### Liquidity risk - Liabilities

Item (€m)	31/12/2019				31/12/2018			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial liabilities attributable to BancoPosta	34,993	17,512	19,882	72,387	27,764	13,329	23,849	64,942
Postal current accounts	20,142	13,870	19,879	53,891	16,365	10,942	23,845	51,152
Borrowings	8,551	3,638	-	12,189	6,088	2,384	-	8,472
Other financial liabilities	6,300	4	3	6,307	5,311	3	4	5,318
Financial liabilities	700	540	1,064	2,304	317	58	-	375
Trade payables	1,598	-	-	1,598	1,488	-	-	1,488
Other liabilities	1,456	1,491	18	2,965	1,772	1,325	22	3,119
<b>Total</b>	<b>38,747</b>	<b>19,543</b>	<b>20,964</b>	<b>79,254</b>	<b>31,341</b>	<b>14,712</b>	<b>23,871</b>	<b>69,924</b>

### Liquidity risk - Assets

Description (€m)	31/12/2019				31/12/2018			
	Within 12 months	Between 1 and 5 years	Over 5 years	Total	Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets attributable to BancoPosta								
Financial assets at amortised cost								
Borrowings	1,158	-	-	1,158	251	-	-	251
Receivables	13,261	-	-	13,261	8,379	-	-	8,379
Deposits with the MEF	7,094	-	-	7,094	6,032	-	-	6,032
Other financial receivables	6,167	-	-	6,167	2,347	-	-	2,347
Fixed income instruments	1,838	2,684	24,431	28,953	1,749	4,695	23,478	29,922
Financial assets at FVTOCI	4,399	7,904	30,535	42,838	3,001	10,312	30,011	43,324
Fixed income instruments	4,399	7,904	30,535	42,838	3,001	10,312	30,011	43,324
Financial assets at FVTPL								
Receivables	-	-	-	-	8	-	-	8
Financial assets	241	576	324	1,141	213	731	313	1,257
Trade receivables	2,385	3	2	2,390	2,256	3	3	2,262
Other receivables and assets	1,020	1,414	35	2,469	866	1,265	41	2,172
Cash and deposits attributable to BancoPosta	4,303	-	-	4,303	3,318	-	-	3,318
Cash and cash equivalents	1,206	-	-	1,206	2,127	-	-	2,127
<b>Total Assets</b>	<b>29,811</b>	<b>12,581</b>	<b>55,327</b>	<b>97,719</b>	<b>22,168</b>	<b>17,006</b>	<b>53,846</b>	<b>93,020</b>

## Price risk

### Price risk

Description (€m)	Risk exposure	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
<b>2019 effects</b>							
Financial assets attributable to BancoPosta							
Financial assets at FVTPL	71	14	(14)	14	(14)	-	-
Equity instruments	71	14	(14)	14	(14)	-	-
Financial liabilities attributable to BancoPosta							
Financial derivatives	(15)	(12)	12	(12)	12	-	-
Fair value through profit or loss	(15)	(12)	12	(12)	12	-	-
<b>Variability at 31 December 2019</b>	<b>56</b>	<b>2</b>	<b>(2)</b>	<b>2</b>	<b>(2)</b>	<b>-</b>	<b>-</b>
<b>2018 effects</b>							
Financial assets attributable to BancoPosta							
Financial assets at FVTPL	50	13	(13)	13	(13)	-	-
Equity instruments	50	13	(13)	13	(13)	-	-
<b>Variability at 31 December 2018</b>	<b>50</b>	<b>13</b>	<b>(13)</b>	<b>13</b>	<b>(13)</b>	<b>-</b>	<b>-</b>

## Foreign exchange risk

### Foreign exchange risk/USD

Description (€m)	Position in USD	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
<b>2019 effects</b>								
Financial assets attributable to BancoPosta								
Financial assets at FVTPL	79	71	3	(3)	3	(3)	-	-
Equity instruments	79	71	3	(3)	3	(3)	-	-
Financial liabilities attributable to BancoPosta								
Financial derivatives	17	(15)	(1)	1	(1)	1	-	-
Fair value through profit or loss	17	(15)	(1)	1	(1)	1	-	-
<b>Variability at 31 December 2019</b>	<b>96</b>	<b>56</b>	<b>2</b>	<b>(2)</b>	<b>2</b>	<b>(2)</b>	<b>-</b>	<b>-</b>
<b>2018 effects</b>								
Financial assets attributable to BancoPosta								
Financial assets at FVTPL	58	50	4	(4)	4	(4)	-	-
Equity instruments	58	50	4	(4)	4	(4)	-	-
<b>Variability at 31 December 2018</b>	<b>58</b>	<b>50</b>	<b>4</b>	<b>(4)</b>	<b>4</b>	<b>(4)</b>	<b>-</b>	<b>-</b>



## Foreign exchange risk/GBP

Description (€m)	Position in GBP	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
<b>2019 effects</b>								
Financial assets								
Financial assets at FVTOCI	14	16	1	(1)	1	(1)	-	-
Equity instruments	14	16	1	(1)	1	(1)	-	-
<b>Variability at 31 December 2019</b>	<b>14</b>	<b>16</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>-</b>
<b>2018 effects</b>								
Financial assets								
Financial assets at FVTOCI	-	-	-	-	-	-	-	-
Equity instruments	-	-	-	-	-	-	-	-
<b>Variability at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Poste Italiane SpA - Currency risk DSP

Description (€m)	Position in DSP	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
<b>2019 effects</b>								
Current assets in SDRs	164	203	5	(5)	5	(5)	-	-
Current liabilities in SDRs	(148)	(182)	(4)	4	(4)	4	-	-
<b>Variability at 31 December 2019</b>	<b>16</b>	<b>21</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>-</b>
<b>2018 effects</b>								
Current assets in SDRs	145	176	6	(6)	6	(6)	-	-
Current liabilities in SDRs	(124)	(150)	(5)	5	(5)	5	-	-
<b>Variability at 31 December 2018</b>	<b>21</b>	<b>26</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>-</b>

## Other risks

The other principal risks to which the Poste Italiane Group is exposed at 31 December 2019 are described below.

## Operational risk

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. Operational risk includes legal risk.

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operational risk related to its products/processes.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

In 2019, activities continued to refine the operational risk management framework, with the aim of making the process of recording operational losses more efficient and mitigating such risks by cross-functional working groups. Support has also been provided to the specialist units and the owner of the process of analysing and assessing IT risk, in keeping with the approach adopted in 2018.

At 31 December 2019, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC's products are exposed to. In particular:

Event type	Number of types
Internal fraud	32
External fraud	49
Employee practices and workplace safety	7
Customers, products and business practices	31
Damage caused by external events	4
Business disruption and system failure	10
Execution, delivery and process management	115
<b>Total at 31 December 2019</b>	<b>248</b>

For each type of mapped risk, the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) have been recorded and classified in order to construct complete inputs for the integrated measurement model. Systematic measurement of the mapped risks has enabled the prioritization of mitigation initiatives and the attribution of responsibilities in order to contain any future impact.

Poste Vita SpA and Poste Assicura SpA have also drawn up and finalised their own framework for identifying, assessing and managing operational risks. The adopted approach reflects the specific nature of the processes and operational risk events typical of an insurance company. The process of assessing operational risk exposure is carried out in keeping with the related solvency requirements, and involves both qualitative and quantitative analysis, conducted through a structured process for identifying internal losses and assessing potential risks in terms of frequency, impact and mitigation. Overall, exposure to risks is limited, although in 2019, there were a number of cases of fraud involving the settlement of life insurance policies (a total of €1.5 million, of which approximately €0.6 million for positions already reactivated by Poste Vita and approximately €0.8 million allocated to the provision for risks and charges). Organisational and control measures to mitigate risk have been reviewed.

## Insurance risks

Insurance risks derive from the stipulation of insurance contracts and the terms and conditions contained therein (technical bases adopted, premium calculation, 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. Particular attention is paid in selling pure life insurance policies, an area where procedures set underwriting limits to the capital and the age of the policyholder. In terms of "pure life" insured amounts the Group's insurance companies transfer their risks to reinsurers in keeping with the nature of the products sold and conservation levels adequate to the companies' capital structure.

For products with the capital sum subject to positive risk, such as term life insurance, this risk has negative consequences if the actual frequency of death exceeds the death probabilities realistically calculated (second order technical bases).

For products with the capital sum subject to negative risk, such as annuities, there are negative consequences when actual death frequencies are lower than the death probabilities realistically calculated (longevity risk).

Nevertheless, at 31 December 2019, the mortality risk is limited for the Group, considering the features of the products offered. The only area where this risk is somewhat significant is term life insurance. With reference to these products, a comparison is periodically made between actual deaths and those predicted by the demographic bases adopted for pricing. Moreover, mortality risk is mitigated through reinsurance and by setting limits on both the capital and the age of the policyholder when policies are sold.

Longevity risk is also low. In fact, for most life insurance products the probability of annuitisation is very close to zero, as historical experience shows that policyholders never use the option to annuitise. Pension products, in particular, still account for

a limited share of insurance liabilities. In addition, for these products, the Group may, if certain conditions materialise, change the demographic base and the composition by sex used to calculate the annuity rates.

Pricing risk is the risk of incurring losses due to inadequate premiums charged for the insurance products sold. It may arise due to:

- inappropriate selection of the technical basis;
- incorrect assessment of the options embedded in the product;
- incorrect evaluation of the factors used to calculate the expense loads.

As Poste Vita's mixed and whole-life policies have mostly cash value build-up features, accumulating in accordance with a technical rate of zero, the technical basis adopted does not affect premium calculation (and/or the insured capital). In fact, there is nearly no pricing risk associated with the choice between technical bases in Poste Vita's *portfolio*, except for the term life insurance products discussed above.

The options embedded in the policies held in the *portfolio* include:

- Surrender option;
- Guaranteed minimum return option;
- Annuity conversion option.

For nearly all the products in the *portfolio* there are no surrender penalties: the surrender risk only becomes significant, however, in the event of mass surrenders which, on the basis of historical evidence, have a low probability of occurrence (a surrender rate of approximately 2.75% in 2019).

Poste Assicura SpA is exposed to the following insurance risks:

- Underwriting risk: the risk deriving from the conclusion of insurance contracts associated with the events insured, the processes followed when pricing and selecting risks and unfavourable claims trends compared with previous estimates. This risk can be divided into the following categories:
  - Pricing risk: the risk linked to the company's pricing of its policies which depends on the assumptions used in order to calculate premiums. If prices are based on inadequate assumptions, the insurer may be exposed to the risk of being unable to meet its contractual obligations to policyholders. These risks include those related to disability-morbidity, or the risk associated with the payment of benefits or claims for illness and/or injury. Pricing risk also includes the risk that the premiums charged are not sufficient to cover the actual costs incurred in the management of the contract and the risk of excessive growth in operations associated with poor selection of risks or the absence of resources sufficient to keep up with the pace of growth.
  - Provisioning risk: referring to the risk that technical provisions are not sufficient to meet obligations to policyholders. This insufficiency may be due to incorrect estimates by the company and/or changes in the general environment.
- Catastrophe risk: the risk that extreme and exceptional events have a negative impact that has not been taken into account when pricing the policies.
- Anti-selection risk: this relates to the company's unwillingness to insure an event not classified as future, uncertain and damaging.

As regards Poste Assicura SpA's insurance business, which commenced operations in 2010, the expected growth of the *portfolio* and the different degrees of risk associated with the products distributed has required the company to adopt a highly prudent approach to reinsurance. In particular, it has entered into pro rata reinsurance treaties with major reinsurance providers, establishing the amounts to be ceded based on the specific type and size of the risk to be assumed, backed up by excess-loss or stop-loss treaties to cover risks of a certain size (such as accident policies or so-called catastrophic risks). In addition, when defining the guarantees offered, the assumption of specific types of risk has been mitigated by limiting the size of pay-outs in the event of certain specific types of claim.

With reference to non-life risks, the Group performs specific analyses including, among other things, stress tests to determine the Company's solvency also under adverse market conditions.

## Reputational risk

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 subsidiary, Poste Vita SpA, and mutual funds managed by BancoPosta Fondi SpA SGR).

In particular, with regards to real estate funds sold in the period 2002-2005, which have given rise to a number of complaints and disputes, the Company is closely monitoring performance through to the respective maturities, assessing the potential impact on the provisions for risks and charges accounted for in the financial statements. During the year ended 31 December 2019, the estimate of the liabilities deriving from risks linked to disputes with customers regarding certain financial instruments and investment products, sold in previous years and that have not yet reached maturity, whose performance is not in line with expectations, was prudently revised. It should be noted that, on 16 January 2017, the Board of Directors of Poste Italiane SpA passed a resolution aimed at protecting all customers who, in 2003, purchased units issued by the Invest Real Security real estate fund, and who still held the units at 31 December 2016, the date of the fund's maturity. All provisions made to cover the cost of this initiative were used in 2017. In addition, with a view to consolidating the Company's historical customer relationships, based on trust and transparency, on 19 February and 28 June 2018, the Board of Directors of Poste Italiane SpA approved an initiative designed to protect customers who, in 2004, against a different economic and regulatory backdrop compared with today's, purchased units issued by the Europa Immobiliare 1 fund and who still held the units at 31 December 2017, the date of the fund's maturity. This initiative, the aim of which was to allow each investor to recover the difference between the amount they invested at the time of subscription, increased by any income distributions or early returns of capital over the life of the fund, and the amount that the investor will receive from the Fund's "Final Liquidation Distribution", was launched on 24 September 2018 and came to a conclusion on 7 December 2018. With a resolution of 28 February 2019, the Board of Directors of Poste Italiane defined the launch of a second window for customers who had not yet joined the Initiative. The initiative was launched on 23 May 2019 and was concluded on 13 July 2019.

The Obelisco Real Estate Fund placed by Poste Italiane in December 2005 had an original maturity date at the end of December 2015. This was later extended for an additional 3 years and the fund matured on 31 December 2018. On 16 July 2019, the management company of reference announced that the fund's final liquidation report had been approved and confirmed that, given that the liquidation proceeds amounted to zero, there would be no distribution of either income or capital.

In this context, the Board of Directors of Poste Italiane, with a resolution of 30 July 2019, defined an initiative called PostelIniziativa Obelisco in favour of customers holding units in the Obelisco Real Estate Fund at 31 December 2018 to recover the initial value invested. The initiative was launched on 30 September 2019 and was concluded on 6 December 2019.

## 8. Determination of fair value

### 8.1 Determination of fair value

The Poste Italiane Group has adopted a fair value policy, setting out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The principles and rules to be applied in measuring the fair value of financial instruments are unchanged with respect to 31 December 2018 and have been defined in compliance with indications from the various (banking and insurance) regulators and the relevant accounting standards, ensuring consistent application of the valuation techniques adopted at Group level. The methods used have been revised, where necessary, to take into account developments in operational procedures and in market practices during the year.

In compliance with **IFRS 13** - Fair Value Measurement, the following section provides information regarding the techniques used to measure the fair value of financial instruments within the Poste Italiane Group.

The assets and liabilities concerned (specifically assets and liabilities measured at fair value and measured at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of three levels.

**Level 1:** this level is comprised of fair values determined with reference to unadjusted prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For the Poste Italiane Group the following categories of financial instrument apply:

**Bonds quoted on active markets:**

- **Bonds issued by EU government bodies or Italian or foreign corporate bonds:** measurement is based on bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended for retail customers, and the CBBT (Composite Bloomberg Bond Trader) third;
- **Financial liabilities:** measurement is based on the ask prices quoted by CBBT (Composite Bloomberg Bond Trader).

**Equity securities and ETFs (Exchange Traded Funds) listed on active markets:** the valuation is made considering the price resulting from the last contract traded on the day on the relevant stock exchange.

**Quoted open-end investment funds:** measurement is based on the daily closing market price as provided by Bloomberg or the fund manager. Level 1 bond price quotations incorporate a credit risk component. Exchange rates published by the European Central Bank are used in determining the value of financial instruments denominated in currencies other than the euro.

**Level 2:** this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability. Given the nature of Poste Italiane Group's operations, the observable data used as input to determine the fair value of the various instruments include yield curves and projected inflation rates, exchange rates provided by the European Central Bank, ranges of rate volatility, inflation option premiums, interest rate swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties. For the Poste Italiane Group the following categories of financial instrument apply:

#### **Bonds either quoted on inactive markets or not at all:**

- **Straight Italian and international government and non-government bonds:** valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- **Structured bonds:** valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds included in the *portfolio* of the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks.

**Unquoted equities:** this category may be included here provided it is possible to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of the unquoted shares to the quoted ones.

**Unquoted open-end investment funds:** measurement is based on the latest available NAV (Net Asset Value) as provided by Bloomberg or as determined by the fund manager.

#### **Derivative financial instruments:**

##### ■ **Interest Rate Swaps:**

Plain vanilla interest rate swaps: valued using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.

**Interest rate swaps with an embedded option:** valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measured using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the derivatives held in Poste Italiane's *portfolio* as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.

- **Bond forwards:** valuation is based on the present value of the differential between the forward price of the underlying instrument as of the measurement date and the settlement price.
- **Warrants:** considering the features of the securities held, measurement is based on the local volatility model. In particular, considering that buyback agreements have been entered into with the counterparties that structured these warrants, and that such counterparties use valuation models consistent with those used by the Group, these instruments are measured on the basis of the bid price quoted by the counterparties.
- **Currency forwards:** valuation is based on the differential between the reciprocal currency registered at the measurement date and the reciprocal currency fixed at the trade date.

The derivatives held in Poste Italiane's *portfolio* may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged debt securities, given the limited level of credit risk inherent in the securities held as collateral by the Poste Italiane Group.

In the rare instances where collateral agreements do not substantially reduce counterparty risk, measurement takes place by discounting to present value the cash flows generated by the securities held as collateral, using as the input a yield curve that reflects the spread applicable to the issuer's credit risk. Alternatively, use is made of fair value to calculate the CVA/DVA (Credit Valuation Adjustment / Debit Valuation Adjustment), in relation to the main technical and financial characteristics of the agreements and the counterparty's probability of default.

**Reverse Repos:** are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

**Fixed rate and variable rate instruments:** measurement is based on discounted cash flow. The counterparty's credit spread is considered through:

- use of the Italian government yield curve or the credit default swap (CDS) of the Italian Republic, in the case of Italian government agencies;
- use of quoted CDS yield curves or, if not available, the adoption of synthetic CDS yield curves represented by the counterparty's rating, as constructed starting from the input data observable on the market;
- use of yield curves based on the specific issuer's quoted bond prices.

**Financial liabilities either quoted on inactive markets or not at all:**

- **Straight bonds:** these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the issuer's credit risk.
- **Structured bonds:** valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds included in the *portfolio* of the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks.
- **Borrowings:** these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the credit risk.
- **Repurchase agreements:** are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

**Investment property (excluding former service accommodation) and inventories of properties held for sale:** The fair value of both investment property and inventories has been determined mainly by discounting to present value the cash flows expected to be generated by the rental agreements and/or proceeds from sales, net of related costs. The process uses a discount rate that considers analytically the risks typical of the property.

**Level 3:** this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed, in addition to Level 2 inputs. For the Poste Italiane Group the following categories of financial instrument apply:

**Fixed and variable rate loans:** the measurement is carried out using discounted cash flow techniques. The counterparty's credit spread is set according to best practices, by using the probability of default and transition matrices created by external information providers and loss given default parameters determined by prudential regulations for banks or in accordance with market standards.

**Closed-end unquoted funds:** these include funds that invest mainly in unquoted instruments. Their fair value is determined by considering the latest NAV (Net Asset Value), available at least every six months, reported by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers which occurred between the latest NAV date and the valuation date.

**Investment property (former service accommodation):** The value of this investment property is determined on the basis of the applicable law (Law 560 of 24 December 1993), which sets the selling price in case of sale.

**Unquoted shares:** this category includes shares for which no price is observable directly or indirectly in the market. Measurement of these instruments is based on the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of the unquoted shares to the quoted ones.

## 8.2 Fair value hierarchy

The following table shows an analysis of financial instruments measured at fair value at 31 December 2019, classified by level in the fair value hierarchy.

### Fair value hierarchy

Description (€m)	31/12/2019				31/12/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets at FVTOCI	130,322	9,499	23	139,844	119,159	8,591	5	127,755
Equity instruments	-	-	23	23	-	-	5	5
Fixed income instruments	130,322	8,960	-	139,282	119,159	8,066	-	127,225
Other investments	-	539	-	539	-	525	-	525
Financial assets at FVTPL	3,234	30,614	3,848	37,696	1,091	26,074	2,662	29,827
Receivables	-	-	-	-	-	8	59	67
Equity instruments	177	-	71	248	165	5	46	216
Fixed income instruments	1,308	191	-	1,499	671	900	-	1,571
Other investments	1,749	30,423	3,777	35,949	255	25,161	2,557	27,973
Financial derivatives	-	73	-	73	-	413	-	413
<b>Total</b>	<b>133,556</b>	<b>40,186</b>	<b>3,871</b>	<b>177,613</b>	<b>120,250</b>	<b>35,078</b>	<b>2,667</b>	<b>157,995</b>
Financial liabilities								
Financial liabilities at fair value	-	-	-	-	-	-	-	-
Financial derivatives	-	(5,575)	(15)	(5,590)	-	(1,859)	-	(1,859)
<b>Total</b>	<b>-</b>	<b>(5,575)</b>	<b>(15)</b>	<b>(5,590)</b>	<b>-</b>	<b>(1,859)</b>	<b>-</b>	<b>(1,859)</b>

Transfers between levels 1 and 2, relating entirely to the Poste Vita insurance Group, are shown below:

### Transfers from Level 1 to Level 2

Description (€m)	From Level 1 to Level 2		From Level 2 to Level 1	
	Level 1	Level 2	Level 1	Level 2
<b>Transfers of financial assets</b>	<b>(40)</b>	<b>40</b>	<b>291</b>	<b>(291)</b>
Financial assets at FVTOCI				
Equity instruments	-	-	-	-
Fixed income instruments	(40)	40	72	(72)
Other investments	-	-	-	-
Financial assets at FVTPL				
Receivables	-	-	-	-
Equity instruments	-	-	-	-
Fixed income instruments	-	-	1	(1)
Other investments	-	-	218	(218)
<b>Net transfers</b>	<b>(40)</b>	<b>40</b>	<b>291</b>	<b>(291)</b>

Reclassifications from level 1 to level 2 relate to financial instruments whose value, at 31 December 2019, is not observable in a liquid and active market, as defined in the Group's Fair Value Policy. Reclassifications from level 2 to level 1, on the other hand, relate to financial instruments whose value, at 31 December 2019, is observable in a liquid and active market.



**Movements in level 3** during the year are shown below:

### Movements in financial instruments - level 3

Description (€m)	Financial assets			Total
	Financial assets at FVTOCI	Financial assets at FVTPL	Financial derivatives	
<b>Balance at 1 January 2019</b>	<b>5</b>	<b>2,662</b>	-	<b>2,667</b>
Purchases/Issues	17	2,454	-	2,471
Sales/Extinguishment of initial accruals	-	(1,360)	-	(1,360)
Redemptions	-	-	-	-
Changes in fair value through profit or loss	-	25	-	25
Changes in fair value through equity	1	-	-	1
Transfers to profit or loss	-	-	-	-
Gains/Losses in profit or loss due to sales	-	-	-	-
Transfers to level 3	-	-	-	-
Transfers to other levels	-	-	-	-
Movements in amortised cost	-	-	-	-
Write-off	-	67	-	67
Other movements (including accruals at end of period)	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>23</b>	<b>3,848</b>	-	<b>3,871</b>

Financial instruments classified in level 3 are held primarily by Poste Vita SpA and, to a residual extent, by Poste Italiane SpA.

In the case of the Group's insurance Company, instruments in level 3 regard funds that invest primarily in unlisted instruments, whose fair value measurement is based on the latest available NAV (Net Asset Value) as announced by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers and occurring between the latest NAV date and the measurement date. These financial instruments primarily consist of investments in private equity funds and, to a lesser extent, real estate funds associated entirely with Class I products related to separately managed accounts. Movements during the period regard the purchase of new investments, redemptions of units of unquoted close-end funds and changes in fair value during the year.

Level 3 changes in the fair value hierarchy during the year also affected financial liabilities after the Parent Company, Poste Italiane SpA, entered into a forward contract for the sale of 400,000 Visa Incorporated ordinary shares. The fair value of the forward sale has decreased by €15 million in the reporting year, reflecting movements in both the price of the shares in US dollars and the euro/dollar exchange rate.

## 9. Hedging transactions

Below is a description of the hedging transactions entered into by the Poste Italiane Group, as distinguished between fair value hedges and cash flow hedges, which are accounted for as per IAS 39 – Financial Instruments: Recognition and Measurement. The fair value hedges and cash flow hedges described below refer mainly to fixed income instruments held by BancoPosta.

### Hedging transactions - Fair value hedges

The Poste Italiane Group has a government bond *portfolio* – made up of fixed-rate BTPs and inflation-linked BTPs – subject to movements in fair value due to changes in interest rates and in the inflation rate.

To limit the effects of interest rates on fair value, BancoPosta RFC enters into Over the Counter (OTC) interest rate swaps to hedge the fair value of the bonds held in the *portfolio*. The objective of these transactions is to have instruments that can offset changes in fair value of the *portfolio* due to interest rate fluctuations and the rate of inflation. The credit risk of the Italian Republic is not hedged and is set for the duration of the swap.

Full hedges and partial hedges are implemented, with the start date equal to the date of purchase of the instrument (swap spot start) and after the purchase of the instrument (swap forward start), respectively.

The Group evaluates the effectiveness of every hedging relationship in offsetting movements in fair value through a retrospective effectiveness test and a prospective effectiveness test<sup>116</sup>, using the approaches illustrated in the following notes.

The retrospective effectiveness test is run by utilising the “dollar offset approach through the hypothetical derivative<sup>117</sup>”. With this approach, consideration is given to the hedge ratio of the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%. The hypothetical derivative and the actual hedging instrument have a settlement date consistent with the hedge inception (spot or forward start) and differ solely in their spread which is considered, as already indicated, the main source of ineffectiveness<sup>118</sup>. The partial ineffectiveness of the hedge, equal to the difference between the changes in value of the two derivatives (hypothetical and actual) represents the net effect of the hedge recognised separately in profit or loss.

In the case of the subsidiary Poste Vita, this effect is reversed to policyholders through the shadow accounting mechanism, as it relates to financial instruments included in separate operations.

116. IAS 39 requires two effectiveness tests:

- prospective effectiveness test: attests that the hedging relationship is expected to be highly effective in future periods;
- retrospective effectiveness test: attests that the hedging relationship has been effective from inception to the reporting date.

For a hedge to be effective, the prospective effectiveness test must show that the hedge is highly effective in offsetting fair value or cash flow movements attributable to the hedged instrument during the designation period, while the result of the retrospective test must show offset ratios ranging from 80% to 125%. A hedge can be ineffective when the hedging instrument and the hedged item: are in different currencies; have different maturities; use different underlying interest rates; are exposed to different counterparty risks; and when the derivative is not equal to zero at inception.

117. The dollar offset approach is a quantitative method that involves a comparison between movements in the fair value or cash flow of the hedging instrument and the movements in the fair value or cash flow of the hedged instrument attributable to the risk hedged. Depending on the policy selected, this approach can be used:

- on a cumulative basis, by observing the performance of the hedge since inception;
- on a periodic basis, by comparing the hedge performance with that of the last test.

The dollar offset approach can be implemented through a hypothetical derivative, that is by constructing a theoretical derivative to compare the relevant theoretical movements in fair value or cash flow with those of the hedged instrument (actual derivative).

118. For the hypothetical derivative use is made of the mid-market spread, which makes the present value at the settlement date equal to zero, and for the actual derivative the interest rate agreed upon with the counterparty.

For the purposes of the prospective effectiveness test, different approaches have been adopted, depending on the characteristics of the hedging instrument. Specifically:

- the “Critical terms<sup>119</sup>” approach for swap spot start, for which it has been determined at inception that the characteristics of the fixed leg make it possible to replicate exactly the fixed cash flows generated by the hedged item;
- the “Dollar offset through the hypothetical derivative” approach for forward start swaps and forward sales of the subsidiary Poste Vita, for which the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative<sup>120</sup>. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

## Hedging transactions – Cash flow hedges

To limit the exposure to interest rate risk deriving from the need to reinvest the cash generated by maturing bonds held in *portfolio*, BancoPosta RFC enters, if necessary, into forward purchases. In addition, to pursue the stabilisation of returns, forward sales are entered into. These derivatives qualify as cash flow hedges of forecast transactions.

In addition, the Group has a *portfolio* of inflation-linked BTPs subject to cash flow variability in relation to inflation.

To limit the effects of interest rates on cash flows, the Group enters into OTC interest rate swaps or inflation swaps to hedge the cash flows of the bonds held in *portfolio*. The objective of these transactions is to stabilise until maturity the return of the instrument, regardless of movements of the variable parameter.

The Group evaluates the effectiveness of the designated derivative in every hedging relationship through a retrospective effectiveness test and a prospective effectiveness test.

With regards to the hedges of forecast transactions, the retrospective effectiveness test involves the calculation of a hedge ratio defined as the ratio of the difference between the fair value of the forward transaction entered into with the counterparty on the test and inception date and the present value of the difference between the theoretical forward price of the BTP calculated as of the test and inception date. Assuming a perfect match between the forward prices of the counterparties and the theoretical forward prices, the hedge ratio is always equal to 100%. As such, there are no sources of ineffectiveness.

For the purposes of the prospective effectiveness test, the critical terms approach is applied, considering at inception the consistency between the hedging instrument and the hedged item on the basis of the qualitative characteristics of the contracts<sup>121</sup>.

With respect to inflation-linked bonds, the retrospective effectiveness test considers the hedge ratio between the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between the date of inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual derivative have the settlement date that matches the inception of the hedge and differ in terms of their fixed income component<sup>122</sup>. Moreover, for the derivatives used to hedge inflation-linked BTP, the fair value at the settlement date reflects also the interest accrued of the instrument accrued from the latest interest payment date to the date of settlement of the derivative. As such, both are considered the main sources of ineffectiveness.

The hypothetical derivative uses the fixed rate, which makes the present value at the settlement date equal to zero, while the actual derivative uses the interest rate agreed upon with the counterparty.

119. The critical terms approach involves a comparison between the critical terms of the hedging instrument with those of the hedged item. The hedging relationship is highly effective when all the critical terms of the two instruments match perfectly and there are no features or options that might invalidate the hedge. Critical terms include, for example: notional amount of the derivative and principal of the underlying, credit risk, timing, currency of the cash flows.

120. Calculated by assuming a parallel shift of + / - 100 bps of the yield curves.

121. The notional amount of the forward contract must be set, at the settlement date, as equal to the nominal amount of the instrument in case of purchase, and equal or lower than the nominal amount of the instrument in case of sale. The underlying of the forward contract must coincide with the instrument that must be purchased or sold (in this case it must be an instrument in the *portfolio*) at the settlement date. The settlement date must be the same as the date on which the cash flow to be hedged is expected, in case of forward purchase, or must be related to the year in which the total return must be stabilised, in case of forward sale.

122. The hypothetical derivative uses the fixed rate, which makes the present value at the settlement date equal to zero, while the actual derivative uses the interest rate agreed upon with the counterparty.

For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. Specifically:

- the “Critical terms” approach for derivatives for which it has been determined at inception that the characteristics of the indexed leg of the swap make it possible to replicate exactly the variable cash flows generated by the hedged item;
- the “Dollar offset through the hypothetical derivative” approach for derivative contracts with a fixed rate applicable to a nominal amount growing constantly at six-month intervals until the derivative expires. For these contracts the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative<sup>123</sup>. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

## Bond hedges - Cash flow hedges

The Poste Italiane Group is exposed to the risk of cash flow volatility in relation to the €50 million bond issue of 25 October 2013, which calls for annual variable interest payments.

The exposure to this risk is hedged through an interest rate swap to hedge cash flows whereby the Parent Company took on the obligation to pay a fixed rate and sold the variable interest payable by the bond. The hedge covers the interest rate risk while the implicit credit risk is not hedged.

The effectiveness of the hedges is tested retrospectively and prospectively by using the “Dollar offset through the hypothetical derivative” approach.

## Effects of hedging transactions on profit or loss and financial position

The table below shows the hedging instruments by expiration date. The average interest rate of the interest rate swaps shown represents the contractually expected average fixed rate of the hedging transaction by maturity band.

### Time distribution based on remaining duration of cash flow hedge contracts

(€m)	Maturity			Total
	Up to 1 year	1 - 5 years	Over 5 years	
<b>Cash flow hedges - Rate risk</b>				
<i>Forward sales</i>				
Nominal	1,280		-	1,280
Settlement price	1,504		-	1,504
<i>Interest rate swaps</i>				
Nominal	-	490	1,230	1,720
Average rate %	-	4.949%	4.106%	4.346%

123. Calculated by assuming a parallel shift of + / - 100 bps of the yield curves.

## Time distribution based on remaining duration of fair value hedge contracts

(€m)	Maturity			Total
	Up to 1 year	1 - 5 years	Over 5 years	
<b>Fair value hedges - Rate risk</b>				
Forward sales				
Nominal	120	-	-	120
Settlement price	-	-	-	-
<i>Interest rate swaps</i>				
Nominal	-	400	25,665	26,065

The table below shows the effects of hedging transactions, broken down by type, on profit or loss and the financial position.

## Fair value hedges - Interest rate risk

(€m)	Nominal	Carrying amount*		Accumulated amount of fair value hedge adjustments on the hedged item		Change in value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments on the hedged item in case of discontinuing
		Assets	Liabilities	Assets	Liabilities		
<b>Hedged items</b>							
Fixed income instruments, of which:							
at amortised cost		33,016	-	2,871	-	3,914	-
at FVTOCI		15,022	-	2,871	-	1,884	-
		17,995	-		-	2,030	-
<b>Hedging instruments</b>							
<i>Interest rate swaps</i>	26,065	11	(5,466)			(3,918)	
Forward sales	120	-	(1)				
<b>Hedging gain/(loss) recognised in P&amp;L</b>						<b>(4)</b>	

\* Not including credit loss provisions

## Cash flow hedges - Rate risk

(€m)	Nominal	Carrying amount		Change in value used for calculating hedge ineffectiveness	Cash flow hedge	
		Assets	Liabilities		Hedge reserve	Discontinued
<b>Hedged items</b>						
Fixed income instruments, of which:						
at amortised cost		-	-	54		
at FVTOCI		3,560	-	54		
Bonds		-	(50)	1		
Forward purchases instruments				-		
<b>Hedging instruments</b>						
Forward purchases	-	-	-	-	191	-
Forward sales	1,280	-	(36)	(36)	(36)	-
Interest rate swaps	1,720	62	(72)	(19)	7	-
<b>Hedging gain/(loss) recognised in P&amp;L</b>					<b>-</b>	

The table below shows the effects of cash flow hedges on other comprehensive income.

### Impact on OCI of cash flow hedges - Rate risk

(€m)	Hedging gain/(loss) recognised in OCI period fair value (inc./dec.)	Transfers to profit or loss:	
		Hedge accounting effects	Discontinued
Fixed income instruments	97	(60)	-
Bonds	(2)	1	-
<b>Total</b>	<b>95</b>	<b>(59)</b>	<b>-</b>

# 10. Proceedings pending and principal relations with the authorities

The following information is provided in accordance with accounting standard IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

## Tax disputes

In November 2011, the tax authorities notified EGI SpA of three notices of assessment for the years 2006, 2007 and 2008, resulting in the identification of the same irregularity in each of the three years. This concerned the application, for the purposes of IRES, of art. 11, paragraph 2 of Law 413/1991 to properties of historical and artistic interest owned by EGI and leased by it to third parties.

On 30 January 2019, the Board of Directors of the Company resolved to adhere to the facilitated definition pursuant to art. 6 of Law Decree no. 119 of 2018 converted into Law no. 136 of 2018 with a tax charge of €0.367 million, paid on 19 April 2019. On 15 May 2019, the documentation certifying the settlement of the dispute and the relative request for suspension of proceedings was filed at the Registry of the Tax Section of the Court of Cassation.

Between 2009 and 2011, the Regional Tax Office for Large Taxpayers (Agenzia delle Entrate - Direzione Regionale del Lazio - Ufficio Grandi Contribuenti) notified **Poste Vita** of a number of alleged violations of the VAT regulations in the 2004, 2005 and 2006 tax years, resulting in fines of approximately €2.3 million for the alleged failure to pay VAT on invoices for service commissions. With regard to these disputes, currently pending before the Supreme Court of Cassation, the company, bearing in mind the Court's by now consistent approach with regard to such matters, decided to take advantage of the option granted by Law Decree 119 of 23 October 2018. This involved settlement of the existing disputes in return for concessions via the payment of a sum amounting to €0.35 million, equal to 15% of the total penalties imposed in relation to the three alleged violations. The evaluation of adhering to the faculty granted by the aforementioned Law Decree 119/2018 is supported by the participation in the collaborative compliance regime with the tax authorities provided for by Law Decree 128 of 5 August 2015 (Cooperative Compliance). Considering that the decision to turn down the request for a settlement may be notified to the company at any time up to 31 July 2020 and that the case will be discharged if a request for a hearing is not presented by 31 December 2020, the company has deemed it appropriate to continue to reflect the likely outcome of the dispute in determining provisions for risks and charges.

With reference to **Postel**, an audit regarding income tax and withholding tax came to an end on 8 October 2015, with delivery of a tax audit report, contesting the right to deduct VAT and the deductibility of IRAP, in relation to the alleged failure to pay social security contributions for employees and/or contractors used by a supplier between 2010 and 2014. In relation to the notices of assessment for the 2010 and 2011 periods, Postel has decided to avail itself of the facilitated definition pursuant to article 11 of the Law Decree 50 of 24 April 2017, while with regard to the other assessment periods, the tax authorities have notified:

- with regard to the 2012 tax year, on 25 November 2016, additional IRES, IRAP, VAT and withholding tax of €0.1 million, plus penalties and interest. On 19 January 2017, the company appealed the assessment notice, at the same time paying a provisional amount equal to approximately half of the requested amount. At the hearing held on 13 February 2018, the appeal was upheld and the tax authorities were ordered to pay costs. As notified on 3 October 2018, the tax authorities appealed to the Regional Tax tribunal in Rome. Postel appeared before the Tribunal to argue its case on 30 November 2018. A date for the appeal hearing has yet to be scheduled;
- with regard to the 2013 tax year, on 24 July 2017, additional IRES, IRAP, VAT and withholding tax of €0.2 million, plus penalties and interest. Postel filed appeal against the claim on 23 October 2017, at the same time provisionally paying a sum equal to approximately half the tax claimed. The appeal was upheld at the hearing held on 26 September 2019. The judgement may be appealed by the tax authorities by the deadline of 21 April 2020;
- With regard to the 2014 tax year, on 19 April 2019, the tax authorities requested the payment of additional VAT, IRES, IRAP and withholdings amounting to a total of approximately €0.25 million, plus penalties and interest. Postel filed appeal against the claim on 10 June 2019, at the same time provisionally paying a sum equal to approximately half the tax claimed. A date for the appeal hearing has yet to be scheduled.

On 19 April 2018, the tax Authorities in Rome (Guardia di Finanza – Nucleo di Polizia economico-finanziaria) entered the offices of **SDA Express Courier**. The purpose of the inspection was to verify the company's compliance with the requirements regarding VAT, income tax, IRAP and withholding tax for the years 2014, 2015 and 2016, pursuant to and for the purposes of articles 52 and 63 of Presidential Decree 633/72, art. 33 of Presidential Decree 600/73, art. 2 of Legislative Decree 68/2001 and Law 4/1929. On 29 November 2018, the audit was formally declared at an end. The main finding in final notice of assessment for about €1 million regards the deduction of VAT relating to the adjustment entries issued by the company in connection with discounts granted to customers following an increase in the number of shipments. These discounts become price reductions, originally applied by the company when the shipment is handled, and are therefore classified as rebates or discounts under the related contract. Subsequently, on 5 December 2019, a notice of assessment for the year 2014 alone was notified with a total claim of €0.4 million, which, referring to the Formal Tax Audit Report (PVC), mainly contests the VAT deducted. On 3 February 2020, the Company appealed against this notice and provided for the provisional payment of the fine imposed.

In November 2018, **Consorzio Postemotori** received notice of an order issued by the Criminal Court in Rome and of a precautionary seizure regarding the consortium, amounting to €4.6 million. This was accompanied by precautionary measures concerning both the people under investigation and real property. On 8 March 2019, the consortium was notified of the Court of Rome decree regarding the scheduling of the preliminary hearing and the corresponding indictment request issued by the Public Prosecutor on 27 February 2019. On 13 May 2019, the Court, having reviewed the evidence, ruled that there was insufficient evidence to proceed against the current Executive Director and revoked the precautionary seizure previously ordered; this judgement became irrevocable on 17 July 2019.

## Social security disputes

Since 2012, the Istituto Nazionale per la Previdenza Sociale (INPS, the National Institute of Social Security) office at Genoa Ponente has issued **Postel** some payment orders, for a total amount payable of €21 million at 31 December 2019. According to INPS, this amount represents social security contributions funding income support, extraordinary income support, unemployment benefit and family benefits not covered by the contributions paid to IPOST. Appeals against these requests were brought before the Court of Genoa. In support of the arguments of Postel in a memo issued on 20 October 2016, the Ministry of Labour stated that the social security contributions system applicable to Poste Italiane also applies to all the other Group companies, with the sole exception of those that provide air transport, banking and express delivery services.

Some of the judgements have already been decided by the Court of Genoa and, on their outcome, against debit notices totalling €13.2 million, the Company was ordered to pay only the CUAF contributions of 0.68%, less the family allowances paid by Postel to employees, amounting to €0.3 million, while nothing was deemed to be due under the CIG, CIGS and mobility being at the time Postel wholly owned by the State through Poste Italiane (a requirement existing up to the date of listing of Poste Italiane) and therefore included among the industrial enterprises of the State for which the law excludes the obligation to pay redundancy and mobility. INPS filed an appeal for the first tranche of requests made (€9.16 million), contesting the merits of the judgement at first instance and the sum arrived at. In the view of INPS, the rate applicable for contributions for family benefits, in line with recent guidance issued by INPS, should have been 4.40% in place of the 0.68% applied in the payment notices involved in the court action. In two judgements dated 28 December 2018, the Court of Appeal in Genoa confirmed in full the judgements at the first instance, rejecting INPS's appeals, who filed an appeal in Cassation notified to Postel on 28 June 2019, which appeared before the court.

Other cases are still pending and are still at the preliminary stage, relating to the appeals filed by Postel SpA against the payment orders for the periods from May 2009 to July 2019.

Finally, on 8 October 2019, INPS requested to regularise contributions from September 2014 to September 2019 at the non-harmonised CUAF rate of 4.40% of taxable income for social security purposes. Therefore, as of October 2019, Postel has adjusted to the payment of the CUAF contribution in the amount of 4.40%, subject to repetition reserve. For the previous period from September 2014 to the end of 2015, Postel appealed through administrative channels against the debt notices received from INPS with a request for payment of 4.40% by the CUAF. Taking into account the judgements at the first instance, the reasons given for the judgements and the latest appeals brought by INPS, the Company has adjusted its provisions for risks and charges based on the opinion of its legal advisors.

Provisions recognised in the financial statements at 31 December 2019 amount to €12.25 million.



# Principal proceedings pending and relations with the authorities

## European Commission

On 13 September 2013, the Court of Justice of the European Union upheld **Poste Italiane** appeal, overturning the decision of the European Commission of 16 July 2008 on state aid, ordering the EC to pay legal costs. Acting on the European Commission's Decision, and in accordance with instructions from the Parent Company's shareholder, in January 2009 Poste Italiane SpA paid €443 million plus interest of €41 million to the MEF. In implementation of the European Court's (by then definitive) decision, in accordance with art. 1 paragraph 281 of the 2015 Budget Law, (Law 190 of 23 December 2014), on 13 May 2015, the Company collected the amount of €535 million from its then sole shareholder, the MEF. Following the European Court's decision, however, the European Commission reopened its review and appointed an external expert to determine whether (in accordance with art. 1, paragraph 31 of the 2006 Budget Law - Law 266 of 23 December 2005) the rates of interest earned by the Company on deposits with the MEF during the period from 1 January 2005 to 31 December 2007 were in line with market rates. The external expert has provided the Commission, on a preliminary basis, with an updated version of the analysis originally performed by the Commission. On 2 August 2019, the European Commission ruled that the remuneration of deposits with the MEF for the years 2005-2007 does not constitute State aid within the meaning of European legislation.

## Autorità Garante della Concorrenza e del Mercato (AGCM - the Italian Antitrust Authority)

On 9 March 2015, the Authority notified **Poste Italiane** of an investigation of BancoPosta RFC for alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the Libretto Smart product. On 21 December 2015, the AGCM notified Poste Italiane of its final ruling in which it deemed the Company's conduct unfair and imposed a fine of €0.54 million, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate. Poste Italiane lodged an appeal against this ruling before the Lazio Regional Administrative Court, which has adjourned the case until a hearing on the merits to be set.

On 3 October 2018, **Poste Italiane** 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 in the period from 2014 to 2017, as per art. 102 of the TFEU. This did 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.

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. On 4 April 2019, Poste Italiane sent the authority a report confirming the actions taken in order to comply. Poste Italiane has challenged the above measure before the Lazio Regional Administrative Court (TAR). The court merit is set for 20 April 2020.

On 8 October 2018, the AGCM notified **Poste Italiane** of the launch of investigation **PS11215** – pursuant to art. 27, paragraph 3 of Legislative Decree 206/05 (the Consumer Code) and art. 6 of the Regulation for Investigations – with an accompanying request for information pursuant to art. 12, paragraph 1 of the above Regulation. The investigation is in response to complaints filed on 24 July 2018 by Altroconsumo and on 8 August 2018 by *Centro Tutela Consumatori e Utenti* (two consumers' associations). The Authority is primarily looking into an advertising campaign called *Buoni e libretti – Buono a sapersi*, promoting Interest-bearing Postal Certificates and Postal Savings Books via TV and press adverts. The investigation relates to the alleged violation of articles 21 and 22, paragraph 1 and 4 letter a) of the Consumer Code, as the effect of taxation was, in the Authority's view, not clearly indicated.

On 29 October 2018, Poste Italiane replied to the request for information and, following the hearing held at the AGCM on 28 November 2018, sent the Authority the form for the presentation of commitments - pursuant to art. 27 paragraph 7 of the Consumer Code, art. 8 paragraph 7 of Legislative Decree 145/2007 and art. 9 of the aforementioned Regulation on investigation procedures - subsequently supplemented on 11 January 2019. On 1 April 2019, the Authority notified Poste Italiane that the investigation was closed and that it had accepted the commitments, which are now obligatory, without imposing a fine.

## Autorità per le Garanzie nelle Comunicazioni (AGCOM - the Italian Communications Authority)

Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, transferred responsibility for regulation and supervision of the postal sector to the Italian Communications Authority (AGCom).

Following transposition into Italian law of the third European postal services directive (Directive 2008/6/EC), the so-called “net avoided cost” method has been applied in quantifying the cost of the universal service<sup>124</sup>. In this regard:

- i. AGCom Resolution 214/19/CONS regarding “Assessment of the net cost of the universal postal service for 2015 and 2016” was published on 2 July 2019. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2015 and 2016, respectively, as €389 million and €356 million, compared with compensation of €329 million and €262 million provided for in the Contratto di Programma. AGCom did not establish a Compensation Fund for 2015 and 2016, so it has not been possible to recover the difference between compensation provided by the state and the costs quantified by AGCom. On the same date, the regulator announced that it had initiated an assessment of the net cost for 2017 and 2018. On 2 October 2019, the Company challenged this resolution by filing an appeal before the Lazio Regional Administrative Court (TAR).
- ii. AGCom Resolution 298/17/CONS regarding “Assessment of the net cost of the universal postal service for 2013 and 2014” was published on 6 September 2017. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2013 and 2014, respectively, as €393 million and €409 million, compared with compensation of €343 million and €336 million provided for in the Contratto di Programma. Again, no Compensation Fund was established for 2013 and 2014 and, on 6 November 2017, Poste Italiane had filed a legal challenge before the Lazio Regional Administrative Court against the above resolution (the case is still pending).
- iii. AGCom Resolution 412/14/CONS regarding “Assessment of the net cost of the universal postal service for 2011 and 2012” was published on 31 July 2014. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2011 and 2012, respectively, as €381 million and €327 million for fees originally recognised by Poste Italiane for €357 and €350 million respectively. The Authority has also established that no compensation fund was established for 2012 and on 13 November 2014, Poste Italiane filed an appeal before the Lazio Regional Administrative Court against the above resolution (still pending).

## Bank of Italy

On 23 May 2019, the Bank of Italy began inspections of specific post offices with the aim of verifying fulfilment of the obligations in terms of banking transparency. The inspections were concluded in the following month of July and the related Report has not been received yet. The inspections mentioned above, although territorial in nature, also concerned areas that can be traced back to the inspections carried out by the Authority in 2015 at the head office and mainly related to aspects such as the filing of contractual documentation, the management of unilateral amendment proposals to customers, as well as the handling of complaints and the application of economic conditions through the dedicated company system.

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.

On 20 June 2019, the Bank of Italy requested to ensure that the procedures used in handling complaints regarding Interest-bearing Postal Certificates were fit for purpose. The Bank also requested information on the fraudulent use of payment instruments. The Company carried out the appropriate investigations and provided feedback to the Authority on both issues on 30 September 2019, subject to approval, as requested by the Authority, by the Board of Directors and the Board of Statutory Auditors. At the date of preparation of this Report, the Company does not believe it necessary to revisit its approach to handle disputes regarding Interest-bearing Postal Certificates and, as a result, the criteria to estimate the related provisions for risks and charges. The amount set aside, determined on the basis of the historical series of operating losses, represents the best estimate of directors of the charge required to settle the probable liabilities. Any changes to the aforesaid estimate may only be made after the Authority has agreed to changes to the practices currently adopted, taking into account the decisions that will be made by both the Financial Banking Arbitrator (ABF) and the Ordinary Judicial Authority (AGO).

124. This method defines the cost incurred as the difference between the net operating cost incurred by a designated universal service provider when subject to universal service obligations and the net operating cost without such obligations.

## CONSOB

On 12 February 2019, the CONSOB requested clarification regarding the measures adopted to ensure compliance with the rules of conduct for dealing with customers with reference to: i) the provision of advice on insurance investment products; ii) obligations regarding Product Governance and the incentive scheme for network personnel in relation to the distribution of insurance investment products. The above information was provided in a specific response submitted to the regulator on 15 February 2019.

Later, on 18 April 2019, the CONSOB requested further clarification regarding the notes submitted by BancoPosta between September 2018 and February 2019 and the "Report on the conduct of investment services and activities" relating to: (i) concerns regarding compliance with the above legislation; (ii) aspects where there is a need for precise clarification in order to assess compliance with industry regulations; (iii) updates on matters for which information on initiatives in progress was previously provided. The above information was provided in a specific response submitted to the regulator on 3 June 2019.

On 23 May 2019, the CONSOB requested additional information on the closed-end real estate fund, Obelisco, which matured on 31 December 2018, and any initiatives to be adopted by Poste Italiane in order to protect investors, similar to the action taken with regard to the closed-end real estate funds, IRS and Europa Immobiliare 1. The Company responded on 16 June 2019.

On 31 May 2019, the CONSOB requested information on the disclosure made to customers on the cost and expense statement, ex ante (pre-contractual information) and ex post (annual report), which was replied to on 1 July 2019 (for information ex ante) and 22 July 2019 (for information ex post). On 27 June 2019, the CONSOB requested further clarifications regarding the measures adopted to ensure compliance with regulatory provisions with reference to the planned controls in terms of experience and knowledge of the sales network employees. The related reply was sent on 17 July 2019 and contains detailed information on the training course aimed at maintaining and updating knowledge and skills with the related final verification test, assessments carried out on the results of the final verification tests, an illustration of the results achieved by the new resources placed in the role for the year 2018 and 2019, as well as clarifications on the specialist supervision in support of the network.

On 7 August 2019 a request was received from the Authority concerning data and information relating to the provision of investment services in the regions of Emilia Romagna, Marche and Umbria and in the province of Pescara. The reply was sent by the Company on 18 September 2019 together with, as requested, the names of the employees who have taken over responsibility for the areas concerned since 2016.

On 10 October 2019, the CONSOB requested, by way of short notice, some clarifications on the report received from the company Sagitta SGR on 5 August regarding the representation of the information relating to the Obelisco real estate fund in the statement of account of the Customer Securities Dossier. The reply was sent by the Company on 17 October 2019.

On 29 October 2019, the CONSOB requested information on the correct fulfilment of transaction reporting obligations. The reply was sent by the Company on 13 December 2019.

In January 2020, the CONSOB launched an inspection of a general nature pursuant to article 6-ter, paragraph 1, of Legislative Decree 58 of 24 February 1998, aimed at ascertaining the state of adaptation to the new MiFID 2 legislation.

## *Garante per la protezione dei dati personali* (the Data Protection Authority)

On 15 January 2014, at the end of an investigation launched in 2009, the Authority imposed a fine of €0.34 million on **Postel**, which the company accounted for in its financial statements for 2013. The company appealed the Authority's ruling before the Civil Court of Rome, requesting an injunction suspending its implementation, which was accepted by the judge with a ruling on 16 June 2014. On 21 January 2016, the designated judge reduced the fine by €0.1 million, rejecting the other preliminary exceptions raised on the merits. The Company appealed against the above judgement before the Court of Cassation for the part of the sanction not annulled by the Court. Postel has not yet been notified of the verdict at the conclusion of the Council Chamber hearing held on 12 November 2019. On 21 March 2017, the tax authorities notified the company of a payment order in which, in addition to requesting payment of a fine of €0.24 million, as reduced by the judgement from the Court of Rome, it also applied, among other things, an additional amount of €0.12 million. Postel appealed the order, resulting in cancellation of the fine of €0.12 million by the Court of Rome. The Guarantor appealed against this judgement to the Court of Cassation, notified on 3 August 2018, and Postel took steps to duly institute legal proceedings. The company has filed a formal request with the Authority in order to recover the sums in question (already paid by Postel following the Authority's seizure of the related amounts from a third party) and, has also applied to the tax authorities for a refund, a response to which has yet to be received.

## 11. Material non-recurring events and/or transactions

A brief summary of the impact of material non-recurring events and transactions<sup>125</sup> involving the Poste Italiane Group in 2019, is provided below, as required by CONSOB ruling DEM/6064293 of 28 July 2006:

- Income of €88 million relating to the revaluation of the investment in SIA SpA, already held by FSIA Investimenti, following the acquisition of sole control (step up acquisition) and the income deriving from the exercise of purchase options on 7.934% of the shares in SIA SpA held by UniCredit and Intesa Sanpaolo.
- Impairment of €46 million, including €45 million relating to the Parent Company, in respect of interest income on IRES reimbursement, as described in Note A9 - Other receivables and assets.

## 12. 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 transactions<sup>126</sup> in 2019.

## 13. Events after the end of the reporting period

At present it is not possible to make a reasonable estimate of the possible medium-term impacts of the spread in Italy of the COVID-19 coronavirus. However, it is important to note that in its response to this situation Poste Italiane will be able to bring to bear various specific strengths relating to its multi-channel structure and the growth of its digital business, which ensure that service is also available outside traditional post office channels. The majority of the Group's overall revenue will not be linked to short-term commercial activities and the business model of BancoPosta is capital light, not assuming credit risk. In addition, its cash flow generation is solid and it continues to hold net cash. The Group is actively involved in daily monitoring of the evolution of the virus, for the proactive management of the relative effects.

Other events after the end of the reporting period are described in the above notes and no further significant events have occurred after 31 December 2019.

125. Events and transactions are defined as such when their occurrence is non-recurring, being transactions or events that do not recur frequently in the ordinary course of business.

126. 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.

## 14. Additional information

This note provides information applicable to both the Poste Italiane Group's consolidated financial statements and Poste Italiane SpA's separate financial statements, including qualitative and quantitative disclosures on matters required by accounting standards, not specifically dealt with in the previous notes.

### Analysis of net debt/(funds)

The net debt/(funds) of the Poste Italiane Group and Poste Italiane SpA at 31 December 2019 are analysed below.

#### Poste Italiane Group

##### Net debt/(funds) at 31 December 2019

Balance at 31/12/2019 (€m)	Mail, Parcels and Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Eliminations	Consolidated	of which, related party transactions
<b>Financial liabilities</b>	<b>3,061</b>	<b>5,539</b>	<b>78,219</b>	<b>295</b>	<b>(7,598)</b>	<b>79,516</b>	
Postal current accounts	-	-	48,794	-	(477)	48,317	1
Bonds	50	-	-	-	-	50	-
Borrowings from financial institutions	574	-	12,194	-	-	12,768	265
Other borrowings	-	-	-	-	-	-	-
Lease payables	1,251	1	-	27	-	1,279	9
MEF account, held at the Treasury	-	-	4,542	-	-	4,542	4,542
Financial derivatives	22	-	5,567	1	-	5,590	123
Other financial liabilities	11	5,193	1,751	15	-	6,970	12
Intersegment financial liabilities	1,153	345	5,371	252	(7,121)	-	-
<b>Technical provisions for insurance business</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,261</b>	<b>-</b>	<b>140,261</b>	<b>-</b>
<b>Financial assets</b>	<b>(1,395)</b>	<b>(5,645)</b>	<b>(77,078)</b>	<b>(141,936)</b>	<b>7,120</b>	<b>(218,934)</b>	
Financial assets at amortised cost	(62)	(115)	(39,402)	(1,742)	-	(41,321)	(11,181)
Financial assets at FVTOCI	(547)	-	(36,831)	(102,466)	-	(139,844)	(539)
Financial assets at FVTPL	-	-	(71)	(37,625)	-	(37,696)	(21)
Financial derivatives	-	-	(73)	-	-	(73)	(1)
Intersegment financial assets	(786)	(5,530)	(701)	(103)	7,120	-	-
<b>Technical provisions attributable to reinsurers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(58)</b>	<b>-</b>	<b>(58)</b>	<b>-</b>
<b>Net financial liabilities/(assets)</b>	<b>1,666</b>	<b>(106)</b>	<b>1,141</b>	<b>(1,438)</b>	<b>(478)</b>	<b>785</b>	
Cash and deposits attributable to BancoPosta	-	-	(4,303)	-	-	(4,303)	-
Cash and cash equivalents	(851)	(96)	(518)	(1,161)	477	(2,149)	(495)
<b>Net debt/(funds)</b>	<b>815</b>	<b>(202)</b>	<b>(3,680)</b>	<b>(2,599)</b>	<b>(1)</b>	<b>(5,667)</b>	

## Net debt/(funds) at 31 December 2018

Balance at 31/12/2018 (€m)	Mail, Parcels and Distribution	Payments, Mobile and Digital	Financial Services	Insurance Services	Eliminations	Consolidated	of which, related party transactions
Financial liabilities	1,259	4,307	67,022	1,034	(6,693)	66,929	
Postal current accounts	-	-	47,160	-	(920)	46,240	-
Bonds	50	-	-	762	-	812	-
Borrowings from financial institutions	201	-	8,473	-	-	8,674	308
Other borrowings	-	-	-	-	-	-	-
Lease payables	-	-	-	-	-	-	-
MEF account, held at the Treasury	-	-	3,649	-	-	3,649	3,649
Financial derivatives	30	-	1,829	-	-	1,859	20
Other financial liabilities	20	4,027	1,634	14	-	5,695	13
Intersegment financial liabilities	958	280	4,277	258	(5,773)	-	-
<b>Technical provisions for insurance business</b>	-	-	-	<b>125,148</b>	-	<b>125,148</b>	-
<b>Financial assets</b>	<b>(1,417)</b>	<b>(4,097)</b>	<b>(64,578)</b>	<b>(126,545)</b>	<b>5,773</b>	<b>(190,864)</b>	
Financial assets at amortised cost	(89)	(53)	(31,221)	(1,506)	-	(32,869)	(10,530)
Financial assets at FVTOCI	(538)	-	(32,071)	(95,146)	-	(127,755)	(525)
Financial assets at FVTPL	-	-	(58)	(29,769)	-	(29,827)	(21)
Financial derivatives	-	-	(368)	(45)	-	(413)	(29)
Intersegment financial assets	(790)	(4,044)	(860)	(79)	5,773	-	-
<b>Technical provisions for insurance business</b>	-	-	-	<b>(71)</b>	-	<b>(71)</b>	-
<b>Net financial liabilities/(assets)</b>	<b>(158)</b>	<b>210</b>	<b>2,444</b>	<b>(434)</b>	<b>(921)</b>	<b>1,141</b>	
Cash and deposits attributable to BancoPosta	-	-	(3,318)	-	-	(3,318)	-
Cash and cash equivalents	(973)	(246)	(1,323)	(1,574)	921	(3,195)	(1,306)
<b>Net debt/(funds)</b>	<b>(1,131)</b>	<b>(36)</b>	<b>(2,197)</b>	<b>(2,008)</b>	<b>-</b>	<b>(5,372)</b>	

**Total net funds** at 31 December 2019 amounts to €5,667 million, up from €5,372 million at 31 December 2018. The change of €295 million during the period primarily reflects a decrease in net working capital, an increase in the fair value of investments classified as FVTOCI, the recognition of financial liabilities required by the adoption, from 1 January 2019, of the new IFRS 16 accounting standard (€1,279 million at 31 December 2019) and the distribution of dividends totalling €774 million.

An analysis of the net funds of the Mail, Parcels and Distribution segment at 31 December 2019, in accordance with ESMA recommendation 319/2013, is provided below:

### ESMA net debt/(funds)

(€m)	At 31 December 2019	At 31 December 2018
<b>A. Liquidity</b>	<b>(851)</b>	<b>(973)</b>
<b>B. Current loans and receivables</b>	<b>(135)</b>	<b>(57)</b>
C. Current bank borrowings	1	201
D. Current lease payables	215	-
E. Current portion of non-current debt	-	-
F. Other current financial liabilities	15	23
<b>G. Current financial debt (C+D+E+F)</b>	<b>231</b>	<b>224</b>
<b>H. Current net debt/(funds) (A+B+G)</b>	<b>(755)</b>	<b>(806)</b>
I. Non-current bank borrowings	573	-
L. Bonds issued	50	50
M. Non-current lease payables	1,036	-
N. Other non-current liabilities	18	27
<b>O. Non-current financial debt (I+L+M+N)</b>	<b>1,677</b>	<b>77</b>
<b>P. Net debt/(funds) (ESMA) (H+O)</b>	<b>922</b>	<b>(729)</b>
Non-current financial assets	(474)	(570)
<b>Net debt/(funds)</b>	<b>448</b>	<b>(1,299)</b>
Intersegment loans and receivables and financial liabilities	367	168
<b>Net debt/(funds) including intersegment transactions</b>	<b>815</b>	<b>(1,131)</b>

# Poste Italiane SpA

## Net debt/(funds)

Balance at 31/12/2019 (€m)	Capital outside ring-fence	BancoPosta RFC	Eliminations	Poste Italiane SpA	of which, related party transactions
<b>Financial liabilities</b>	<b>2,948</b>	<b>77,995</b>	<b>(705)</b>	<b>80,238</b>	
Postal current accounts	-	53,938	(58)	53,880	5,573
Bonds	50	-	-	50	-
Borrowings from financial institutions	574	12,194	-	12,768	265
Lease payables	1,149	-	-	1,149	-
MEF account held at the Treasury	-	4,542	-	4,542	4,542
Financial derivatives	22	5,567	-	5,589	123
Other financial liabilities	506	1,754	-	2,260	571
Intersegment financial liabilities	647	-	(647)	-	-
<b>Financial assets</b>	<b>(941)</b>	<b>(77,043)</b>	<b>647</b>	<b>(77,337)</b>	
Financial assets at amortised cost	(394)	(39,453)	-	(39,847)	(11,568)
Financial assets at FVTOCI	(547)	(36,799)	-	(37,346)	-
Financial assets at fair value through profit or loss	-	(71)	-	(71)	-
Financial derivatives	-	(73)	-	(73)	(1)
Intersegment financial assets	-	(647)	647	-	-
<b>Liabilities/(net financial assets)</b>	<b>2,007</b>	<b>952</b>	<b>(58)</b>	<b>2,901</b>	
Cash and deposits attributable to BancoPosta	-	(4,303)	-	(4,303)	-
Cash and cash equivalents	(753)	(511)	58	(1,206)	(495)
<b>Net debt/(funds)</b>	<b>1,254</b>	<b>(3,862)</b>	<b>-</b>	<b>(2,608)</b>	

## Net debt/(funds)

Balance at 31/12/2018 (€m)	Capital outside ring-fence	BancoPosta RFC	Eliminations	Poste Italiane SpA	of which, related party transactions
<b>Financial liabilities</b>	<b>1,238</b>	<b>66,838</b>	<b>(922)</b>	<b>67,154</b>	
Postal current accounts	-	51,204	(65)	51,139	4,903
Bonds	50	-	-	50	-
Borrowings from financial institutions	200	8,473	-	8,673	308
MEF account held at the Treasury	-	3,649	-	3,649	3,649
Financial derivatives	31	1,829	-	1,860	29
Other financial liabilities	114	1,669	-	1,783	34
Intersegment financial liabilities	843	14	(857)	-	-
<b>Financial assets</b>	<b>(997)</b>	<b>(64,706)</b>	<b>857</b>	<b>(64,846)</b>	
Financial assets at amortised cost	(446)	(31,397)	-	(31,843)	(11,064)
Financial assets at FVTOCI	(537)	(32,040)	-	(32,577)	-
Financial assets at fair value through profit or loss	-	(58)	-	(58)	-
Financial derivatives	-	(368)	-	(368)	(29)
Intersegment financial assets	(14)	(843)	857	-	-
<b>Liabilities/(net financial assets)</b>	<b>241</b>	<b>2,132</b>	<b>(65)</b>	<b>2,308</b>	
Cash and deposits attributable to BancoPosta	-	(3,318)	-	(3,318)	-
Cash and cash equivalents	(875)	(1,318)	65	(2,128)	(1,306)
<b>Net debt/(funds)</b>	<b>(634)</b>	<b>(2,504)</b>	<b>-</b>	<b>(3,138)</b>	



Total net funds of the Company at 31 December 2019 amounts to €2,608 million, down compared to 31 December 2018 (cash of €3,138 million). The change of €530 million during the year primarily reflects the recognition of financial liabilities resulting from the first-time adoption, from 1 January 2019, of the new accounting standard, IFRS 16 (€1,149 million at 31 December 2019), the payment of dividends totalling €774 million and the increase in the fair value of financial instruments at FVTOCI for €1,462 million. The fair value reserve relating to these instruments, before the related taxation, is positive for €1,348 million.

An analysis of the net funds of the Parent Company outside the ring-fence at 31 December 2019, in accordance with ESMA recommendation 319/2013, is provided below:

### ESMA net financial indebtedness for capital outside ring-fence

(€m)	At 31 December 2019	At 31 December 2018
<b>A. Liquidity</b>	<b>(753)</b>	<b>(875)</b>
<b>B. Current loans and receivables</b>	<b>(201)</b>	<b>(168)</b>
C. Current bank borrowings	-	200
D. Current lease payables	190	-
E. Current portion of non-current debt	1	-
F. Other current financial liabilities	509	118
<b>G. Current financial debt (C+D+E+F)</b>	<b>700</b>	<b>318</b>
<b>H. Current net debt/(funds) (A+B+G)</b>	<b>(254)</b>	<b>(725)</b>
I. Non-current bank borrowings	573	-
L. Bonds issued	50	50
M. Non-current lease payables	959	-
N. Other non-current liabilities	19	27
<b>O. Non-current debt/(funds) (I+L+M+N)</b>	<b>1,601</b>	<b>77</b>
<b>P. Net debt/(funds) (ESMA) (H+O)</b>	<b>1,347</b>	<b>(648)</b>
Non-current financial assets	(740)	(815)
<b>RFC net debt/(funds)</b>	<b>607</b>	<b>(1,463)</b>
Intersegment financial receivables and payables	647	829
<b>Industrial net debt for capital outside ring-fence including intersegment transactions</b>	<b>1,254</b>	<b>(634)</b>

## Transfers of financial assets that are not derecognised

In accordance with IFRS 7 - Financial Instruments: Disclosures, this section provides additional information on the transfer of financial assets that are not derecognised (continuing involvement).

At 31 December 2019, these assets concern reverse repurchase agreements entered into with primary financial intermediaries and entirely attributable to the Parent Company.

### Transfers of financial assets that are not derecognised

Description (€m)	Note	31 December 2019			31 December 2018		
		Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
<b>Financial assets attributable to BancoPosta</b>	<b>[A5]</b>						
Financial assets at amortised cost		4,929	5,179	5,207	3,424	3,527	3,363
Financial assets at FVTOCI		6,621	7,329	7,329	4,742	5,179	5,179
<b>Financial liabilities attributable to BancoPosta</b>	<b>[B6]</b>						
Financial liabilities arising from repos		(12,201)	(12,194)	(12,205)	(8,477)	(8,473)	(8,484)
<b>Financial assets</b>	<b>[A6]</b>						
Financial assets at FVTOCI		-	-	-	-	-	-
<b>Financial liabilities</b>	<b>[B7]</b>						
Financial liabilities arising from repos		-	-	-	-	-	-
<b>Total</b>		<b>(651)</b>	<b>314</b>	<b>331</b>	<b>(311)</b>	<b>233</b>	<b>58</b>

## Financial assets subject to encumbrances

This paragraph provides information on the nominal value and carrying amount of financial assets delivered to counterparties as collateral for repurchase agreements and interest rate swaps, and financial assets delivered to the Bank of Italy as collateral for intraday credit granted to the Parent Company and as collateral for SEPA Direct Debits.

### Financial assets subject to encumbrances

Description (€m)	31 December 2019		31 December 2018	
	Nominal value	Carrying amount	Nominal value	Carrying amount
<b>Financial assets attributable to BancoPosta</b>				
Financial assets at amortised cost				
Loans and receivables	5,660	5,660	1,651	1,651
Receivables used as collateral provided by CSAs	5,181	5,181	1,332	1,332
Receivables used as collateral provided by GMRAs	208	208	185	185
Receivables in the form of guarantee deposits (Clearing House margin requirements)	271	271	134	134
Fixed income instruments	5,457	5,706	3,671	3,773
Securities involved in repurchase agreements	4,929	5,179	3,424	3,527
Securities used as collateral provided by CSAs and GMRAs	528	527	247	246
Securities used as collateral for intraday credit from the Bank of Italy and for Sepa Direct Debits	-	-	-	-
Financial assets at FVTOCI				
Fixed income instruments	7,557	8,290	5,314	5,809
Securities involved in repurchase agreements	6,621	7,329	4,742	5,179
Securities used as collateral for intraday credit from the Bank of Italy and for Sepa Direct Debits	936	961	572	630
<b>Financial assets</b>				
Financial assets at amortised cost				
Loans and receivables	23	23	30	30
Receivables used as collateral provided by CSAs	23	23	30	30
Financial assets at FVTOCI				
Fixed income instruments	-	-	-	-
Securities involved in repurchase agreements	-	-	-	-
<b>Total financial assets subject to encumbrances</b>	<b>18,697</b>	<b>19,679</b>	<b>10,666</b>	<b>11,263</b>

At 31 December 2019, the Parent Company has received financial assets as collateral for repurchase agreements, having a nominal value of €1,085 million and a fair value of €1,165 million.

## Exposure to sovereign debt

With regard to financial assets, as required by Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, the Group's exposure to sovereign debt at 31 December 2019 is shown in the table below.

### Poste Italiane Group - Exposure to sovereign debt

Description (€m)	31/12/2019			31/12/2018		
	Nominal value	Carrying amount	Market Value	Nominal value	Carrying amount	Market Value
<b>Italy</b>	<b>125,322</b>	<b>143,188</b>	<b>143,000</b>	<b>125,501</b>	<b>130,596</b>	<b>129,231</b>
Financial assets at amortised cost	19,100	22,825	22,637	17,934	19,778	18,413
Financial assets at FVTOCI	106,170	120,308	120,308	106,745	109,995	109,995
Financial assets at FVTPL	52	55	55	822	823	823
<b>Austria</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>15</b>	<b>15</b>
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	-	-	-	15	15	15
Financial assets at FVTPL	-	-	-	-	-	-
<b>Belgium</b>	<b>89</b>	<b>107</b>	<b>107</b>	<b>89</b>	<b>92</b>	<b>92</b>
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	89	107	107	89	92	92
Financial assets at FVTPL	-	-	-	-	-	-
<b>Finland</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>15</b>	<b>15</b>
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	-	-	-	15	15	15
Financial assets at FVTPL	-	-	-	-	-	-
<b>France</b>	<b>151</b>	<b>203</b>	<b>203</b>	<b>151</b>	<b>173</b>	<b>173</b>
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	151	203	203	151	173	173
Financial assets at FVTPL	-	-	-	-	-	-
<b>Germany</b>	<b>52</b>	<b>62</b>	<b>62</b>	<b>49</b>	<b>57</b>	<b>57</b>
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	50	60	60	47	56	56
Financial assets at FVTPL	2	2	2	2	1	1
<b>Ireland</b>	<b>10</b>	<b>13</b>	<b>13</b>	<b>10</b>	<b>11</b>	<b>11</b>
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	10	13	13	10	11	11
Financial assets at FVTPL	-	-	-	-	-	-
<b>Spain</b>	<b>1,159</b>	<b>1,780</b>	<b>1,781</b>	<b>1,167</b>	<b>1,440</b>	<b>1,440</b>
Financial assets at amortised cost	3	3	4	3	3	3
Financial assets at FVTOCI	1,156	1,777	1,777	1,164	1,437	1,437
Financial assets at FVTPL	-	-	-	-	-	-
<b>USA</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	1	1	1	1	1	1
Financial assets at FVTPL	-	-	-	-	-	-
<b>Other countries</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	20	20	20	-	-	-
Financial assets at FVTPL	-	-	-	-	-	-
<b>Total</b>	<b>126,804</b>	<b>145,374</b>	<b>145,187</b>	<b>126,998</b>	<b>132,400</b>	<b>131,035</b>

Below are details for Poste Italiane

### Credit risk - Exposure to sovereign debt

Description (€m)	31 December 2019			31 December 2018		
	Nominal value	Carrying amount	Market Value	Nominal value	Carrying amount	Market Value
Financial assets attributable to BancoPosta						
<b>Italy</b>	<b>48,595</b>	<b>57,917</b>	<b>57,505</b>	<b>46,664</b>	<b>50,373</b>	<b>48,897</b>
Financial assets at amortised cost	17,425	21,118	20,706	16,435	18,333	16,857
Financial assets at FVTOCI	31,170	36,799	36,799	30,229	32,040	32,040
<b>Financial assets</b>						
Italy	500	524	524	500	532	532
Financial assets at FVTOCI	500	524	524	500	532	532
<b>Total</b>	<b>49,095</b>	<b>58,441</b>	<b>58,029</b>	<b>47,164</b>	<b>50,905</b>	<b>49,429</b>

## Unconsolidated structured entities

In order to make investments as consistent as possible with the risk-return profiles of the policies issued, ensuring management flexibility and efficiency, in certain cases Poste Vita SpA has purchased over 50% of the assets managed by certain investment funds. In these cases, tests have been performed in keeping with IFRS to determine the existence of control. The results of the tests on such funds suggest that the company does not exercise any control within the meaning of IFRS 10 – Consolidated Financial Statements. However, these Funds fall within the definition of unconsolidated structured entities: a structured entity is an entity designed in such a way as not to make voting rights the key factor in determining control over it, as in the case where voting rights refer solely to administrative activities and the relevant operations are managed on the basis of contractual arrangements.

### Nature of the involvement in the unconsolidated structured entity

ISIN - Name (€m)	Nature of entity	Activity of the Fund	NAV		
			% investment	Ref. date	Amount
LU1379774190 - MULTIFLEX-DIVERSIFIED DIS-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/19	5,885
LU1407712014 - MULTIFLEX - Global Optimal Multi Asset Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/19	4,979
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/19	4,712
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/19	4,225
LU1193254122 - MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/19	4,108
LU1500341240 - MULTIFLEX-LT OPTIMAL M/A-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/19	716
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/19	588
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/19	582
LU1500341752 - MULTIFLEX-DYNAMIC LT M/A-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/19	560
LU2051218035 - OLYMPIUM SEVERUM FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/19	500
PRIMA HEDGE PLATINUM GROWTH ISIN IE00BK1KDS71	Non-harmonised fund of hedge funds	Pursuit of absolute returns, with low long-term volatility and correlation with the main financial markets	100	30/11/19	439

ISIN - Name (€m)	Nature of entity	Activity of the Fund	NAV		
			% investment	Ref. date	Amount
IT0005174450 - DIAMOND EUROZONE FUND OFFICE UBS	Closed-end alternative real estate investment funds	Investment in "core" and "core plus" real estate assets for retail use, located in the Eurozone and euro-denominated	100	30/09/19	377
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/19	306
IT0005247819 - Diamond Core	Closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect	100	30/06/19	304
QU0006738052 - Prima EU Private Debt Opportunity Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/19	249
QU0006744795 - Prima European Direct Lending 1 Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/19	179
IT0005212193 - DIAMOND ITALIAN PROPERTIES	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect	100	30/06/19	158
QU0006738854 - Prima Credit Opportunity Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	29/11/19	128
IT0005215113 - CBRE DIAMOND FUND	Closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease arrangements, participating interests in property companies and in units of alternative real estate funds	100	30/09/19	126
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	Closed-end alternative real estate investment funds	Investment in "core" and "core plus" real estate assets for office use, located in the Eurozone and euro-denominated	100	30/06/19	104
QU0006745081 - Prima Real Estate Europe Fund I	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/19	102
LU1081427665 - SHOPPING PROPERTY FUND 2	Closed-end harmonised fund	Invests in the Shopping Property Fund 2: master fund which invests primarily in commercial properties and, marginally, in office buildings and alternative sectors. It does not invest in property debt	65	30/06/19	83
LU1581282842 - Indaco SICAV SIF - Indaco CIFC US Loan	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	29/11/19	81
IT0005210593 - DIAMOND OTHER SECTOR ITALY	Closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease arrangements, participating interests in property companies and the professional management and development of the fund's assets	100	30/06/19	70
QU0006742476 - PRIMA GLOBAL EQUITY PARTNERS FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/19	58
IT0004597396 - ADVANCE CAPITAL ENERGY FUND	Closed-end non-harmonised fund of funds	Investments in energy companies to achieve capital appreciation and realise relevant gains, after exit	86	30/09/19	25

## Nature of the involvement in the unconsolidated structured entity

The purpose of Poste Vita's investment in the funds is to diversify its *portfolio* of financial instruments intended to cover Class I products (Separately Managed Accounts), with the objective of mitigating the concentration of investments in Italian government. Certain details are provided below.

ISIN - Name (€m)	Classification	Carrying amount	Maximum loss exposure*	Difference between carrying amount and maximum loss exposure	Method to determine maximum loss exposure
LU1379774190 - MULTIFLEX-DIVERSIFIED DIS-CM	Financial assets at FVTPL	5,885	432	5,453	VaR 99.5% over a 1-year time horizon
LU1407712014 - MULTIFLEX - Global Optimal Multi Asset Fund	Financial assets at FVTPL	4,979	356	4,624	Provided by fund management company
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	Financial assets at FVTPL	4,712	331	4,380	Provided by fund management company
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	Financial assets at FVTPL	4,225	236	3,989	Provided by fund management company
LU1193254122 - MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Financial assets at FVTPL	4,108	319	3,790	Provided by fund management company
LU1500341240 - MULTIFLEX-LT OPTIMAL M/A-CM	Financial assets at FVTPL	716	68	648	Provided by fund management company
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	Financial assets at FVTPL	588	41	547	Provided by fund management company
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	Financial assets at FVTPL	582	41	541	Provided by fund management company
LU1500341752 - MULTIFLEX-DYNAMIC LT M/A-CM	Financial assets at FVTPL	560	31	530	Provided by fund management company
LU2051218035 - OLYMPIUM SEVERUM FUND	Financial assets at FVTPL	500	0	500	VaR 99.5% over a 1-year time horizon
PRIMA HEDGE PLATINUM GROWTH ISIN IE00BK1KDS71	Financial assets at FVTPL	439	38	401	Provided by fund management company
IT0005174450 - DIAMOND EUROZONE FUND OFFICE UBS	Financial assets at FVTPL	377	142	235	VaR 99.5% over a 1-year time horizon
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC- MULTIASSET FUND	Financial assets at FVTPL	306	15	291	VaR 99.5% over a 1-year time horizon
IT0005247819 - Diamond Core	Financial assets at FVTPL	304	76	228	VaR 99.5% over a 1-year time horizon
QU0006738052 - Prima EU Private Debt Opportunity Fund	Financial assets at FVTPL	249	34	214	VaR 99.5% over a 1-year time horizon
QU0006744795 - Prima European Direct Lending 1 Fund	Financial assets at FVTPL	179	44	135	VaR 99.5% over a 1-year time horizon
IT0005212193 - DIAMOND ITALIAN PROPERTIES	Financial assets at FVTPL	158	48	109	VaR 99.5% over a 1-year time horizon
QU0006738854 - Prima Credit Opportunity Fund	Financial assets at FVTPL	128	47	81	VaR 99.5% over a 1-year time horizon
IT0005215113 - CBRE DIAMOND FUND	Financial assets at FVTPL	126	42	84	VaR 99.5% over a 1-year time horizon
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	Financial assets at FVTPL	104	26	78	VaR 99.5% over a 1-year time horizon
QU0006745081 - Prima Real Estate Europe Fund I	Financial assets at FVTPL	102	47	55	VaR 99.5% over a 1-year time horizon
LU1581282842 - Indaco SICAV SIF - Indaco CIFC US Loan	Financial assets at FVTPL	81	29	52	VaR 99.5% over a 1-year time horizon
IT0005210593 - DIAMOND OTHER SECTOR ITALY	Financial assets at FVTPL	70	18	52	VaR 99.5% over a 1-year time horizon
LU1081427665 - SHOPPING PROPERTY FUND 2	Financial assets at FVTPL	54	22	32	VaR 99.5% over a 1-year time horizon
QU0006742476 - PRIMA GLOBAL EQUITY PARTNERS FUND	Financial assets at FVTPL	58	31	27	Provided by fund management company
IT0004597396 - ADVANCE CAPITAL ENERGY FUND	Financial assets at FVTPL	22	12	10	VaR 99.5% over a 1-year time horizon

## Risk nature

The company's investments in the funds in question are reported at fair value (mainly level 2 of the fair value hierarchy), on the basis of the NAV reported from time to time by the fund manager. These investments were made in connection with Class I policies and, as such, any changes in fair value are passed on to the policyholder under the shadow accounting mechanism.

The table below shows the types of financial instrument in which the funds invest and the main markets of reference at 31 December 2019.

Asset class (€m)	Fair Value
<b>Financial instruments</b>	
Corporate bonds	11,967
Government bonds	10,886
Other investments net of liabilities	4,214
Equity instruments	1,403
Cash	1,294
<b>Financial derivatives</b>	
Swaps	(8)
Futures	27
Forwards	(139)
<b>Total</b>	<b>29,644</b>

Market traded on and UCITS (€m)	Fair Value
Germany (Frankfurt, Berlin, Munich)	5,598
Dublin	1,843
New York	2,692
Trace	2,613
London	1,828
Paris	566
Euronext	1,571
Tokyo	845
Singapore	562
Euromtf	421
Luxembourg	197
Eurotx	544
Hong Kong	117
Other	8,741
Funds	1,506
<b>Total</b>	<b>29,644</b>



# Share-based payment arrangements

## Long-term incentive scheme: phantom stock plan

### Poste Italiane Group

The Annual General Meeting of Poste Italiane SpA's shareholders held on 24 May 2016 approved the information circular for the Long-term Incentive Plan for 2016-2018 (LTIP) – Phantom Stock Plan, prepared in accordance with art. 84-*bis* of the Regulations for Issuers. The LTIP, set up in line with market practices, aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value over the long term.

### Description of the Plan

The ILT Phantom Stock 2016-2018 Plan provides for the assignment to the Beneficiaries of rights to receive units representing the value of the Poste Italiane share (the so-called Phantom Stock), and the related bonus in cash, at the end of a vesting period. The number of phantom stocks awarded to each Beneficiary is dependent on achieving some conditions and targets over a three-year period. The Plan covers a medium- to long-term period. In particular, the plan includes three award cycles, corresponding to the financial years 2016, 2017 and 2018, each with a duration of three years.

The phantom stocks are awarded if the performance targets are achieved, and converted into a cash bonus based on the market value of the shares in the thirty stock exchange trading days prior to the grant date for the phantom stocks or at the end of a retention period. The key characteristics of the Plan are described below.

### Beneficiaries

The Beneficiaries are: Poste Italiane's Chief Executive Officer, in his role as General Manager, certain managers within the Poste Italiane Group, including key management personnel, Risk Takers who work for BancoPosta RFC and personnel belonging to the Poste Vita insurance Group.

### Plan terms and conditions

The Performance Targets, to which receipt of the cash bonus is subject, are as follows:

- for the General Manager and other beneficiaries of the Plan employed by Poste Italiane, other than Bancoposta personnel, an indicator of earnings based on the Group's cumulative EBIT over a three-year period, used to account for the continuity and sustainability of earnings over the long term;
- for Beneficiaries included among BancoPosta RFC's Risk Takers, the three-year RORAC (Return On Risk Adjusted Capital), used for the LTIP with the aim of taking into account the continuity and sustainability of the long-term performance after appropriately adjusting for risk;
- for Beneficiaries including personnel belonging to the Poste Vita insurance Group, the RORAC registered by the Poste Vita insurance Group over a three-year period, used for the LTIP with the aim of taking into account the continuity and sustainability of the long-term performance after appropriately adjusting for risk.

All Beneficiaries must be measured against an indicator of shareholder value creation, based on the Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with other FTSE MIB-listed companies.

Vesting of the Phantom Stocks is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative

EBIT over a three-year period at the end of each Performance Period. In addition, in the case of the General Manager (and Chief Executive Officer) and BancoPosta RFC's Risk Takers, vesting of the Phantom Stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, based on CET 1 at the end of the period;
- Indicator of short-term liquidity, based on LCR at the end of the period;
- Indicator of risk-adjusted earnings, based on RORAC at the end of the period; this indicator has been introduced from the 2017-2019 cycle and only for the General Manager (and Chief Executive Officer).

For personnel belonging to the Poste Vita insurance Group, vesting of the Phantom Stocks, in addition to achievement of the Performance Hurdle (Group's cumulative EBIT over a three-year period), is subject to achievement of the specific Qualifying Condition, namely the Solvency II ratio at the end of the period.

The Phantom Stocks will be awarded by the end of the year following the end of the Performance Period, and immediately converted into cash. In the case of the General Manager, BancoPosta RFC's Risk Takers and the Poste Vita Insurance Group's personnel, they are subject to a one-year retention period, before they can be converted into cash, following confirmation that the Qualifying Conditions for each plan have been met.

## Determination of fair value and effects on profit or loss

An independent expert, external to the Group, was appointed to measure the value of the stocks and this was done using Monte Carlo simulations.

### First Cycle 2016-2018

The total number of phantom stocks awarded to the 11 Beneficiaries of the First Cycle of the Plan outstanding at 31 December 2019 amounted to 139,604. The cost recognised for 2019 is approximately €0.9 million, whilst the liability recognised in amounts due to staff is approximately €1.4 million. Following the accrual of rights by certain Poste Italiane Group managers, other than the BancoPosta RFC's Risk Takers and the Poste Vita Insurance Group's personnel, and the General Manager, payments of €2.1 million were made during 2019.

### Second Cycle 2017-2019

At 31 December 2019, the total number of phantom stocks awarded to the 49 Beneficiaries of the Second Cycle of the Plan amount to 549,561. The cost recognised for 2019 is approximately €3.8 million, whilst the liability recognised in amounts due to staff is approximately €6.2 million.

### Third Cycle 2018-2020

At 31 December 2019, the total number of phantom stocks awarded to the 70 Beneficiaries of the Third Cycle of the Plan amount to 649,801. The cost recognised for 2019 is approximately €3.2 million, whilst the liability recognised in amounts due to staff is approximately €4.4 million.

## Poste Italiane SpA

The effects on profit or loss of the above Long-Term Incentive scheme at 31 December 2019 for Poste Italiane SpA are shown below.

### First Cycle 2016-2018

The total number of phantom stocks awarded to the 6 Beneficiaries of the First Cycle of the Plan outstanding at 31 December 2019 amounted to 92,293. The cost recognised for 2019 is approximately €0.7 million, whilst the liability recognised in amounts due to staff is approximately €0.9 million. Following the accrual of rights by certain Poste Italiane Group managers, other than the BancoPosta RFC's Risk Takers and the Poste Vita Insurance Group's personnel, payments of €2.1 million were made during 2019.

### Second Cycle 2017-2019

At 31 December 2019, the total number of phantom stocks awarded to the 43 Beneficiaries of the Second Cycle of the Plan amount to 499,228. The cost recognised for 2019 is approximately €3.4 million, whilst the liability recognised in amounts due to staff is approximately €5.7 million.

### Third Cycle 2018-2020

At 31 December 2019, the total number of phantom stocks awarded to the 63 Beneficiaries of the Third Cycle of the Plan amount to 596,246. The cost recognised for 2019 is approximately €3 million, whilst the liability recognised in amounts due to staff is approximately €4.1 million.

## Long-term incentive scheme: performance share plan

### Poste Italiane Group

The Annual General Meeting of Poste Italiane SpA's shareholders held on 28 May 2019 approved the information circular for the Equity-based incentive plan (ILT) – Performance Share Plan, prepared in accordance with art 84-bis of the Regulations for Issuers. This incentive scheme, set up in line with market practices, aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value over the long term.

### Description of the Plan

The ILT Performance Share Plan, as described in the relevant Information Circular, provides for the assignment of Rights to the ordinary shares of Poste Italiane. The number of Rights to be granted to Beneficiaries is subject to the achievement of Performance Targets over a three-year period, following confirmation of achievement of the Hurdle, the Qualifying Conditions and compliance with the Malus Provisions (the latter for BancoPosta Beneficiaries, hereinafter BP Beneficiaries including then General Manager). The Plan covers a medium- to long-term period. In particular, the Plan includes two award cycles, corresponding to the financial years 2019 and 2020, each with a duration of three years. Shares are awarded if performance targets are met or after a Retention Period. The key characteristics of the Plan are described below.

## Beneficiaries

The Beneficiaries are: Poste Italiane's Chief Executive Officer, in his role as General Manager, certain managers within the Poste Italiane Group, including key management personnel, and some resources of BancoPosta RFC.

## Plan terms and conditions

The Performance Targets, common to all Beneficiaries, to which the vesting of the Rights and, therefore, the allocation of the Shares is conditioned, are highlighted below:

- a profitability indicator identified in the Group's three-year cumulative EBIT used to recognise the continuity and sustainability of profitability results over the long term;
- an indicator of shareholder value creation, based on the relative Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with the FTSE MIB Index<sup>127</sup>.

Vesting of the Rights and the therefore the awarding of the Shares is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, in the case of the General Manager (and Chief Executive Officer) and BancoPosta RFC's Beneficiaries, vesting of the Phantom Stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, (CET 1) at the end of the period;
- Indicator of short-term liquidity, (LCR) at the end of the period;
- RORAC risk-adjusted earnings at the end of the period.

The Shares will be awarded by the end of the year following the end of the Performance Period as follows:

- for BP Beneficiaries (including the General Manager) for 40% up-front and for the remaining 60% in two equal portions, deferred respectively for 2 and 4 years from the end of the Performance Period. A further Retention Period of one year will be applied to both the up-front and deferred portions;
- for the Other Beneficiaries, the granting of Poste Italiane Shares is entirely up front at the end of a three-year Performance Period, with 60% of the Shares subject to a further two-year Lock-up Period.

In addition, for BP Beneficiaries (including the General Manager), the deferred shares will be awarded following the verification of the existence of capitalisation and liquidity levels.

## Determination of fair value and effects on profit or loss

An independent expert, external to the Group, was appointed to measure the value of the stocks and this was done using Monte Carlo simulations.

## First Cycle 2019-2021

The total number of Rights to receive Shares assigned for the First Cycle of the Plan concerns 109 Beneficiaries and was 656,996 units, whose unit fair value at the grant date (28 May 2019 for the General Manager and 7 October 2019 for the BP Beneficiaries and Other Beneficiaries) was €6.19, €8.29 and €8.88, respectively. The cost recognised for 2019 is approximately €1.7 million, equivalent to the equity reserve specifically created for this case. Finally, the unit fair value of each right is equal to its nominal value at the grant date (determined on the basis of stock exchange prices), discounted by the expected dividend rate and the risk-free interest rate.

127. The objective linked to the relative Total Shareholder Return (rTSR) includes a negative threshold provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.

## Poste Italiane SpA

At 31 December 2019, the total number of Rights to receive Shares assigned for the First Cycle of the Performance Share Plan concerns 105 Beneficiaries and was 644,495 units, whose unit fair value at the grant date (28 May 2019 for the General Manager and 7 October 2019 for the BP Beneficiaries and Other Beneficiaries) was €6.19, €8.29 and €8.88, respectively. The cost recognised for 2019 is approximately €1.7 million, equivalent to the equity reserve specifically created for this case. The unit fair value of each right is equal to its nominal value at the grant date (determined on the basis of stock exchange prices), discounted by the expected dividend rate and the risk-free interest rate.

### Short-term incentive schemes: MBO

On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta (Part IV, Chapter I, BancoPosta including in Circular 285 of 17 December 2013 Prudential supervisory standards for banks) which, in taking into account BancoPosta's specific organisational and operational aspects, has extended application of the prudential standards for banks to include BancoPosta. This includes the standards relating to remuneration and incentive policies (Part I, Title IV, Chapter 2 Remuneration and incentive policies and practices in the above Circular 285). These standards provide that a part of the bonuses paid to BancoPosta RFC's Risk Takers may be awarded in the form of financial instruments over a multi-year timeframe.

With regard to the management incentive schemes adopted for BancoPosta RFC MBO for 2017 and 2018, where the incentive is above a certain materiality threshold, the MBO management incentive scheme envisages the award of 50% of the incentive in the form of phantom stocks, representing the value of Poste Italiane's shares, and application of the following deferral mechanisms:

- 60% of the award to be deferred for a 5-year period on a pro-rata basis, in the case of Material Risk Takers who are beneficiaries of both the short-term incentive scheme and the third cycle 2018-2020 of the LTI Phantom Stock Plan;
- 40% of the award to be deferred for a 3-year period on a pro-rata basis for the remaining Material Risk Takers.

The new short-term management incentive scheme (MBO 2019), approved by the General Meeting of Poste Italiane SpA's shareholders on 28 May 2019, provides, where the incentive exceeds a materiality threshold, for the payment of a portion of the bonus accrued in the form of shares in Poste Italiane SpA and the application of deferral mechanisms:

- 60% of the incentive over 5 years pro-rata, for the General Manager and the head of the BancoPosta function;
- 40% over 5 years pro-rata for the Senior Management Beneficiaries;
- 40% over 3 years pro-rata for the Other Beneficiaries.

The allocation of Phantom Stocks (MBO 2017 and 2018) and Rights to receive Shares (MBO 2019) is subject to the existence of a Performance Hurdle (Group Profitability): EBIT and Qualifying Conditions as follows:

- Capital adequacy: CET 1, risk tolerance level approved in the Risk Appetite Framework (RAF);
- Short-term liquidity: LCR, risk tolerance level approved in the Risk Appetite Framework (RAF).

The General Manager is also expected to apply an additional Qualifying Condition, in addition to those set out above, linked to the Solvency Ratio of the Poste Vita Insurance Group.

Shares allocated in the form of Phantom Stock or Shares are subject to a Retention Period for both up-front and deferred shares.

Payment of the deferred portion will take place each year, provided that BancoPosta RFC's minimum regulatory capital and liquidity requirements have been met. The effects on profit or loss and on equity are recognised in the period in which the instruments vest.

## Determination of fair value and effects on profit or loss

At 31 December 2019, the number of Phantom Stocks relating to the 2017 and 2018 MBO plans in place was 212,367, relating mainly to personnel employed by the Parent Company. An independent expert, external to the Group, was appointed to measure the value of the stocks, based on best market practices. The liability recognised at 31 December 2019 is €2 million, and payments of €77 thousand were also made during 2019.

At 31 December 2019, the number of Rights to receive Shares, deriving from the new short-term MBO 2019 incentive plan, estimated on the basis of the best information available, pending the actual finalisation of the system in order to record the cost of the service received, was 57,335, mainly relating to personnel employed by the Parent Company. The amount recognised in profit and loss in 2019 is €0.5 million.

## Severance payments on termination of employment

Severance payments to BancoPosta RFC's Risk Takers on early termination are paid in accordance with the same procedures applied to short-term variable remuneration as regards deferral, payment in financial instruments and verification of the minimum regulatory capital and liquidity requirements for BancoPosta RFC.

The number of phantom stocks outstanding at 31 December 2019 totals 180,100. The liability recognised is €1.7 million while payments made during the year amounted to €0.9 million.

## Key information on investments

This item breaks down as follows:

### List of investments consolidated on a line-by-line basis

Name (Registered office) (€000)	% interest	Share capital	Net profit / (loss) for the year	Equity
BancoPosta Fondi SpA SGR (Rome)	100.00%	12,000	16,145	47,516
Consorzio Logistica Pacchi ScpA (Rome)	100.00%	516	-	738
Consorzio per i Servizi di Telefonia Mobile ScpA (Rome)	100.00%	120	-	116
Consorzio PosteMotori (Rome)	80.75%	120	(170)	120
Europa Gestioni Immobiliari SpA (Rome)	100.00%	103,200	755	238,413
Poste Air Cargo Srl (Rome)**	100.00%	1,000	395	1,213
PatentiViaPoste ScpA (Rome)	86.86%	120	-	124
PostePay SpA (Rome)	100.00%	7,561	172,636	382,223
Poste Tributi ScpA - in liquidation (Rome)* **	100.00%	2,325	-	(1,788)
Poste Vita SpA (Rome)*	100.00%	1,216,608	680,403	4,294,623
Poste Assicura SpA (Rome)*	100.00%	25,000	49,346	194,730
Postel SpA (Rome)	100.00%	20,400	383	83,798
SDA Express Courier SpA (Rome)**	100.00%	5,000	(32,091)	14,177
Poste Welfare Servizi Srl (Rome)	100.00%	16	3,545	14,287
Poste Insurance Broker Srl	100.00%	600	(39)	561

\* The figures shown for these companies were prepared in accordance with IFRS and, as such, may vary from those contained in the respective financial reports, which were prepared in accordance with the Italian Civil Code and Italian GAAP.

\*\* Poste Italiane SpA has committed to providing financial support to the subsidiaries, SDA Express Courier SpA and Poste Air Cargo Srl, for 2019 and Poste Tributi ScpA throughout its liquidation.

## List of investments accounted for using the equity method

Name (Registered office) (€000)	Nature of investment	Carrying amount	% interest	Assets	Liabilities	Equity	Revenue from sales and services	Net profit / (loss) for the year
Address Software Srl (Rome)	Subsidiary	293	51.00%	1,078	502	576	1,168	49
Anima Holding SpA (Milan) (a)	Associate	221,202	10.04%	2,212,239	975,867	1,236,372	738,458*	102,036
Conio Inc. (San Francisco)	Associate	368	19.74%	1,611	551	1,060	180	(1,155)
FSIA Investimenti Srl (Milan) (b)	Associate	393,166	30.00%	1,391,413	83,518	1,307,895	359,370**	326,802
Indabox Srl (Rome) (c)	Subsidiary	782	100.00%	-	152	171	56	(143)
ItaliaCamp Srl (Rome) (d)	Associate	147	20.00%	1,985	1,038	947	2,325	311
Kipoint SpA (Rome)	Subsidiary	1,169	100.00%	3,317	2,148	1,169	5,341	334
Uptime SpA - in liquidation (Rome) (e)	Subsidiary	-	100.00%	771	4,702	(3,931)	-	(598)
Other SDA Express Courier associate (f)	Associates	4						

- a. Data derived from the latest consolidated interim accounts for the period ended 30 September 2019 approved by the company's board of directors.  
b. Figures of the reporting package of the company at 31 December 2019 (including measurement of the SIA Group using the equity method and recognition of the related effects with regard to Purchase Price Allocation).  
c. Data derived from the accounts for the period ended 30 June 2019, the latest approved by the company.  
d. Data derived from the accounts for the period ended 31 December 2018, the latest approved by the company.  
e. Data derived from the accounts for the period ended 31 December 2017, the latest approved by the company.  
f. The other associates of the SDA Express Courier group are Eurodis and Speedy Express Courier Srl in liquidation.  
\* The amount includes commissions, interest income and other similar income.  
\*\* The amount includes the amount represented by dividends and measurement of the investments at equity.

## Disclosure required by Law 124/2017

The information required by art. 1, paragraphs 125 and 129 of Law 124 of 4 August 2017 is provided below.

The information is provided in thousands of euros and on a cash basis, indicating the Group company that received and/or disbursed the grant. In addition, given the numerous interpretative doubts, the following information is provided on the basis of the best interpretation of the legislation available to date, in the light of the guidance provided by Assonime in Circular 5 of 22 February 2019.

Group companies (€000)	Grantor/beneficiary	Purpose	Amount disbursed/received
<b>Grants received</b>			
Poste Italiane	Ministry of Education, Universities and Research	Financed training and research projects	671
<b>Total</b>			<b>671</b>
<b>Grants disbursed</b>			
PostePay	Fondazione Poste Insieme Onlus	Donation	50
Poste Italiane	Fondazione Poste Insieme Onlus	Donation	105
Poste Italiane	Fondazione Italia Sociale	Donation	50
Poste Italiane	Canovalandia Onlus	Donation	30
Poste Italiane	Associazione Mus-e Roma Onlus	Donation	20
Poste Italiane	Comunita di S. Egidio Acap Onlus	Donation	20
Poste Italiane	Associazione Andrea Tudisco Onlus	Donation	13
Poste Italiane	Fondazione Wanda Vecchi Onlus	Donation	10
Poste Italiane	Associazione A.S.D. Laboratorio 0246 no-profit	Donation	10
<b>Total</b>			<b>308</b>

## Postal savings

The following table provides a breakdown of postal savings deposits collected by the Parent Company in the name of and on behalf of Cassa Depositi e Prestiti, by category. The amounts are inclusive of accrued, unpaid interest.

### Postal savings

Description (€m)	31/12/2019	31/12/2018
Post office savings books	101,842	105,771
Interest-bearing Postal Certificates	227,163	219,512
Cassa Depositi e Prestiti	165,548	154,231
MEF	61,615	65,281
<b>Total</b>	<b>329,005</b>	<b>325,283</b>

## Assets under management

Assets under management by BancoPosta Fondi SpA SGR, measured at fair value using information available on the last working day of the year, amount to €9,442 million at 31 December 2019 (€8,119 million at 31 December 2018).

## Commitments

The Group's purchase commitments break down as follows:

### Commitments

Description (€m)	31/12/2019	31/12/2018
Lease arrangements	50	780
Contracts to purchase property, plant and equipment	94	95
Contracts to purchase intangible assets	54	29
<b>Total</b>	<b>198</b>	<b>904</b>

Moreover, at 31 December 2019, EGI SpA has given commitments to purchase electricity, with a total value of €23 million, on regulated forward markets in 2020. At 31 December 2019, the corresponding market value is €20 million.

Poste Italiane SpA's purchase commitments break down as follows.

Description (€m)	31/12/2019	related to Group companies	31/12/2018	related to Group companies
Lease arrangements	54	11	680	43
Contracts to purchase property, plant and equipment	95	1	96	-
Contracts to purchase intangible assets	56	1	29	-
<b>Total</b>	<b>205</b>	<b>13</b>	<b>805</b>	<b>43</b>

At 31 December 2019, the item **Lease contracts** includes commitments that do not fall under IFRS 16 - Leases.



## Guarantees

Unsecured guarantees issued by the Group and Poste Italiane SpA are as follows:

### Guarantees

Description (€m)	31/12/2019	31/12/2018
<b>Sureties and other guarantees issued:</b>		
by banks/insurance companies in the interests of Group companies in favour of third parties	357	283
by the Group in its own interests in favour of third parties	55	21
<b>Total</b>	<b>412</b>	<b>304</b>

### Guarantees

Description (€m)	31/12/2019	31/12/2018
<b>Sureties and other guarantees issued:</b>		
by banks in the interests of Poste Italiane SpA in favour of third parties	275	182
by Poste Italiane SpA in the interests of subsidiaries in favour of third parties	47	59
letters of patronage issued by Poste Italiane SpA in the interests of subsidiaries	55	21
<b>Total</b>	<b>377</b>	<b>262</b>

## Third-party assets

Third-party assets held by Group companies are shown below. This type of asset refers solely to the Parent Company, Poste Italiane SpA.

### Description

Description (€m)	31/12/2019	31/12/2018
Bonds subscribed by customers held at third-party banks	3,375	3,093
<b>Total</b>	<b>3,375</b>	<b>3,093</b>

In addition to the above, at 31 December 2019, Poste Italiane SpA holds a further €2 million in assets belonging to Group companies.

## Assets in the process of allocation

At 31 December 2019, the Parent Company has paid a total of €97 million in claims on behalf of the Ministry of Justice, for which, under the agreement between Poste Italiane SpA and the MEF, it has already been reimbursed by the Treasury, whilst awaiting acknowledgement of the relevant account receivable from the Ministry of Justice.

## Disclosure of fees paid to independent auditors pursuant to art. 149 *duodecies* of the CONSOB's regulations for issuers

The following table shows fees payable to the Parent Company's auditor, PricewaterhouseCoopers SpA, and companies within its network for 2019, presented in accordance with art. 149 *duodecies* of the CONSOB's Regulations for Issuers:

### Disclosure of fees paid to Independent Auditors

Type of service (€000)	Entity providing the service	Fees *
<b>Poste Italiane SpA</b>		
Audit	PricewaterhouseCoopers SpA	1,206
	PricewaterhouseCoopers network	-
Attestation services	PricewaterhouseCoopers SpA	380
	PricewaterhouseCoopers network	-
Other services	PricewaterhouseCoopers SpA	55
	PricewaterhouseCoopers network	-
<b>Subsidiaries of Poste Italiane SpA</b>		
Audit	PricewaterhouseCoopers SpA	1,009
	PricewaterhouseCoopers network	-
Attestation services	PricewaterhouseCoopers SpA	535
	PricewaterhouseCoopers network	-
Other services	PricewaterhouseCoopers SpA	-
	PricewaterhouseCoopers network	20
<b>Total</b>		<b>3,205</b>

\* The above amounts do not include incidental expenses and charges.

Auditing services are expensed as incurred and reported in the audited financial statements<sup>128</sup>. With regard to the Parent Company, the item "Audit" includes additional fees of €60 thousand subject to approval by the Annual General Meeting of shareholders on 16 April 2020.

128. Any audit or attestation services relating to accounts prior to the reporting date are recognised on an accruals basis, following engagement of the auditor, in the year in which the services are rendered, applying the percentage of completion method.

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BANCOPOSTA RFC SEPARATE  
REPORT FOR THE YEAR  
**ENDED 31 DECEMBER 2019**







BANCOPOSTA RFC SEPARATE  
REPORT FOR THE YEAR  
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# Financial Statements

## Statement of financial position

Assets (figures in €)	31 December 2019	31 December 2018
10. Cash and cash equivalents	4,313,694,951	3,327,674,415
20. Financial assets measured at fair value through profit or loss	70,661,465	58,041,524
<i>a) financial assets held for trading</i>	-	-
<i>b) financial assets designated at fair value</i>	-	-
<i>c) other financial assets mandatorily measured at fair value</i>	70,661,465	58,041,524
30. Financial assets measured at fair value through other comprehensive income	36,798,745,848	32,040,011,924
40. Financial assets measured at amortised cost	40,950,230,817	33,743,062,105
<i>a) due from banks</i>	4,694,045,131	1,400,368,286
<i>b) due from customers</i>	36,256,185,686	32,342,693,819
50. Hedging derivatives	72,776,189	367,749,406
60. Adjustments for changes in hedged financial assets <i>portfolio (+/-)</i>	-	-
70. Investments	-	-
80. Property, plant and equipment	-	-
90. Intangible assets	-	-
<i>of which:</i>	-	-
- <i>goodwill</i>	-	-
100. Tax assets	311,951,306	506,924,701
<i>a) current</i>	-	-
<i>b) deferred</i>	311,951,306	506,924,701
110. Non-current assets and disposal groups held for sale	-	-
120. Other assets	2,491,763,796	2,445,137,509
<b>Total assets</b>	<b>85,009,824,372</b>	<b>72,488,601,584</b>



## Statement of financial position

Liabilities and equity (figures in €)	31 December 2019	31 December 2018
10. Financial liabilities measured at amortised cost	71,537,041,487	64,202,714,720
<i>a) due to banks</i>	7,186,265,048	5,984,821,231
<i>b) due to customers</i>	64,350,776,439	58,217,893,489
<i>c) debt securities in issue</i>	-	-
20. Financial liabilities held for trading	14,701,804	-
30. Financial liabilities designated at fair value	-	-
40. Hedging derivatives	5,552,045,402	1,828,670,521
50. Adjustments for changes in hedged financial liabilities portfolio (+/-)	-	-
60. Tax liabilities	661,611,070	372,051,769
<i>a) current</i>	-	-
<i>b) deferred</i>	661,611,070	372,051,769
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80. Other liabilities	2,953,394,233	2,691,928,376
90. Employee termination benefits	2,824,300	3,312,610
100. Provisions for risks and charges:	327,258,828	511,255,914
<i>a) commitment and guarantees given</i>	-	-
<i>b) pensions and similar obligations</i>	-	-
<i>c) other provisions</i>	327,258,828	511,255,914
110. Valuation reserves	1,083,146,195	14,833,603
120. Redeemable shares	-	-
130. Equity instruments	-	-
140. Reserves	2,267,115,140	2,267,025,485
150. Share premium reserve	-	-
160. Share capital	-	-
170. Treasury shares (-)	-	-
180. Profit/(Loss) for the year (+/-)	610,685,913	596,808,586
<b>Total liabilities and equity</b>	<b>85,009,824,372</b>	<b>72,488,601,584</b>

## Statement of profit or loss

Items (figures in €)	FY 2019	FY 2018
10. Interest and similar income	1,639,759,421	1,555,587,952
<i>of which: interest income calculated using the effective interest method</i>	<i>1,639,759,421</i>	<i>1,555,587,952</i>
20. Interest expense and similar charges	(74,238,340)	(28,570,167)
<b>30. Net interest income</b>	<b>1,565,521,081</b>	<b>1,527,017,785</b>
40. Fee income	3,794,094,221	3,861,199,639
50. Fee expenses	(335,262,925)	(139,560,667)
<b>60. Net fee and commission income</b>	<b>3,458,831,296</b>	<b>3,721,638,972</b>
70. Dividends and similar income	429,921	445,281
80. Profits/(Losses) on trading	(11,070,181)	5,670,610
90. Profits/(Losses) on hedging	(4,496,098)	(1,777,493)
100. Profits/(Losses) on disposal or repurchase of:	339,308,445	378,997,561
<i>a) financial assets measured at amortised cost</i>	<i>(10,460,322)</i>	<i>1,377,576</i>
<i>b) financial assets measured at fair value through other comprehensive income</i>	<i>349,768,767</i>	<i>377,619,985</i>
<i>c) financial liabilities</i>	<i>-</i>	<i>-</i>
110. Profits/(Losses) on other financial assets/liabilities measured at fair value through profit or loss	26,531,023	9,199,912
<i>a) financial assets and liabilities designated at fair value</i>	<i>-</i>	<i>-</i>
<i>b) other financial assets mandatorily measured at fair value</i>	<i>26,531,023</i>	<i>9,199,912</i>
<b>120. Net interest and other banking income</b>	<b>5,375,055,487</b>	<b>5,641,192,628</b>
130. Net losses/recoveries due to credit risk on:	(9,234,870)	(21,388,521)
<i>a) financial assets measured at amortised cost</i>	<i>(10,886,543)</i>	<i>(22,158,069)</i>
<i>b) financial assets measured at fair value through other comprehensive income</i>	<i>1,651,673</i>	<i>769,548</i>
140. Profits//Losses from contract amendments without termination	-	-
<b>150. Net income from banking activities</b>	<b>5,365,820,617</b>	<b>5,619,804,107</b>
160. Administrative expenses:	(4,537,811,729)	(4,686,171,866)
<i>a) personnel expenses</i>	<i>(35,844,313)</i>	<i>(82,419,369)</i>
<i>b) other administrative expenses</i>	<i>(4,501,967,416)</i>	<i>(4,603,752,497)</i>
170. Net provisions for risks and charges	(16,219,668)	(72,295,107)
<i>a) commitment and guarantees given</i>	<i>-</i>	<i>-</i>
<i>b) other net provisions</i>	<i>(16,219,668)</i>	<i>(72,295,107)</i>
180. Net losses/recoveries on property, plant and equipment	-	-
190. Net losses/recoveries on intangible assets	-	-
200. Other operating income/(expense)	32,420,978	(31,424,095)
<b>210. Operating expenses</b>	<b>(4,521,610,419)</b>	<b>(4,789,891,068)</b>
220. Profits/(Losses) on investments	-	-
230. Profits/(Losses) on fair value measurement of property, plant and equipment and intangible assets	-	-
240. Impairment of goodwill	-	-
250. Profits/(Losses) on disposal of investments	-	-
<b>260. Income/(Loss) before tax from continuing operations</b>	<b>844,210,198</b>	<b>829,913,039</b>
270. Taxes on income from continuing operations	(233,524,285)	(233,104,453)
<b>280. Income/(Loss) after tax from continuing operations</b>	<b>610,685,913</b>	<b>596,808,586</b>
290. Income/(Loss) after tax from discontinued operations	-	-
<b>300. Profit/(Loss) for the year</b>	<b>610,685,913</b>	<b>596,808,586</b>

# Statement of comprehensive income

Items (figures in €)	FY 2019	FY 2018
<b>10. Profit/(Loss) for the year</b>	<b>610,685,913</b>	<b>596,808,586</b>
<b>Other components of comprehensive income after taxes not reclassified to profit or loss</b>		
20. Equity instruments measured at fair value through other comprehensive income	-	-
30. Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40. Hedges of equity instruments measured at fair value through other comprehensive income	-	-
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	210,366	372,965
80. Non-current assets and disposal groups held for sale	-	-
90. Share of valuation reserve attributable to equity-accounted investments	-	-
<b>Other components of comprehensive income after taxes reclassified to profit or loss</b>		
100. Hedges of foreign investments	-	-
110. Foreign exchange differences	-	-
120. Cash flow hedges	26,792,931	150,316,827
130. Hedges (elements not designated)	-	-
140. Financial assets (other than equity instruments) measured at fair value through other comprehensive income	1,041,309,295	(1,622,947,631)
150. Non-current assets and disposal groups held for sale	-	-
160. Share of valuation reserve attributable to equity-accounted investments	-	-
<b>170. Total other components of comprehensive income after taxes</b>	<b>1,068,312,592</b>	<b>(1,472,257,839)</b>
<b>180. Comprehensive income (Items 10+170)</b>	<b>1,678,998,505</b>	<b>(875,449,253)</b>

## Statement of changes in equity

(figures in €)	31 December 2019									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Equity
	ordinary shares	other shares		retained earnings	other*					
<b>Balance at 31/12/2018</b>	-	-	-	1,057,025,485	1,210,000,000	14,833,603	-	-	596,808,586	2,878,667,674
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
<b>Balance at 01/01/2019</b>	-	-	-	1,057,025,485	1,210,000,000	14,833,603	-	-	596,808,586	2,878,667,674
<b>Attribution of retained earnings</b>	-	-	-	-	-	-	-	-	(596,808,586)	(596,808,586)
Reserves	-	-	-	-	-	-	-	-	-	-
Dividends and other attributions	-	-	-	-	-	-	-	-	(596,808,586)	(596,808,586)
<b>Changes during the year</b>	-	-	-	1,265	88,390	1,068,312,592	-	-	610,685,913	1,679,088,160
Movements in reserves	-	-	-	1,265	88,390	-	-	-	-	89,655
Equity-related transactions	-	-	-	-	-	-	-	-	-	-
Issuance of new shares	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Payment of extraordinary dividends	-	-	-	-	-	-	-	-	-	-
Movements in equity instruments	-	-	-	-	-	-	-	-	-	-
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-
<i>Stock options</i>	-	-	-	-	-	-	-	-	-	-
Comprehensive income for 2019	-	-	-	-	-	1,068,312,592	-	-	610,685,913	1,678,998,505
<b>Equity at 31/12/2019</b>	-	-	-	1,057,026,750	1,210,088,390	1,083,146,195	-	-	610,685,913	3,960,947,248

\* This item represents the Reserve for BancoPosta RFC of €1,210 million and also includes the Reserve for Incentive Plans of €0.1 million among the changes during the year.

(figures in €)	31 dicembre 2018									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Equity
	ordinary shares	other shares		retained earnings	other*					
<b>Balance at 31/12/2017</b>	-	-	-	1,058,999,822	1,000,000,000	114,941,270	-	-	584,979,647	2,758,920,739
Adjustments to opening balances	-	-	-	(2,073,696)	-	1,372,150,172	-	-	-	1,370,076,476
<b>Balance at 01/01/2018</b>	-	-	-	1,056,926,126	1,000,000,000	1,487,091,442	-	-	584,979,647	4,128,997,215
<b>Attribution of retained earnings</b>	-	-	-	-	-	-	-	-	(584,979,647)	(584,979,647)
Reserves	-	-	-	-	-	-	-	-	-	-
Dividends and other attributions	-	-	-	-	-	-	-	-	(584,979,647)	(584,979,647)
<b>Changes during the year</b>	-	-	-	99,359	210,000,000	(1,472,257,839)	-	-	596,808,586	(665,349,894)
Movements in reserves	-	-	-	99,359	210,000,000	-	-	-	-	210,099,359
Equity-related transactions	-	-	-	-	-	-	-	-	-	-
Issuance of new shares	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Payment of extraordinary dividends	-	-	-	-	-	-	-	-	-	-
Movements in equity instruments	-	-	-	-	-	-	-	-	-	-
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-
Comprehensive income for 2019	-	-	-	-	-	(1,472,257,839)	-	-	596,808,586	(875,449,253)
<b>Equity at 31/12/2018</b>	-	-	-	1,057,025,485	1,210,000,000	14,833,603	-	-	596,808,586	2,878,667,674

\* This item corresponds to the BancoPosta RFC reserve.

# Statement of cash flows

## Indirect method

(figures in €)	FY 2019	FY 2018
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Cash flow from operations</b>	<b>754,202,690</b>	<b>707,840,222</b>
- profit/(loss) for the year (+/-)	610,685,913	596,808,586
- gains/(losses) on financial assets held for trading and on assets and liabilities measured at fair value through profit or loss (-/+)	(12,308,652)	(9,638,688)
- gains/(losses) on hedging activities (-/+)	4,496,098	1,777,492
- net losses/recoveries due to credit risk (+/-)	9,234,870	21,388,521
- net losses/recoveries on property, plant and equipment and intangible assets (+/-)	-	-
- net provisions and other expenses/income (+/-)	136,284,751	147,682,241
- unpaid taxes and duties (+)	233,524,282	233,104,452
- net losses/recoveries on discontinued operations after tax (+/-)	-	-
- other adjustments (+/-)	(227,714,572)	(283,282,382)
<b>2. Cash flow from/(used for) financial assets</b>	<b>(6,387,366,249)</b>	<b>(4,480,855,905)</b>
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	13,911,081	-
- financial assets measured at fair value through other comprehensive income	(1,038,739,773)	1,253,773,199
- financial assets measured at amortised cost	(5,390,775,250)	(5,332,798,567)
- other assets	28,237,693	(401,830,537)
<b>3. Cash flow from/(used for) financial liabilities</b>	<b>7,215,992,681</b>	<b>4,258,506,041</b>
- financial liabilities measured at amortised cost	7,337,199,419	4,565,926,545
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	(121,206,738)	(307,420,504)
<b>Net cash flow from/(used for) operating activities</b>	<b>1,582,829,122</b>	<b>485,490,358</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash flow from</b>	-	-
- disposal of investments	-	-
- dividends received on investments	-	-
- disposal of property, plant and equipment	-	-
- disposal of intangible assets	-	-
- disposal of business division	-	-
<b>2. Cash flow used for</b>	-	-
- acquisition of investments	-	-
- acquisition of property, plant and equipment	-	-
- acquisition of intangible assets	-	-
- acquisition of business division	-	-
<b>Net cash flow from / (used for) investing activities</b>	-	-
<b>C. FINANCING ACTIVITIES</b>		
- issuance/purchase of treasury shares	-	-
- issuance/purchase of equity instruments	-	-
- dividends and other payments	(596,808,586)	(374,979,647)
<b>Net cash flow from / (used for) financing activities</b>	<b>(596,808,586)</b>	<b>(374,979,647)</b>
<b>NET CASH FLOW GENERATED / (USED) DURING THE YEAR</b>	<b>986,020,536</b>	<b>110,510,711</b>

KEY:  
(+) from (-) used for

## Reconciliation

Items (figures in €)	FY 2019	FY 2018
Cash and cash equivalents at beginning of the year	3,327,674,415	3,217,163,704
Net cash flow generated/(used) during the year	986,020,536	110,510,711
Cash and cash equivalents: effect of exchange rate fluctuations	-	-
<b>Cash and cash equivalents at end of the year</b>	<b>4,313,694,951</b>	<b>3,327,674,415</b>

# Notes

## Part A – Accounting policies

### A.1 – General

#### Section 1 – Declaration of compliance with international financial reporting standards

The Separate Report has been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). These were endorsed for application in the European Union by European Regulation (EC) 1606/2002 of 19 July 2002, as transposed into Italian law by Legislative Decree 38 of 28 February 2005 governing the introduction of IFRS into Italian legislation. The term “IFRS” means all International Financial Reporting Standards, all International Accounting Standards (IAS), and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) previously known as the Standing Interpretations Committee (SIC) endorsed for application in the European Union by EU Regulations issued prior to 5 March 2020, the date on which the Board of Directors of Poste Italiane SpA approved the BancoPosta RFC Separate Report as part of Poste Italiane SpA's Annual Report.

#### Accounting standards and interpretations applicable from 1 January 2019 and those soon to be effective

The relevant information is provided in note 2.6 – New Accounting standards and interpretations and those soon to be effective – in the section – financial statements of Poste Italiane – of this Annual Report.

#### Section 2 – Basis of preparation

The Separate Report has been prepared in application of the 6th update of Bank of Italy Circular 262 of 22 December 2005 – “Banks’ Financial Statements: Layouts and Preparation”, and of art. 2447 septies, paragraph 2, of the Italian Civil Code. On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC (Circular 285/2013, Part Four, Section 1) which, in taking into account the entity's specific organisational and operational aspects, has established prudential requirements that are substantially in line with those applicable to banks. The Standards also govern the requirements regarding capital adequacy and risk containment. The Separate Report relates to the year ended 31 December 2019, has been prepared in euros and consists of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes. The statement of financial position, statement of profit or loss and statement of comprehensive income consists of numbered line items and lettered line sub-items. Nil balances have also been presented in the statement of financial position, statement of profit or loss and statement of comprehensive income for the sake of completeness. The cash flow statement has been prepared under the indirect method<sup>129</sup>. All figures in the notes are stated in millions of euros. Notes and account analysis have not been included for nil balances.

129. Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferral or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.



The accounting policies and the recognition, measurement and classification criteria adopted in this Report are consistent with those used to prepare the Separate Report at 31 December 2018.

The Separate Report forms an integral part of Poste Italiane SpA's financial statements and has been prepared on a going concern basis in that BancoPosta RFC's operations are certain to continue in the foreseeable future.

BancoPosta's accounting policies, described in the Separate Report, are the same as those adopted by Poste Italiane SpA are described in this Part A and are relevant to all of BancoPosta RFC's operations.

## Section 3 – Events after the end of the reporting period

Regarding to the possible medium-term impacts of the spread in Italy of the COVID-19, see note 13 – Events after the end of the reporting period - in the section – financial statements of Poste Italiane – of this Annual Report.

The other events after the end of the reporting period of this Separate Report are described in the Notes below and no other significant events have occurred after 31 December 2019.

## Section 4 – Other information

### 4.1 Intersegment relations

Balances relating to transactions between BancoPosta RFC and Poste Italiane SpA (Intersegment transactions) are recognised in the statement of financial position at 31 December 2019 as shown below:

(€m)	31/12/2019	of which intersegment	31/12/2018	of which intersegment
<b>Assets</b>				
10. Cash and cash equivalents	4.314	-	3.328	-
20. Financial assets measured at fair value through profit or loss	71	-	58	-
<i>a) financial assets held for trading</i>	-	-	-	-
<i>b) financial assets measured at fair value</i>	-	-	-	-
<i>c) other financial assets mandatorily measured at fair value</i>	71	-	58	-
30. Financial assets measured at fair value through other comprehensive income	36.799	-	32.040	-
40. Financial assets measured at amortised cost	40.950	651	33.743	844
<i>a) due from banks</i>	4.694	-	1.400	-
<i>b) due from customers</i>	36.256	651	32.343	844
50. Hedging derivatives	73	-	368	-
100. Tax assets	312	-	507	-
120. Other assets	2.491	83	2.445	2
<b>A Total assets</b>	<b>85.010</b>	<b>734</b>	<b>72.489</b>	<b>846</b>
<b>Liabilities and equity</b>				
10. Financial liabilities measured at amortised cost	71.537	58	64.203	79
<i>a) due to banks</i>	7.186	-	5.985	-
<i>b) due to customers</i>	64.351	58	58.218	79
<i>c) debt securities in issue</i>	-	-	-	-
20. Financial liabilities held for trading	15	-	-	-
40. Hedging derivatives	5.552	-	1.829	-
60. Tax liabilities	662	-	372	-
80. Other liabilities	2.953	442	2.692	410
90. Employee termination benefits	3	-	3	-
100. Provisions for risks and charges	327	-	511	-
110. Valuation reserves	1.083	-	15	-
140. Reserves	2.267	-	2.267	-
180. Profit/(Loss) for the year (+/-)	611	-	597	-
<b>B Total liabilities and equity</b>	<b>85.010</b>	<b>500</b>	<b>72.489</b>	<b>489</b>
<b>A-B Net intersegment balances</b>		<b>234</b>		<b>357</b>

The provision of services to BancoPosta RFC by Poste Italiane SpA functions is governed by the specific Regulation governing BancoPosta RFC's contracting out and outsourcing process, approved by the Board of Directors of Poste Italiane SpA<sup>130</sup>.

These Regulations, in execution of the provisions set out in the Regulations for ring-fenced capital, govern and formalise the process of outsourcing BancoPosta's Corporate Functions to Poste Italiane in accordance with the relevant regulations, identifying the operational phases, roles and responsibilities of the Bodies and Corporate Functions involved in various ways. The general policies and instructions contained in the General Guidelines in relation to transfer pricing are detailed in specific Operating Guidelines, jointly developed by BancoPosta and other Poste Italiane SpA functions. The Operating Guidelines establish, among other things, the applicable levels of service and transfer prices and are effective following an authorisation process involving the relevant Functions, the Chief Executive Officer and, where required, the Company's Board of Directors. When BancoPosta intends to contract out a major operating process or a control procedure, whether in its entirety or in part, to Poste Italiane SpA in accordance with specific Operating Guidelines, it must give prior notice to the Bank of Italy. In accordance with Bank of Italy Circular 285 issued on 17 December 2013, Part Four, Chapter 1 BancoPosta, Section II, paragraph 2, the Board of Statutory Auditors is required to verify, at least every six months, that the policies adopted are fit for purpose and are in compliance with the related statutory requirements and supervisory standards.

In line with 2018, the services are charged for in the form of transfer prices. The transfer prices paid, inclusive of commissions and any other form of remuneration due, are determined on the basis of market prices and tariffs for the same or similar services, identified, where possible, following a benchmarking process. When the specifics and/or the particular nature of a service provided by a Poste Italiane function do not allow the use of a comparable market price, a cost-based method is used, again with the support of benchmarking to ensure that the price charged is adequate for the service provided. In this case, an appropriate mark-up, determined with reference to those used by comparable peers, is applied. The prices set in each Operating Guidelines can be reduced in the presence of operating losses of the activities outsourced or in case of penalties due to the failure to achieve pre-established service levels, as measured by specific performance indicators. The Guidelines in force were effective as of 1 October 2018 and will expire on 31 December 2020. The transfer prices so defined are revised every year in connection with the planning and budget process.

For the purposes of oversight of the unbundled accounts, in 2019, the Board of Statutory Auditors conducted the relevant audit activities during 3 meetings, reporting its conclusions in its annual report to shareholders for the year ended 31 December 2019.

## 4.2 Proceedings pending and principal relations with the authorities

### Relations with the authorities

#### *Autorità Garante della Concorrenza e del Mercato (AGCM - the Italian Antitrust Authority)*

On 9 March 2015, the Authority notified Poste Italiane of an investigation of BancoPosta RFC for alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the Libretto Smart product. On 21 December 2015, the AGCM notified Poste Italiane of its final ruling in which it deemed the Poste Italiane's conduct unfair and imposed a fine of €0.54 million, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate. Poste Italiane lodged an appeal against this ruling before the Lazio Regional Administrative Court, which has adjourned the case until a hearing on the merits to be set.

On 8 October 2018, the AGCM notified Poste Italiane, with reference to BancoPosta RFC, of the launch of investigation PS11215 – pursuant to art. 27, paragraph 3 of Legislative Decree 206/05 (the Consumer Code) and art. 6 of the Regulation for Investigations – with an accompanying request for information pursuant to art. 12, paragraph 1 of the above Regulation. The investigation is in response to complaints filed on 24 July 2018 by Altroconsumo and on 8 August 2018 by Centro Tutela Consumatori e Utenti (two consumers' associations). The Authority is primarily looking into an advertising campaign called Buoni e libretti – Buono a sapersi, promoting Interest-bearing Postal Certificates and Postal Savings Books via TV and press adverts. The investigation relates to the alleged violation of articles 21 and 22, paragraph 1 and 4 letter a) of the Consumer Code, as the effect of taxation was, in the Authority's view, not clearly indicated.

On 29 October 2018, Poste Italiane replied to the request for information and, following the hearing held at the AGCM on 28 November 2018, sent the Authority the form for the presentation of commitments - pursuant to art. 27 paragraph 7 of the

130. In its meeting of 31 January 2019, the Board of Directors approved the Regulation governing BancoPosta RFC's contracting out and outsourcing process, combining the guidelines outlined separately in the General guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane and the Guidelines governing BancoPosta RFC's outsourcing process.

Consumer Code, art. 8 paragraph 7 of Legislative Decree 145/2007 and art. 9 of the aforementioned Regulation on investigation procedures - subsequently supplemented on 11 January 2019. On 1 April 2019, the Authority notified Poste Italiane that the investigation was closed and that it had accepted the commitments, which are now obligatory, without imposing a fine.

## Bank of Italy

On 23 May 2019, the Bank of Italy began inspections of specific post offices with the aim of verifying fulfilment of the obligations in terms of banking transparency. The inspections were concluded in July and the related Report has not been received yet. The inspections mentioned above, although territorial in nature, also concerned areas that can be traced back to the inspections carried out by the Authority in 2015 at the head office and mainly related to aspects such as the filing of contractual documentation, the management of unilateral amendment proposals to customers, as well as the handling of complaints and the application of economic conditions through the dedicated company system.

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.

On 20 June 2019, the Bank of Italy requested to ensure that the procedures used in handling complaints regarding Interest-bearing Postal Certificates were fit for purpose. The Bank also requested information on the fraudulent use of payment instruments. Poste Italiane carried out the appropriate investigations and provided feedback to the Authority on both issues on 30 September 2019, subject to approval, as requested by the Authority, by the Board of Directors and the Board of Statutory Auditors. At the date of preparation of this Report, it was not deemed necessary to revisit its approach to handle disputes regarding Interest-bearing Postal Certificates and, as a result, the criteria to estimate the related provisions for risks and charges. The amount set aside, determined on the basis of the historical series of operating losses, represents the best estimate of directors of the charge required to settle the probable liabilities. Any changes to the aforesaid estimate may only be made after the Authority has agreed to changes to the practices currently adopted, taking into account the decisions that will be made by both the Financial Banking Arbitrator (ABF) and the Ordinary Judicial Authority (AGO).

## CONSOB

On 12 February 2019, the CONSOB requested clarification regarding the measures adopted to ensure compliance with the rules of conduct for dealing with customers with reference to: i) the provision of advice on insurance investment products; ii) obligations regarding Product Governance and the incentive scheme for network personnel in relation to the distribution of insurance investment products. The above information was provided in a specific response submitted to the regulator on 15 February 2019.

Later, on 18 April 2019, the CONSOB requested further clarification regarding the notes submitted by BancoPosta between September 2018 and February 2019 and the "Report on the conduct of investment services and activities" relating to: (i) concerns regarding compliance with the above legislation; (ii) aspects where there is a need for precise clarification in order to assess compliance with industry regulations; (iii) updates on matters for which information on initiatives in progress was previously provided. The above information was provided in a specific response submitted to the regulator on 3 June 2019.

On 23 May 2019, the CONSOB requested additional information on the closed-end real estate fund, Obelisco, which matured on 31 December 2018, and any initiatives to be adopted by Poste Italiane in order to protect investors, similar to the action taken with regard to the closed-end real estate funds, IRS and Europa Immobiliare 1. Poste Italiane responded on 16 June 2019.

On 31 May 2019, the CONSOB requested information on the disclosure made to customers on the cost and expense statement, *ex ante* (pre-contractual information) and *ex post* (annual report), which was replied to on 1 July 2019 (for information *ex ante*) and 22 July 2019 (for information *ex post*). On 27 June 2019, the CONSOB requested further clarifications regarding the measures adopted to ensure compliance with regulatory provisions with reference to the planned controls in terms of experience and knowledge of the sales network employees. The related reply was sent on 17 July 2019 and contains detailed information on the training course aimed at maintaining and updating knowledge and skills with the related final verification test, assessments carried out on the results of the final verification tests, an illustration of the results achieved by the new resources placed in the role for the year 2018 and 2019, as well as clarifications on the specialist supervision in support of the network.

On 7 August 2019 a request was received from the Authority concerning data and information relating to the provision of investment services in the regions of Emilia Romagna, Marche and Umbria and in the province of Pescara. The reply was sent by Poste Italiane on 18 September 2019 together with, as requested, the names of the employees who have taken over responsibility for the areas concerned since 2016.

On 10 October 2019, the CONSOB requested, by way of short notice, some clarifications on the report received from the company Sagitta SGR on 5 August regarding the representation of the information relating to the Obelisco real estate Fund in the statement of account of the Customer Securities Dossier. The reply was sent by Poste Italiane on 17 October 2019.

On 29 October 2019, the CONSOB requested information on the correct fulfilment of transaction reporting obligations. The reply was sent by Poste Italiane on 13 December 2019.

In January 2020, the CONSOB launched an inspection of a general nature pursuant to article 6-ter, paragraph 1, of Legislative Decree 58 of 24 February 1998, aimed at ascertaining the state of adaptation to the new MiFID 2 legislation.

## A.2 – Part relating to principal financial statement items

The following notes have been numbered in accordance with instructions contained in Bank of Italy Circular 262/2005. Omitted numbers denote information not relevant to the Separate Report.

### 1 – Financial assets measured at fair value through profit or loss

#### a) recognition

Financial assets measured at fair value through profit or loss are initially recognised on the settlement date for debt and equity securities, whereas, for derivative contracts, on the subscription date. Financial assets are initially recognised at fair value which is generally the price paid. Changes in fair value between the trade date and the settlement date are recognised.

#### b) classification

This item includes all financial assets other than those classified as “Financial assets measured at fair value through other comprehensive income” and as “Financial assets measured at amortised cost”. In particular, this item includes: a) financial assets purchased and held mainly for trading; b) financial assets designated as such on initial recognition, thanks to the fair value option; c) financial assets mandatorily measured at fair value through profit or loss.

This item comprises:

- debt securities and loans that are classified in the “Other/Trading” business model (thus not in the “Hold to Collect” and “Hold to Collect and Sell” business models) or fail to meet the SPPI test<sup>131</sup>;
- equity instruments held for trading or that were not initially recognised at fair value through other comprehensive income;
- derivative contracts, except those designated as hedges, that are classified as assets or liabilities held for trading, depending on whether their fair value is positive or negative; positive and negative fair values arising from transactions with the same counterparties are offset during collateralisation/liquidation, where allowed by contract

#### c) measurement and recognition of gains and losses

These financial assets are recognised at fair value with any changes in fair value recognised in profit or loss in line “Item 80 - Profits/(Losses) on trading” and in line “Item 110 – Profits/(Losses) on other financial assets/liabilities measured at fair value through profit or loss”.

131. The acronym SPPI - Solely Payments of Principal and Interest defines financial assets held solely to collect the relevant contractual cash flows, as represented by payments of principal and interest accrued on the principal outstanding at specified dates. The SPPI test is intended to check that the characteristics of the instruments are consistent with this objective.

## d) derecognition

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards relating to the financial asset are substantially transferred.

## 2 – Financial assets measured at fair value through other comprehensive income

### a) recognition

Financial assets measured at fair value through other comprehensive income are initially recognised on the settlement date. These assets are initially recognised at fair value which is generally the price paid. Changes in fair value between the trade date and the settlement date are recognised.

### b) classification

This item includes financial assets held in connection with a business model where financial instruments are held to collect contractual cash flows and for sale (“Hold to Collect and Sell” business model), with the relevant contract calling for the payment, at specified dates, of principal and interest accrued on the principal outstanding (SPPI).

In addition to debt securities that meet the aforementioned characteristics, this item comprises also equity instruments that would otherwise be measured at fair value through profit or loss, for which the election was made to report any subsequent changes in fair value through other comprehensive income (FVTOCI option).

### c) measurement and recognition of gains and losses

Financial assets other than equity instruments are measured at fair value and any subsequent change in fair value is recognised through other comprehensive income (OCI) until the financial asset is either derecognised or reclassified, except for currency gains and losses recognised in the statement of profit or loss in “Item 80 – Profits/(Losses) on trading”. When the financial asset is derecognised, the related cumulative gains and losses recognised in OCI are reclassified to profit and loss in “Item 100 – Profits/Losses on disposals or repurchases”.

The effects of the application of amortised cost are recognised in profit and loss in Item 10 - Interest and similar income.

Expected credit losses are calculated in relation to these financial assets, as illustrated in the specific section. These expected losses are recognised in profit and loss in “Item 130 – Net losses/recoveries due to credit risk” with a counter-entry made under the Item 110 – Valuation reserves.

Equity securities elected to be classified in this item are measured at fair value and any changes in such fair value are recognised in line Item 110 – Valuation reserves without subsequent recycling to profit or loss, not even in case of disposal. The only component that is reported in profit and loss is the related dividends.

### d) derecognition

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards relating to the financial asset are substantially transferred. Any securities received as part of a transaction entailing subsequent re-sale and the delivery of securities as part of a transaction entailing their subsequent repurchase are not either recognised or derecognised.

## 3 – Financial assets measured at amortised cost

### a) recognition

Financial assets measured at amortised cost are initially recognised on (i) the settlement date for debt securities and investments and (ii) the date on which the service is rendered for trade receivables. They are initially recognised at fair value which is generally the price paid for debt securities or at the contractual value of the service rendered for all the other receivables. Changes in fair value between the trade date and the settlement date are recognised.

### b) classification

This item includes financial assets held in connection with a business model where the objective is the collection of the relevant cash flows (Hold to Collect - HTC business model), represented by payments, at specified dates, of principal and interest accrued on the principal outstanding (SPPI). The business model on which the classification of financial assets is based permits the sale of such assets; if the sales are not occasional, and are not immaterial in terms of value, consistency with the HTC business model should be assessed.

In addition to debt securities that reflect the characteristics outlined above, this item comprises mainly deposits at the MEF and the trade receivables.

### c) measurement and recognition of gains and losses

These assets are measured at amortised cost, that is the value assigned to the financial asset on initial recognition, net of any principal reimbursement, plus or minus the cumulative amortisation by using the effective interest rate method on the difference between the initial value and the value at maturity, after deducting any impairment. Any gains or losses are recognised in profit or loss in line Item 10 - Interest and similar income.

The carrying amount of financial assets measured at amortised cost is adjusted to take into account expected credit losses, as illustrated in the specific section. These expected credit losses are recognised in profit and loss in line Item 130 – Net losses/recoveries due to credit risk.

### d) derecognition

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards relating to the financial asset are substantially transferred. Any securities received as part of a transaction entailing subsequent re-sale and the delivery of securities as part of a transaction entailing their subsequent repurchase are not either recognised or derecognised.

## 4 – Hedges

The Poste Italiane Group elected, in accordance with IFRS 9, to continue to apply hedge accounting in line with IAS 39 to all its hedging transactions.

### a) recognition and classification

Derivative hedges are initially recognised on conclusion of the relevant contract. There are two types of hedge:

- fair value hedges: hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on profit or loss;
- cash flow hedges: a hedge of the exposure to the variability of cash flows attributable to a particular risk associated with a recognised asset or liability or with a highly probable forecast transaction, and that could have an impact on profit or loss.

### b) measurement and recognition of gains and losses

Derivatives are initially recognised at fair value on the date the derivative contract is executed. If derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with the specific policies described below. The relationship between each hedging instrument and the hedged item is documented, as well as the risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at designation of each derivative instrument as hedging instrument, and during its life.

#### Fair value hedge

When the hedge is related to recognised assets or liabilities, or an unrecognised firm commitment, the changes in fair value of both the hedging instrument and the hedged item are recognised in profit or loss. Any difference represents the ineffective portion of the hedge and is accounted for as a loss or gain, recognised separately in line “Item 90 - Profits/(Losses) on hedging”.

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve (the Cash flow hedge reserve, within line Item 110 – Valuation reserve). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in line Item 90 - Profits/(Losses) on hedging.

Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affect profit or loss. In particular, in the case of hedges associated with a highly probable forecast transaction (such as forward purchase of fixed income debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).

If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassified in line Item 80 – Profits/(Losses) on trading for the relevant year. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

## 9 – Current and deferred taxation

Current income tax expense (IRES and IRAP) is based on the best estimate of taxable profit for the period and the related regulations, applying the rates in force. Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised in profit or loss, with the exception of taxes charged or credited directly to equity, in which case the tax effect is recognised directly in equity.

BancoPosta RFC is not a separate legal person and is not either directly or indirectly assessable to taxes. BancoPosta's share of taxes on Poste Italiane SpA's overall income is charged to BancoPosta RFC based on the profit or loss presented in this Separate Report adjusted for deferred taxation. In the case of both IRES and IRAP, the computation takes all permanent and temporary changes in BancoPosta's operations into account. Any items not directly relating to BancoPosta are included in the Poste Italiane computation.

Current tax assets and liabilities form part of intersegment relations and are presented in the Separate Report in "Other assets" and "Other liabilities", as they are settled with the segment of Poste Italiane SpA outside the ring-fence, within the scope of internal relations with Poste Italiane SpA, which continues to be the sole taxable entity.

## 10 – Provisions for risks and charges

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur. Provisions for risks and charges are made when the entity has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the use of resources required to settle the obligation. The value of the liability is discounted at a rate that reflects current market values and takes into account the risks specific to the liability. With regard to the risks for which the occurrence of a liability is only possible, specific information is provided without making any provision. Under the option granted by the relevant accounting standards, limited disclosure is provided when, in rare cases, disclosure of some or all of the information regarding the risks in question could seriously prejudice BancoPosta RFC's position in a dispute or in ongoing negotiations with third parties.

## 11 – Financial liabilities measured at amortised cost

### a) recognition and classification

BancoPosta RFC has no outstanding debt securities and has not issued any such securities since its establishment. The sub-items Due to banks and Due to customers consist of funding provided by customers and obtained from the interbank market. These financial liabilities are recognised at fair value on the date of receipt of the funds. Fair value is normally the amount received.

### b) measurement and recognition of gains and losses

Due to banks and customers are measured at amortised cost, employing the effective interest rate method. If there is a change in expected cash flows and they can be reliably estimated, the value of borrowings is recalculated to reflect the change in estimated future cash flows and the internal rate of return initially applied.



## c) derecognition

Financial liabilities are derecognised when they are extinguished or when the obligation specified in the contract expires, is cancelled or discharged.

# 12 – Financial liabilities held for trading

## a) classification and recognition

Financial liabilities held for trading consist of derivatives which do not qualify for classification as hedging instruments in accordance with accounting standards, or originally obtained as a hedge which was subsequently discontinued. Financial liabilities held for trading are recognised on the derivative contract date.

## b) measurement and recognition of gains and losses

Financial liabilities held for trading are measured at fair value through profit or loss in “Item 80 - Profits/(Losses) on trading”

## c) derecognition

Financial liabilities on trading are derecognised when they are extinguished or when the obligation specified in the contract expires, is cancelled or discharged.

# 14 – Foreign currency transactions

## a) recognition

Foreign currency transactions are initially recognised in the functional currency by translating the foreign currency amount at the transaction date spot rate.

## b) classification, measurement, derecognition and recognition of gains and losses

Foreign currency items are translated at each reporting date as shown below:

- monetary items at closing exchange rates;
- non-monetary items are recognised at their historical cost translated at the transaction date spot rate;
- non-monetary items measured at fair value at closing exchange rates.

Foreign exchange differences realised on the settlement of monetary items or on the translation of monetary and non-monetary items, using exchange rates other than the rate used to translate the item on initial recognition, are recognised in profit or loss in line Item 80 - Profits/(Losses) on trading.

## 15 – Other information

### Revenue recognition

Revenue deriving from contracts with customers reflects the consideration to which the entity expects to be entitled in exchange for those goods and services (transaction price).

In accordance with IFRS 15, revenue is recognised on the basis of a 5-step framework, which consists of the following:

1. identify the contract with the customer (sales contracts except lease contracts, insurance contracts, financial instruments and non-monetary exchanges);
2. identify the performance obligations, which can be defined as the explicit or implicit promise to transfer a distinct good or service to the customer;
3. determine the transaction price;
4. in the case of bundles of goods or services involving different performance obligations, allocate the transaction price to the performance obligation; to that end, it is necessary to estimate the stand-alone selling price of each component;
5. recognise revenue when or as the entity fulfils the performance obligation, that is upon delivery of the good or service to the customer. Performance obligations can be fulfilled:
  - “at a point in time”: in the case of obligations fulfilled at a point in time, revenue is recognised only as control over the good or service is passed to the customer. In that respect, consideration is given not only to the significant exposure to the risks and benefits related to the good or service but also physical possession, customer’s acceptance, the existence of legal rights, etc.;
  - “over time”: in the case of obligations fulfilled over time, the measurement and recognition of revenue reflect, virtually, the progress of the customer’s satisfaction. An appropriate approach is defined to measure progress of the performance obligation (the output method).

Every single supplier obligation with the customer is considered, measured and recognised separately. This approach involves a preliminary accurate analysis of the contract to identify every “single product/service” or every “single component” of a product/service that the supplier promises to provide, attributing to each the relevant consideration, and to monitor each such obligation during the life of the contract (in terms both of manner and timing of fulfilment and the customer’s level of satisfaction).

For revenue recognition purposes, so-called variable components of the consideration (discounts, rebates, price concessions, incentives, penalties and other similar) are included to supplement or adjust the transaction price. Among the variable components of the consideration, of particular importance are the penalties (other than those provided for compensation for damages), which IFRS 15 provides to be recorded as a direct decrease in revenues, instead of allocating them to a provision for risks and charges.

In the presence of multiple performance obligations, the total transaction price is allocated to each performance obligation to the extent of the consideration that the entity is entitled to receive for the transfer of the relevant goods and services to the customer. The transaction price will be allocated on the basis of the standalone selling price of the goods and services associated with the performance obligation. The standalone selling price is the price at which an entity would sell the goods and services separately to the customer, under similar circumstances and to similar customers. If the standalone selling price is not observable, it would be estimated considering all the information available (market conditions, information on the customer or the class of customers) and the estimation methods used in similar circumstances.

Revenue from activities carried out in favour of or on behalf of the state is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the provisions contained in legislation regarding the public finances. Returns on the portion of current account deposits deposited with the MEF are determined on an accruals basis, using the effective interest rate method, and classified in “Item 10 – Interest and similar income”. The same classification is applied to income from euro area government securities, in which deposits paid into accounts by private customers are invested.

Moreover, dividends are recognised in profit or loss when the right to receive payment is established, which generally corresponds with approval of the distribution by the shareholders of the investee company.

## Impairment

Loans and receivables and debt securities classified under “Financial assets measured at amortised cost” and “Financial assets measured at fair value through other comprehensive income” are tested for impairment in accordance with the Expected Credit Losses (ECL) model. The Poste Italiane Group applies the General Deterioration Approach on the basis of varying risk estimate parameters, depending on the counterparty. Specifically:

- If on the reporting date the credit risk of a financial instrument has not increased significantly since initial recognition, a 12-month ECL is recognised (stage 1). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- If on the reporting date the credit risk of the financial instrument has increased significantly since initial recognition, a lifetime ECL is recognised (stage 2). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- if the financial instrument is impaired since initial recognition, or shows objective evidence of impairment at the reporting date, impairment will continue to be recognised over the lifetime of the financial instrument (stage 3). Interest is calculated on amortised cost.

In determining whether credit risk has increased significantly, it is necessary to compare the risk of default of the financial instrument as at the reporting date with the risk of default of the financial instrument on initial recognition.

However, there is a rebuttable default presumption if the financial instrument is more than 90 days past due, unless there is reasonable and supportable information to demonstrate that a default criterion with greater lag is more appropriate.

On the other hand, a simplified approach to measure the loss provisions is applied to trade receivables that do not contain a significant financing component pursuant to IFRS 15. The simplified approach is based on a matrix of observed historical losses. No significant increase in credit risk is determined but the loss allowance is based on lifetime expected losses.

The Group did not use the low credit risk exemption.

For a detailed description of the approaches, reference is made to Part E – Section 1 – Credit risk.

## Related parties

Related parties within the Poste Italiane Group are Poste Italiane SpA's functions outside the ring-fence and Poste Italiane SpA's direct and indirect subsidiaries and associates.

Related parties external to the Group include the MEF and its direct and indirect subsidiaries and associates. Related parties also include Poste Italiane SpA's key management personnel and the funds representing post-employment benefit plans for the personnel of BancoPosta RFC and its related parties. The state and public sector entities other than the MEF are not classified as related parties. Related party transactions do not include those deriving from financial assets and liabilities represented by instruments traded on organised markets.

## Employee benefits

**Short-term employee benefits** are those that will be fully paid within twelve months of the end of the year in which the employee provided his or her services. Such benefits include wages, salaries, social security contributions, holiday pay and sick pay.

The undiscounted value of short-term employee benefits, to be paid to employees in consideration of employment services provided over the relevant period, is accrued as personnel expenses.

**Post-employment benefits** consist of two types:

■ **Defined benefit plans**

Defined benefit plans include employee termination benefits payable to employees in accordance with art. 2120 of the Italian Civil Code for the part accrued until 31 December 2006. In fact, following the reform of the supplementary pension fund, from 1 January 2007 vesting employee termination benefits (TFR) must be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. Accordingly, BancoPosta RFC's defined benefit liability is applicable only to the provisions made up to 31 December 2006<sup>132</sup>.

Under these plans, given that the amount of the benefit to be paid is only quantifiable following the termination of employment, the related effects on profit or loss or the financial position are recognised on the basis of actuarial calculations in compliance with IAS 19. In particular, the liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the Separate Report is based on calculations performed by independent actuaries. The calculation takes into account the employee termination benefits accrued for work already performed and is based on actuarial assumptions that mainly concern: demographic assumptions (such as employee turnover and mortality) and financial assumptions (such as rate of inflation and a discount rate consistent with that of the liability). As BancoPosta RFC is not liable for employee termination benefits accruing after 31 December 2006, the actuarial calculation of employee termination benefits no longer takes account of future salary increases. Actuarial gains and losses are recognised directly in equity at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the BancoPosta RFC's obligations at the end of the period, due to changes in the actuarial assumptions.

■ **Defined contribution plans**

Employee termination benefits payable pursuant to art. 2120, Italian Civil Code fall within the scope of defined contribution plans provided they vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Contributions to defined contribution plans are recognised in profit or loss when incurred, based on their nominal value.

**Termination benefits payable to employees** are recognised as a liability when BancoPosta RFC gives a binding commitment, also on the basis of consolidated relationships and mutual undertakings with union representatives, to terminate the employment of an employee, or group of employees, prior to the normal retirement date or, alternatively, an employee or group of employees accepts an offer of benefits in consideration of a termination of employment. Termination benefits payable to employees are immediately recognised as personnel expenses.

**Other long-term employment benefits** consist of benefits not payable within twelve months of the end of the reporting period during which the employees provided their services. The net change in the value of any of the components of the liability during the reporting period is recognised in full in profit or loss. Measurement of the other long-term employee benefits liability is recognised in the financial statements on the basis of calculations performed by independent actuaries.

## Share-based payments

Share-based payment transactions may be settled in cash, equity instruments, or other financial instruments. In the event of share-based payment transactions BancoPosta RFC is required to measure the goods or services acquired and the liability incurred at fair value.

In the case of cash-settled share-based payment transactions:

- a liability is recognised as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the liability;
- the fair value of the liability must be remeasured at the end of each reporting period, recognising any changes in fair value in profit or loss for the period.

132. Where, following entry into effect of the new legislation, the employee has not exercised any option regarding the investment of vested employee termination benefits, the Company has remained liable to pay the benefits until 30 June 2007, or until the date, between 1 January 2007 and 30 June 2007, on which the employee exercised a specific option. Where no option was exercised, from 1 July 2007 vested employee termination benefits have been paid into a supplementary pension fund.

In the case of equity-settled share-based payment transactions:

- an increase in shareholders' equity is recorded as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the equity instruments granted at the grant date.

In the event of benefits granted to employees, recognition should take place in "Item 160 a) – Personnel expenses" over the period in which the employees render service and the expense accounted for.

## Classification of the costs for services provided by Poste Italiane SpA

Service costs charged by Poste Italiane SpA's functions outside the ring-fence are normally recognised in Item 160 b) - Other administrative expenses.

## Use of estimates

Preparation of the Separate Report requires the application of accounting standards and methods that are at times based on complex subjective judgements and estimates based on historical experience, and assumptions that are considered reasonable and realistic under the circumstances. Use of such estimates and assumptions affects the amounts reported in the financial statements and related disclosures. The actual amounts of items for which the above estimates and assumptions have been applied may differ from those reported in previous financial statements, due to uncertainties regarding the assumptions themselves and the conditions on which estimates are based. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods.

This section provides a description of accounting treatments that require the use of subjective estimates and for which a change in the conditions underlying the assumptions used could have a material impact on BancoPosta RFC's Separate Report.

## Impairment and stage allocation

For the purposes of calculating impairment and determining the stage allocation, the main factors estimated are as follows, relating to the internal model developed for Sovereign, Banking and Corporate counterparties:

- estimates of ratings by counterparty;
- estimation of the probability of default "PD" for counterparties.

## Revenue from contracts with customers

The main factors in the recognition of revenue from contracts with customers include elements of variable consideration, particularly penalties (other than those related to compensation for damages). Elements of variable consideration are identified at the inception of the contract and estimated as of every close of the accounts for the entire contract term, to take into account new circumstances and changes in the circumstances already considered for the previous estimations. Elements of variable consideration include refund liabilities.

## Deferred tax assets

The recognition of deferred tax assets is based on the expectation of taxable income in future years. Assessments of expected taxable income depend on factors which may change over time, impacting on the valuation of the deferred tax assets in the Separate Report.

## Fair value of unquoted financial instruments

The fair value of financial instruments that are not traded on an active market is based on prices quoted by external dealers or on internal valuation techniques which estimate the transaction price on the measurement date in an arm's length exchange motivated by normal business considerations. The valuation models are primarily based on market variables, considering where possible, the prices in recent transactions and quoted market prices for substantially similar instruments, and of any related credit risk. Further details on the techniques used to measure the fair value of unquoted financial instruments are contained in Part A Section A.4.1.

## Provisions for risks and charges

Provisions for risks and charges represent probable liabilities in connection with personnel, suppliers, third parties and, in general, liabilities deriving from present obligations. These provisions cover the liabilities that could result from legal action of varying nature, the impact on profit or loss of seizures incurred and not yet definitively assigned, and amounts expected to be refundable to customers where the final amount payable has yet to be determined.

Determination of the amounts to be provided involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account when preparing this Separate Report.

## Share-based payments

As further described in Part I - Additional information - Share-based payment arrangements, the valuation of the share-based payment arrangements in place within the Poste Italiane Group at the close of these financial statements was based on the conclusions reached by actuaries external to the Group. The plan terms and conditions link the award of the related options to the occurrence of certain events, such as the achievement of performance targets and performance hurdles and, in certain areas of operation, compliance with certain capital adequacy and liquidity requirements. For these reasons, measurement of the liability, equity reserve and the corresponding economic effects involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing these financial statements.

## A.3 – Information on transfers between financial asset portfolios

There have been no transfers between portfolios.

## A.4 – Information on fair value

### Qualitative information

#### A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

BancoPosta RFC had adopted the Poste Italiane Group's fair value policy. This policy sets out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The principles and rules to be applied in measuring the fair value of financial instruments are unchanged with respect to 31 December 2018 and have been defined in compliance with indications from the various (banking and insurance) regulators and the relevant accounting standards, ensuring consistent application of the valuation techniques adopted at Group level. The methods used have been revised, where necessary, to take into account developments in operational procedures and in market practices during the year.

In compliance with IFRS 13 - Fair Value Measurement, the valuation techniques used are described below.

The assets and liabilities concerned (specifically assets and liabilities measured at fair value and measured at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of three levels.

**Level 1:** this level is comprised of fair values determined with reference to unadjusted prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For BancoPosta RFC, the financial instruments included in this category consist of bonds issued by the Italian government, the valuation of which is based on the bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended for retail customers, and the CBBT (Composite Bloomberg Bond Trader) third. Level 1 bond price quotations incorporate a credit risk component.

**Level 2:** this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability. Given the nature of BancoPosta RFC's operations, the observable data used as input to determine the fair value of the various instruments include yield curves and projected inflation rates, exchange rates provided by the European Central Bank, ranges of rate volatility, inflation option premiums, asset swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.

For BancoPosta RFC, these include the following types of financial instrument:

- Straight Italian and international government and non-government bonds, quoted on inactive markets or unquoted: valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- Unquoted equities, for which it is to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner is adjusted through the application of a discount, quoted by primary market counterparties, representing the cost implicit in the process to align the value of the unquoted shares to the quoted ones.

- Fixed income bonds which are measured with the discounted cash flow method, that is by calculating the present value of all future contractual cash flows. The credit spread for the counterparty is incorporated by using yield curves constructed on the basis of the bond prices specific to the issuer.
- Derivative financial instruments:
  - Plain vanilla interest rate swaps: valued using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.
  - Interest rate swaps with an embedded option: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measured using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the derivatives held in BancoPosta RFC's *portfolio* as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.
  - Bond forwards: valuation is based on the present value of the differential between the forward price of the underlying instrument as of the measurement date and the settlement price.

The derivatives held in BancoPosta RFC's *portfolio* may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged debt securities, given the limited level of credit risk inherent in the securities held as collateral by BancoPosta RFC.

- Reverse Repos: are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Reverse Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.
- Financial liabilities either quoted on inactive markets or not at all, consisting of repurchase agreements used to raise finance are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

**Level 3:** this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed, in addition to Level 2 inputs. In BancoPosta RFC's case, this category includes equity instruments for which no price is observable directly or indirectly in the market. Measurement of these instruments is based on the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of the unquoted shares to the quoted ones.

## A.4.2 Measurement processes and sensitivities

The processes used in recurring and non-recurring fair value measurements of instruments classified in Level 3 are described in paragraphs A.4.1 and A.4.5, respectively, of Part A.

Sensitivity analysis of recurring fair value measurements classified in Level 3 of the hierarchy is conducted for the Series C Visa Incorporated Convertible Participating Preferred Stock. Measurement of these financial instruments is in fact subject to change following alterations that may occur in the discount factor applied in determining fair value, in order to take into account the illiquid nature of the shares. This discount factor, estimated using an internal valuation technique, is above all influenced by the annual volatility of the underlying shares. Applying the maximum volatility according to the technique used, the potential reduction in fair value could reach approximately 11%.

## A.4.3 Fair value hierarchy

There were no occurrences during the year resulting in a requirement to transfer financial assets and liabilities measured at fair value on a recurring basis between the various levels of the fair value hierarchy.



## A.4.4 Other information

There is no need to provide the additional disclosures required by IFRS 13, paragraphs 51, 93(h) and 96.

## Quantitative information

### A.4.5 Fair value hierarchy

#### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis by fair value level

Assets/Liabilities measured at fair value (€m)	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
1. Financial assets measured at fair value through profit or loss	-	-	71	-	13	45
a) financial assets held for trading	-	-	-	-	-	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	71	-	13	45
2. Financial assets measured at fair value through other comprehensive income	36,506	293	-	31,780	260	-
3. Hedging derivatives	-	73	-	-	368	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>36,506</b>	<b>366</b>	<b>71</b>	<b>31,780</b>	<b>641</b>	<b>45</b>
1. Financial liabilities held for trading	-	15	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	5,552	-	-	1,829	-
<b>Total</b>	<b>-</b>	<b>5,567</b>	<b>-</b>	<b>-</b>	<b>1,829</b>	<b>-</b>

\* Notes on this position are provided in Part B, Assets, Table 2.5.

The derivatives held in BancoPosta RFC's *portfolio* may be pledged as collateral and the fair value, consequently, need not be adjusted for the counterparty's credit risk (Part A, Section A.4.1).

### A.4.5.2 Movements during the year in assets measured at fair value on a recurring basis (Level 3)

(€m)	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
<b>1. Opening balance</b>	<b>45</b>	-	-	<b>45</b>	-	-	-	-
<b>2. Increases</b>	<b>26</b>	-	-	<b>26</b>	-	-	-	-
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profit recognition:	26	-	-	26	-	-	-	-
2.2.1. Profit or loss	26	-	-	26	-	-	-	-
- of which gains	-	-	-	-	-	-	-	-
2.2.2. Equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
<b>3. Decreases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Impairment recognition:	-	-	-	-	-	-	-	-
3.3.1. Profit or loss	-	-	-	-	-	-	-	-
- of which loss	-	-	-	-	-	-	-	-
3.3.2. Equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
<b>4. Closing balance</b>	<b>71</b>	<b>-</b>	<b>-</b>	<b>71</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

In the period under review, changes of €26 million relate to the change in fair value of Series C Visa Incorporated Convertible Participating Preferred Stock.

### A.4.5.3 Movements during the year in liabilities measured at fair value on a recurring basis (Level 3)

Nil.

#### A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis (€m)	Total at 31/12/2019				Total at 31/12/2018			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	40,950	20,613	5,231	14,728	33,743	16,780	4,660	10,620
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>40,950</b>	<b>20,613</b>	<b>5,231</b>	<b>14,728</b>	<b>33,743</b>	<b>16,780</b>	<b>4,660</b>	<b>10,620</b>
1. Financial liabilities measured at amortised cost	71,537	-	12,205	59,343	64,203	-	8,488	55,729
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
<b>Total</b>	<b>71,537</b>	<b>-</b>	<b>12,205</b>	<b>59,343</b>	<b>64,203</b>	<b>-</b>	<b>8,488</b>	<b>55,729</b>

In determining the fair values shown in the table, the following criteria were used:

- debt securities measured at amortised cost were recognised applying the same rules as those used in the fair value measurement of financial assets measured at fair value through other comprehensive income; these instruments are shown in Level 1 of the fair value hierarchy;
- the fair value of repurchase agreements was measured using the discounted cash flow techniques described in paragraph A.4.1; these financial instruments are shown in Level 2 of the fair value hierarchy;
- the carrying amount of other financial assets and liabilities represents a reasonable approximation of fair value and is shown in the column corresponding to Level 3 in the fair value hierarchy.

## A.5 – Information on day one profit/loss

This form of profit or loss is not applicable to BancoPosta RFC.

## Part B – Information on the statement of financial position

### Assets

#### Section 1 – Cash and cash equivalents – Item 10

##### 1.1 Cash and cash equivalents: breakdown

(€m)	Total at 31/12/2019	Total at 31/12/2018
a) Cash	3,500	2,980
b) Central bank deposits	814	348
<b>Total</b>	<b>4,314</b>	<b>3,328</b>

Cash is comprised of cash at post office counters and companies that provide cash transportation services, consisting of cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Treasury to fund post office operations. This cash may only be used in settlement of these obligations. Cash includes foreign banknotes equivalent to €12 million.

#### Section 2 – Financial assets measured at fair value through profit or loss – Item 20

##### 2.1 Financial assets held for trading: breakdown by type

BancoPosta RFC had no financial instruments in the trading book either at 31 December 2019 or 31 December 2018.

BancoPosta RFC entered into transactions to acquire and immediately dispose of debt and equity securities on behalf of certain customers.

##### 2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

Nil.

## 2.3 / 2.4 Financial assets measured at fair value: breakdown by type and by debtor/issuer

There are no financial assets measured at fair value under the fair value option in *portfolio*.

## 2.5 Other financial assets mandatorily measured at fair value: breakdown by type

Items/Amounts (€m)	Total at 31/12/2019			Total at 31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Debt securities</b>	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
<b>2. Equity instruments</b>	-	-	<b>71</b>	-	<b>5</b>	<b>45</b>
<b>3. UCIs</b>	-	-	-	-	-	-
<b>4. Loans</b>	-	-	-	-	<b>8</b>	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	8	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>71</b>	<b>-</b>	<b>13</b>	<b>45</b>

Investments in equity instruments, totalling €71 million, reflect the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock) received for the disposal of the Visa Europe Ltd. share to Visa Incorporated in 2016. These shares are convertible at the rate of 13,884<sup>133</sup> ordinary shares for each C share, minus a suitable illiquidity discount, considering the staggered conversion between the fourth and the twelfth year after the closing. The overall change in fair value during the year is a positive €26 million and is recorded in profit and loss under “Item 110 - Profits (Losses) of other financial assets and liabilities mandatorily measured at fair value through profit or loss”.

In 2019, BancoPosta RFC entered into a forward sale agreement for 400,000 ordinary Visa Incorporated shares at a price of US\$153.46 per share and at an exchange rate of 1.2037. The total consideration is €51 million and the settlement date is 1 March 2021. The ordinary shares involved in the forward sale amount to approximately 28,810 Visa Incorporated (Series C) preference shares held in *portfolio* at the applicable conversion rate at 31 December 2019. The fair value of the forward sale has decreased by €15 million in the reporting period, reflecting movements in both the price of the shares and the euro/dollar exchange rate. This reduction has been recognised in profit or loss in “Item 80 - Profits/(Losses) on trading”.

Finally, in 2019, BancoPosta RFC sold its previous holding of 11,144 class C Visa Incorporated shares following their prior conversion into class A shares. This transaction generated a capital gain of €1 million recognised in profit and loss under “Item 110 - Profits (Losses) of other financial assets and liabilities mandatorily measured at fair value through profit or loss”.

133. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, as of the reporting date, were considered as merely contingent.

## 2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

(€m)	Total at 31/12/2019	Total at 31/12/2018
<b>1. Equity instruments</b>	<b>71</b>	<b>50</b>
of which: banks	-	-
of which: other financial companies	71	50
of which: non-financial companies	-	-
<b>2. Debt securities</b>	<b>-</b>	<b>-</b>
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
<b>3. UCIs</b>	<b>-</b>	<b>-</b>
<b>4. Loans</b>	<b>-</b>	<b>8</b>
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	8
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>Total</b>	<b>71</b>	<b>58</b>

In June 2019, the outstanding amount of €8 million due following the disposal of Visa Europe Ltd. share to Visa Incorporated was collected.

## Section 3 – Financial assets measured at fair value through other comprehensive income – Item 30

### 3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

Items/Amounts (€m)	Total at 31/12/2019			Total at 31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Debt securities</b>	<b>36,506</b>	<b>293</b>	<b>-</b>	<b>31,780</b>	<b>260</b>	<b>-</b>
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	36,506	293	-	31,780	260	-
<b>2. Equity instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>36,506</b>	<b>293</b>	<b>-</b>	<b>31,780</b>	<b>260</b>	<b>-</b>

Investments in debt securities are recognised at fair value, for €36,799 million (of which €318 million in accrued interest).

## 3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

Items/Amounts (€m)	Total at 31/12/2019	Total at 31/12/2018
<b>1. Debt securities</b>	<b>36,799</b>	<b>32,040</b>
a) Central banks	-	-
b) Public Admin. entities	36,799	32,040
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
<b>2. Equity instruments</b>	<b>-</b>	<b>-</b>
a) Banks	-	-
b) Other issuers:	-	-
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	-	-
- other	-	-
<b>3. Loans</b>	<b>-</b>	<b>-</b>
a) Central banks	-	-
b) Public Admin. entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>Total</b>	<b>36,799</b>	<b>32,040</b>

Debt securities issued by governments include Eurozone fixed income government bonds, represented by Italian government bonds with a nominal value of €31,170 million. Total fair value fluctuation for the period was positive for €3,758 million, with gains of €1,702 million recognised in the relevant equity reserve in relation to the portion of the *portfolio* not hedged by fair value hedges, and a gain of €2,056 million recognised through profit and loss in relation to the hedged portion.

Securities with a nominal value of €7,557 million are encumbered as follows:

- €6,621 million, carried at fair value for €7,329 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with repurchase agreements concluded prior to 31 December 2019;
- €889 million, carried at fair value for €913 million, and delivered to the Bank of Italy to secure an intraday line of credit;
- €47 million carried at fair value for €48 million and delivered to the Bank of Italy in relation to the clearing service offered by the central bank for the execution of Sepa Direct Debits.

### 3.3 Financial assets measured at fair value through other comprehensive income: gross amount and overall impairment losses/reversals

(€m)	Gross amount			Total impairments			Total partial write-offs*
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	of which: Instruments with low credit risk						
Debt securities	36,810	-	-	11	-	-	-
Loans	-	-	-	-	-	-	-
<b>Total at 31/12/2019</b>	<b>36,810</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>
of which: purchased or originated credit impaired financial assets	X	X	-	X	-	-	-

\* Amount reported for disclosure purposes.

Fixed income instruments recognised at FVTOCI are adjusted for impairment through the relevant equity reserve, with a matching entry in profit or loss. Accumulated impairments at 31 December 2019 amount to €11 million (€13 million at 31 December 2018).

## Section 4 – Financial assets measured at amortised cost – Item 40

### 4.1 Financial assets measured at amortised cost: breakdown of receivables due from banks by type

Transaction type/Amounts (€m)	Total at 31/12/2019						Total at 31/12/2018					
	Carrying amount		of which: purchased or originated credit impaired	Fair Value			Carrying amount		of which: purchased or originated credit impaired	Fair Value		
	Stage 1 and 2	Stage 3		Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3		Level 1	Level 2	Level 3
<b>A. Due from Central Banks</b>	-	-	-				-	-	-			
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	-	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
<b>B. Due from banks</b>	<b>4,694</b>	<b>-</b>	<b>-</b>				<b>1,400</b>	<b>-</b>	<b>-</b>			
1. Loans	4,694	-	-				1,400	-	-			
1.1 Current accounts and demand deposits	4	-	-	X	X	X	5	-	-	X	X	X
1.2 Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans:	4,690	-	-	X	X	X	1,395	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	4,690	-	-	X	X	X	1,395	-	-	X	X	X
<b>2. Debt securities</b>	<b>-</b>	<b>-</b>	<b>-</b>				<b>-</b>	<b>-</b>	<b>-</b>			
2.1 Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
2.2 Other debt securities	-	-	-	X	X	X	-	-	-	X	X	X
<b>Total</b>	<b>4,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,694</b>	<b>1,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,400</b>



“Other loans, Other” includes cash collateral held by counterparties for interest rate swaps (€4,581 million as collateral pursuant to Credit Support Annexes), entered into for cash flow and fair value hedging purposes by BancoPosta RFC, and repurchase agreements (€39 million as collateral pursuant to specific Global Master Repurchase Agreements).

In addition, “Other loans, Other” includes trade receivables for €70 million arising from contracts with customers, accounted for in accordance with IFRS 15 (€46 million at 31 December 2018) mainly relating to financial services and personal loan distribution.

## 4.2 Financial assets measured at amortised cost: breakdown of loans to customers by type

Transaction type/Amounts (€m)	Total at 31/12/2019						Total at 31/12/2018					
	Carrying amount		of which: purchased or originated credit impaired	Fair Value			Carrying amount		of which: purchased or originated credit impaired	Fair Value		
	Stage 1 and 2	Stage 3		Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3		Level 1	Level 2	Level 3
<b>1. Loans</b>	<b>11,192</b>	-	-				<b>9,471</b>	-	-			
1.1 Current accounts	8	-	-	X	X	X	9	-	-	X	X	X
1.2 Reverse repurchase agreements	1,158	-	-	X	X	X	251	-	-	X	X	X
1.3 Term loans	-	-	-	X	X	X	-	-	-	X	X	X
1.4 Credit cards, personal and salary loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5 Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other loans	10,026	-	-	X	X	X	9,211	-	-	X	X	X
<b>2. Debt securities</b>	<b>25,064</b>	-	-				<b>22,872</b>	-	-			
2.1 Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
2.2 Other debt securities	25,064	-	-	X	X	X	22,872	-	-	X	X	X
<b>Total</b>	<b>36,256</b>	-	-	<b>20,613</b>	<b>5,231</b>	<b>10,034</b>	<b>32,343</b>	-	-	<b>16,780</b>	<b>4,660</b>	<b>9,220</b>

A description of “Loans” is provided below.

The sub-item “Reverse repurchase agreements” refers to transactions for a total nominal amount of €1,158 million entered into with *Cassa di Compensazione e Garanzia* SpA (hereinafter Central Counterparty)<sup>134</sup>. These transactions are guaranteed by securities for a total notional amount of €1,086 million. At 31 December 2019 the fair value of reverse repurchase agreements is €1,158 million and is shown in Level 2 of the fair value hierarchy.

“Other loans” primarily consist of:

- €7,081 million, €17 million being accrued interest, in public customers’ current account deposits deposited with the MEF, which earn a variable rate of return, calculated on a basket of government securities<sup>135</sup>. The deposit has been adjusted to reflect accumulated impairments of approximately €3 million, to reflect the risk of counterparty default (unchanged compared to 31 December 2018);
- €1,040 million in guarantee deposits provided to counterparties for interest rate swaps in the amount of €600 million (with collateral provided by specific Credit Support Annexes) entered into for cash flow and fair value hedging purposes by BancoPosta RFC, repurchase agreement with a Central Counterparty for €169 million and for collateral deposited with the Central Counterparty, in relation to the clearing system, in the amount of €271 million (i.e. (Default Fund)<sup>136</sup>;
- €651 million in amounts receivable from Poste Italiane SpA’s functions outside the ring-fence, €650 million of which relates to Poste Italiane SpA’s Finance function’s intersegment financial account, used for the processing of payments to and from third parties;

134. The Central Counterparty is an entity that acts as an intermediary in a transaction between two parties, avoiding the parties’ exposure to the risk that one of the counterparties to the agreement may default and guaranteeing successful completion of the transaction.

135. The rate in question is calculated as follows: 50% is based on the return on 6-month BOTs, with the remaining 50% based on the ten-year BTP return.

136. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.

- €493 million, €2 million of which being accrued net interest expense, in deposits at the MEF (the “Buffer account”), remunerated at the EONIA rate<sup>137</sup>;
- €451 million in fees receivable from Cassa Depositi e Prestiti during the year in connection with postal savings;
- €12 million in amounts due for the payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security). Moreover, in February 2019, having conducted a joint assessment, Poste Italiane and INPS signed an agreement that, among other things, has settled the respective past outstanding trade receivables (Section 10 of Liabilities). These positions were settled in April 2019.

Receivables arisen from contracts with customers, which fall within the scope of IFRS 15, amount to 782 million (€837 million at 31 December 2018). These are mainly due to financial services, pension payments, interest on postal deposits, and personal loan distribution, net of any loss provisions for €40 million (€152 million at 31 December 2018). Information on the dynamics of total value adjustments is described in Part E, Section 1.

“Other debt securities” include Italian fixed income government bonds and securities guaranteed by the Italian State for €21,175 million. Their carrying amount of €25,064 million reflects the amortised cost of unhedged fixed income instruments, totalling €10,047 million, the amortised cost of fair-value hedged fixed income bonds, totalling €12,146 million, increased by €2,871 million to take into account the effects of the hedge (€1,902 million related to 2019). The value of these securities was adjusted to take into account the related impairments. Accumulated impairments at 31 December 2019 amount to approximately €8 million (€9 million at 31 December 2018).

At 31 December 2019 the total fair value of these instruments, inclusive of €177 million in accrued interest, amounts to €24,686 million, of which €20,613 million classified in Level 1 of the fair value hierarchy and €4,073 million classified in Level 2.

Securities with a nominal value of €5,457 million are encumbered as follows:

- €4,929 million, measured at amortised cost for €5,179 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with repurchase agreements concluded at 31 December 2019;
- €528 million, measured at amortised cost for €527 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with interest rate swaps and repurchase agreements concluded in the year under review.

137. The rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to the European Central Bank by a panel of banks operating in the euro zone (the biggest banks in all the Euro zone countries).

### 4.3 Financial assets measured at amortised cost: breakdown of receivables due from customers by debtor/issuer

Transaction type/Amounts (€m)	Total at 31/12/2019			Total at 31/12/2018		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired assets	Stage 1 and 2	Stage 3	of which: purchased or originated credit impaired assets
<b>1. Debt securities</b>	<b>25,064</b>	-	-	<b>22,872</b>	-	-
a) Public Admin. entities	21,118	-	-	18,333	-	-
b) Other financial companies	3,946	-	-	4,539	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
<b>2. Loans to:</b>	<b>11,192</b>	-	-	<b>9,471</b>	-	-
a) Public Admin. entities	7,625	-	-	7,375	-	-
b) Other financial companies	2,881	-	-	1,217	-	-
of which: insurance companies	147	-	-	148	-	-
c) Non-financial companies	680	-	-	871	-	-
d) Households	6	-	-	8	-	-
<b>Total</b>	<b>36,256</b>	-	-	<b>32,343</b>	-	-

Securities related to “Other financial companies” for an amortised cost of €3,946 million refer to fixed-rate securities for a total nominal amount of €3,750 million issued by Cassa Depositi e Prestiti and guaranteed by the Italian State.

### 4.4 Financial assets measured at amortised cost: gross amount and overall impairment losses/reversals

Items/Amounts (€m)	Gross amount			Rettifiche di valore complessive			Total partial write-offs*
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
			of which: instruments with low credit risk				
Debt securities	25,072	-	-	8	-	-	-
Loans	15,037	908	13	3	56	13	-
<b>Total at 31/12/2019</b>	<b>40,109</b>	<b>908</b>	<b>13</b>	<b>11</b>	<b>56</b>	<b>13</b>	<b>-</b>
<b>Total at 31/12/2018</b>	<b>32,872</b>	<b>1.049</b>	<b>13</b>	<b>12</b>	<b>166</b>	<b>13</b>	<b>-</b>
of which: purchased or originated credit impaired financial assets	X	X	-	X	-	-	-

\* Amount reported for disclosure purposes.

## Section 5 – Hedging derivatives – Item 50

### 5.1 Hedging derivatives by type of hedge and fair value level

(€m)	Fair value at 31/12/2019			Notional amount* at 31/12/2019	Fair value at 31/12/2018			Notional amount* at 31/12/2018
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
<b>A. Financial derivatives</b>	-	73	-	1,520	-	368	-	8,230
1) Fair value	-	11	-	745	-	163	-	4,420
2) Cash flow	-	62	-	775	-	205	-	3,810
3) Net foreign investments	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
<b>Total</b>	-	73	-	1,520	-	368	-	8,230

\* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

### 5.2 Hedging derivatives by hedged *portfolio* and type of hedge

Transaction type/Type of hedge (€m)	Fair Value							Cash flow		Net foreign investment
	Micro							Micro	Macro	
	Debt securities and interest rates	Equity instruments and equity indexes	Currencies and gold	Credit	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	9	-	-	-	X	X	X	62	X	X
2. Financial assets measured at amortised cost	2	X	-	-	X	X	X	-	X	X
3. <i>Portfolio</i>	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
<b>Total assets</b>	<b>11</b>	-	-	-	-	-	-	<b>62</b>	-	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. <i>Portfolio</i>	X	X	X	X	X	X	-	X	-	X
<b>Total liabilities</b>	-	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. <i>Portfolio</i> of financial assets and financial liabilities	X	X	X	X	X	X	-	X	-	-

## Section 6 – Adjustments for changes in hedged financial assets *portfolio* – Item 60

No macro-hedges have been arranged at the reporting date.

## Section 7 – Investments – Item 70

There are no investments in subsidiaries, joint arrangements or companies subject to significant influence.

## Section 8 – Property, plant and equipment – Item 80

BancoPosta does not own property, plant and equipment either for operating or investment purposes.

## Section 9 – Intangible assets – Item 90

There are no intangible assets.

## Section 10 – Tax assets and liabilities – assets Item 100 and liabilities Item 60

Current tax assets and liabilities form part of intersegment relations and are shown in “Other assets” (Item 120 in Assets) and “Other liabilities” (Item 80 in Liabilities), as they are settled with Poste Italiane SpA’s functions outside the ring-fence, within the scope of internal relations with Poste Italiane SpA, as the sole taxable entity.

Deferred tax assets and liabilities are analysed below:

### 10.1 Deferred tax assets: breakdown

Description (€m)	Financial assets and liabilities		Hedging derivatives		Provisions for doubtful debts		Provisions for risks and charges		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP	IRES	IRAP	IRES	IRAP		
Deferred tax assets through profit or loss	-	1	-	-	14	-	54	10	68	11
Deferred tax assets through equity	167	31	30	5	-	-	-	-	197	36
<b>2019 total</b>	<b>167</b>	<b>32</b>	<b>30</b>	<b>5</b>	<b>14</b>	<b>-</b>	<b>54</b>	<b>10</b>	<b>265</b>	<b>47</b>
Deferred tax assets through profit or loss	-	-	-	-	24	-	95	18	119	18
Deferred tax assets through equity	286	54	25	5	-	-	-	-	311	59
<b>2018 total</b>	<b>286</b>	<b>54</b>	<b>25</b>	<b>5</b>	<b>24</b>	<b>-</b>	<b>95</b>	<b>18</b>	<b>430</b>	<b>77</b>

### 10.2 Deferred tax liabilities: breakdown

Description (€m)	Financial assets and liabilities		Hedging derivatives		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP		
Deferred tax liabilities through profit or loss	-	-	-	-	-	-
Deferred tax liabilities through equity	496	93	61	12	557	105
<b>2019 total</b>	<b>496</b>	<b>93</b>	<b>61</b>	<b>12</b>	<b>557</b>	<b>105</b>
Deferred tax liabilities through profit or loss	-	-	-	-	-	-
Deferred tax liabilities through equity	258	49	55	10	313	59
<b>2018 total</b>	<b>258</b>	<b>49</b>	<b>55</b>	<b>10</b>	<b>313</b>	<b>59</b>

## 10.3 Movements in deferred tax assets through profit or loss

(€m)	Total at 31/12/2019	Total at 31/12/2018
<b>1. Opening balance</b>	<b>137</b>	<b>140</b>
<b>2. Increases</b>	<b>2</b>	<b>12</b>
2.1 Deferred tax assets recognised in the year	2	12
a) relating to previous years	1	-
b) due to changes in accounting policies	-	1
c) write-backs	-	-
d) other	1	11
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>(60)</b>	<b>(15)</b>
3.1 Deferred tax assets derecognised in the year	(60)	(15)
a) reversals	(7)	(10)
b) write-downs of non-recoverable items	(5)	-
c) due to changes in accounting policies	-	-
d) other	(48)	(5)
3.2 Reduction of tax rate	-	-
3.3 Other decreases:	-	-
a) transformation into tax credit pursuant to Law 214/2011	-	-
b) other	-	-
<b>4. Closing balance</b>	<b>79</b>	<b>137</b>

## 10.3 bis Movements in deferred tax liabilities under Law 214/2011

Nil.

## 10.4 Movements in deferred tax liabilities through profit or loss

Nil.

## 10.5 Movements in deferred tax assets through equity

(€m)	Total at 31/12/2019	Total at 31/12/2018
<b>1. Opening balance</b>	<b>370</b>	<b>266</b>
<b>2. Increases</b>	<b>11</b>	<b>364</b>
2.1 Deferred tax assets recognised in the year	11	364
a) relating to previous years	-	-
b) due to changes in accounting policies	-	71
c) other	11	293
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>(148)</b>	<b>(260)</b>
3.1 Deferred tax assets derecognised in the year	(148)	(260)
a) reversals	(11)	(31)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	(227)
d) other	(137)	(2)
3.2 Reduction of tax rate	-	-
3.3 Other decreases	-	-
<b>4. Closing balance</b>	<b>233</b>	<b>370</b>

## 10.6 Movements in deferred tax liabilities through equity

(€m)	Total at 31.12.2019	Total at 31.12.2018
<b>1. Opening balance</b>	<b>(372)</b>	<b>(308)</b>
<b>2. Increases</b>	<b>(416)</b>	<b>(755)</b>
2.1 Deferred tax assets recognised in the year	(416)	(755)
a) relating to previous years	-	-
b) due to changes in accounting policies	-	(686)
c) other	(416)	(69)
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>126</b>	<b>691</b>
3.1 Deferred tax assets derecognised in the year	126	690
a) reversals	96	129
b) due to changes in accounting policies	-	293
c) other	30	268
3.2 Reduction of tax rate	-	1
3.3 Other decreases	-	-
<b>4. Closing balance</b>	<b>(662)</b>	<b>(372)</b>

The net charge or credit to profit or loss due to movements in deferred tax assets and liabilities through equity is the tax effect on reserves described in Part D.

## 10.7 Other information

Nil.

## Section 11 – Non-current assets held for sale and discontinued operations and associated liabilities – Assets Item 110 and liabilities Item 70

There are no non-current assets held for sale or discontinued operations at the reporting date.

## Section 12 – Other assets – Item 120

### 12.1 Other assets: breakdown

Items/Amounts (€m)	Total at 31/12/2019	Total at 31/12/2018
Tax receivables from revenue agency	336	326
Items in process:	554	737
Current tax assets receivable from Poste Italiane SpA outside the ring-fence	77	2
Other items	1,525	1,380
<b>Total</b>	<b>2,492</b>	<b>2,445</b>

Tax receivables refer mainly to advances paid to the tax authorities, of which: €312 million for stamp duty to be paid virtually in 2020 and €8 million for withholding tax on interest payable to current account holders in 2019, both advances to be recovered from customers.

The sub-item “Items in process” includes:

- amounts due from the commercial partners for providing PostePay top-ups for €95 million;
- €67 million in withdrawals from BancoPosta ATMs yet to be debited to customer accounts or awaiting settlement;
- amounts to be charged to PostePay SpA for €50 million (mainly in the first few days of 2020).



Movements in current tax assets and liabilities receivable from and payable to Poste Italiane SpA outside the ring-fence are shown below:

Description (€m)	Current tax 2019			Current tax 2018		
	IRES	IRAP	Total	IRES	IRAP	Total
	Assets/ (Liabilities) due from and to Poste Italiane outside the ring-fence	Assets/ (Liabilities) due from and to Poste Italiane outside the ring-fence		Assets/ (Liabilities) due from and to Poste Italiane outside the ring-fence	Assets/ (Liabilities) due from and to Poste Italiane outside the ring-fence	
<b>Opening balance</b>	<b>(14)</b>	<b>2</b>	<b>(12)</b>	<b>27</b>	<b>-</b>	<b>27</b>
Payment of	206	38	244	156	39	195
payments on account for the current year	192	38	230	156	39	195
balance payable for the previous year	14	-	14	-	-	-
Amount recognised in profit or loss	(145)	(31)	(176)	(197)	(37)	(234)
current tax	(145)	(30)	(175)	(197)	(37)	(234)
changes in current taxation for previous years	-	(1)	(1)	-	-	-
Amount recognised in equity	-	-	-	-	-	-
Other*	21	-	21	-	-	-
<b>Closing balance</b>	<b>68</b>	<b>9</b>	<b>77</b>	<b>(14)</b>	<b>2</b>	<b>(12)</b>
of which:						
Current tax assets due from Poste Italiane outside the ring-fence (Item 120 Assets)	68	9	77	-	2	2
Current tax liabilities due to Poste Italiane outside the ring-fence (Item 80 Liabilities)	-	-	-	(14)	-	(14)

\* Mainly due to receivables for withholdings incurred.

“Other items” include mainly:

- €1,357 million in stamp duty accrued to 31 December 2019 payable by holders of outstanding Interest-bearing Postal Certificates<sup>138</sup>. An equal amount has been recognised in “Other liabilities” as tax payables (Part B, Liabilities, Table 8.1) until expiration or early extinguishment of Interest-bearing Postal Certificates, which is the date on which the tax must be paid to the authorities;
- €120 million relating to stamp duty charged to Postal Savings Books, which BancoPosta RFC pays in virtual form as required by law.

138. Introduced by article 19 of Law Decree 201/2011, converted as amended by Law 214/2011, in accordance with the MEF Decree dated 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

## Liabilities

### Section 1 – Financial liabilities measured at amortised cost – Item 10

#### 1.1 Financial liabilities measured at amortised cost: breakdown of due to banks by type

Transaction type/Amounts (€m)	Total at 31/12/2019				Total at 31/12/2018			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Due to Central Banks</b>	-	X	X	X	-	X	X	X
<b>2. Due to banks</b>	<b>7,186</b>	X	X	X	<b>5,985</b>	X	X	X
2.1 Current accounts and demand deposits	383	X	X	X	589	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	6,690	X	X	X	5,323	X	X	X
2.3.1 Repurchase agreements	6,690	X	X	X	5,323	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Obligations to repurchase equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	113	X	X	X	73	X	X	X
<b>Total</b>	<b>7,186</b>	-	<b>6,699</b>	<b>496</b>	<b>5,985</b>	-	<b>5,336</b>	<b>662</b>

At 31 December 2019, €6,690 million is due to banks under “Loans, Repurchase agreements” entered into with primary financial institutions involving securities with a total nominal value of €6,298 million. These regard €5,302 million in Long Term Repos and €1,388 million in ordinary loan transactions, with the resulting proceeds invested in Italian fixed income government securities and utilised as funding for incremental deposits used as collateral.

Repurchase agreements are classified as fair value Level 2 loans, whereas the fair value of other types of transaction included in this line item approximates to their carrying amounts and they are classified as Level 3.

The sub-item “Other payables” includes €112 million in guarantee deposits relating to sums paid to counterparties with which Repo transactions are in place (collateral provided for by specific Global Master Repurchase Agreements).

BancoPosta RFC has uncommitted overnight lines of credit amounting to €1,009 million, overdraft facilities for €173 million and arrangements for the issue of personal guarantees for €675 million granted to Poste Italiane SpA, undrawn at 31 December 2019.

In addition, from 7 May 2019, BancoPosta’s assets may access a short-term committed facility granted by Cassa di Risparmio di Venezia for repurchase agreements up to a maximum of €5 billion and with a duration of 12 months that may be extended.

Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €889 million, and the facility is unused at 31 December 2019.

## 1.2 Financial liabilities measured at amortised cost: breakdown of due to customers by type

Transaction type/Amounts (€m)	Total at 31/12/2019				Total at 31/12/2018			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	53,555	x	x	x	50,618	x	x	x
2. Time deposits	-	x	x	x	-	x	x	x
3. Loans	10,046	x	x	x	6,813	x	x	x
3.1 Repurchase agreements	5,504	x	x	x	3,150	x	x	x
3.2 Other	4,542	x	x	x	3,663	x	x	x
4. Obligations to repurchase equity instruments	-	x	x	x	-	x	x	x
5. Lease payables	-	x	x	x	-	x	x	x
6. Other payables	750	x	x	x	786	x	x	x
<b>Total</b>	<b>64,351</b>	<b>-</b>	<b>5,506</b>	<b>58,847</b>	<b>58,217</b>	<b>-</b>	<b>3,152</b>	<b>55,067</b>

The sub-item “Current accounts and demand deposits” include €5,219 million in postal current accounts held by PostePay SpA, €227 million in postal current accounts held by PosteVita SpA and €58 million in current accounts held by Poste Italiane outside the ring-fence.

At 31 December 2019 “Loans, Repurchase agreements” amount to €5,504 million, reflecting transactions entered into with Central Counterparty in relation to securities with a nominal amount of €5,252 million. These regard €773 million in Long Term Repos and €4,731 million in ordinary loan transactions, with the resulting proceeds invested in Italian fixed income government securities and utilised as funding for incremental deposits used as collateral.

The sub-item “Loans, Other” consist of the net amount of €4,542 million deposited in the MEF account held at the Treasury, which breaks down as follows:

- the balance of cash flows for advances, amounting to €4,397 million, represents the net amount payable as a result of advances from the MEF to meet the cash requirements of BancoPosta;
- net cash flow receivable for postal savings management of €47 million, due to the excess repayments on deposits made in the last two days of the year in question and settled in the first few days of the following year; at 31 December 2019, the balance consisted of a payable of €25 million owed to Cassa Depositi e Prestiti and a receivable of €72 million owed to the MEF for issues of postal savings bonds attributable to Cassa Depositi e Prestiti;
- liabilities in connection with robberies suffered by Post Offices of €158 million, relating to obligations assumed towards the MEF on behalf of the Treasury as a result of theft and embezzlement; these obligations derive from withdrawals made from the Treasury, which are necessary to replenish the cash shortfall due to these criminal events so as to ensure the continuity of the Post Offices’ operations;
- amounts payable for operational risks for €34 million regard the portion of advances obtained to fund operations, in relation to which asset under recovery is certain or probable.

The sub-item “Other payables” primarily consist of domestic postal orders, amounting to €600 million, and postal money orders for €139 million.

The Level 2 fair value refers to the repurchase agreements while the fair value of the remaining instruments of this line item approximates to its carrying amount and it is consequently classified as Level 3.

### 1.3 Financial liabilities measured at amortised cost: breakdown of outstanding securities by type

There are no securities in issue.

Nil.

### 1.4 Detail of subordinated debt/securities

Nil.

### 1.5 Detail of structured debt

Nil.

### 1.6 Lease payables

Nil.

## Section 2 – Financial liabilities held for trading – Item 20

Transaction type/Amounts (€m)	Total at 31/12/2019					Total at 31/12/2018				
	Nominal or notional amount	Fair Value			Fair Value*	Nominal or notional amount	Fair Value			Fair Value*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
<b>A. On-balance sheet liabilities</b>										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
<b>Total A</b>	-	-	-	-	-	-	-	-	-	-
<b>B. Derivative instruments</b>										
1. Financial derivatives	-	-	15	-	-	-	-	-	-	-
1.1 Trading	X	-	-	-	X	X	-	-	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	15	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
<b>Total B</b>	-	-	15	-	-	-	-	-	-	-
<b>Total (A+B)</b>	-	-	15	-	-	-	-	-	-	-

Financial liabilities held for trading relate to a forward sale agreement for 400,000 ordinary shares of Visa Incorporated (discussed in Section 2 of Assets).

## Section 3 – Financial liabilities measured at fair value – Item 30

No financial liabilities are held in *portfolio* measured at fair value through profit or loss (the “fair value option”).

## Section 4 – Hedging derivatives – Item 40

### 4.1 Hedging derivatives by type and fair value level

(€m)	Notional amount* at 31/12/2019	Fair value at 31/12/2019			Notional amount* at 31/12/2018	Fair value at 31/12/2018		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Financial derivatives</b>	<b>27,344</b>	-	<b>5,552</b>	-	<b>20,105</b>	-	<b>1,829</b>	-
1) Fair value	24,945	-	5,450	-	19,170	-	1,722	-
2) Cash flow	2,399	-	102	-	935	-	107	-
3) Net foreign investments	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
<b>Total</b>	<b>27,344</b>	-	<b>5,552</b>	-	<b>20,105</b>	-	<b>1,829</b>	-

\* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

### 4.2 Hedging derivatives by hedged *portfolio* and type of hedge

Transaction type/Type of hedge (€m)	Fair Value							Cash flow		Net foreign investment
	Micro							Macro	Macro	
	Debt securities and interest rates	Equity instruments and equity indexes	Currencies and gold	Credit	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	2,574	-	-	-	X	X	X	66	X	X
2. Financial assets measured at amortised cost	2,876	X	-	-	X	X	X	-	X	X
3. <i>Portfolio</i>	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
<b>Total assets</b>	<b>5,450</b>	-	-	-	-	-	-	<b>66</b>	-	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. <i>Portfolio</i>	X	X	X	X	X	X	-	X	-	X
<b>Total liabilities</b>	-	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	36	X	X
2. <i>Portfolio</i> of financial assets and financial liabilities	X	X	X	X	X	X	-	X	-	-

## Section 5 – Adjustments for changes in hedged financial liabilities *portfolio* – Item 50

No macro-hedges have been arranged at the reporting date.

## Section 6 – Tax liabilities – Item 60

Please refer to Assets, Section 10.

## Section 7 – Liabilities associated with non-current assets held for sale and discontinued operations– Item 70

There are no such liabilities at the reporting date.

## Section 8 – Other liabilities – Item 80

### 8.1 Other liabilities: breakdown

Items/Amounts (€m)	Total at 31/12/2019	Total at 31/12/2018
Tax payables to revenue agency	1,402	1,236
Items in process:	844	728
- amounts to be credited to Postal Savings Books	212	204
- other	632	524
Amounts payable to Poste Italiane outside the ring-fence:	441	409
- for services rendered by Poste Italiane SpA	441	322
- current tax liabilities	-	14
- contribution of card payments and payment services unit	-	73
Amounts due to customers	52	68
Amounts due to suppliers	103	126
Amounts due to staff	10	16
Contract liabilities	26	33
Other items	75	76
<b>Total</b>	<b>2,953</b>	<b>2,692</b>

The sub-item “Tax payables to revenue agency” mainly includes:

- €1,357 million in stamp duty accrued to 31 December 2019 on outstanding Interest-bearing Postal Certificates in accordance with the requirements referenced in Part B, Assets, Table 12.1;
- €19 million regarding taxes payable to collection agents, the tax authorities and regional authorities for payments made by customers;
- €10 million in tax withholdings on current account interest earned by customers.

“Items in process, various” refer, among other things, to domestic and foreign transfers and BancoPosta’s operations for amounts to be credited to customers, mainly in the first few days of 2020.

During 2019, BancoPosta paid the contribution payable of €73 million to PostePay SpA.

“Contract liabilities” are mainly due to the placement of loan products, as shown in the following table:

Description (€m)	Balance at 31/12/2018	Increases / (Decreases)	Change due to recognition of revenue for period	Balance at 31/12/2019
Liabilities for volume discounts	4	(1)	-	3
Liabilities for fees to be refunded	26	(26)	20	20
Deferred income from trading transactions	3	-	-	3
<b>Total</b>	<b>33</b>	<b>(27)</b>	<b>20</b>	<b>26</b>

Liabilities for commissions to be relegated refer to the estimate of the commissions to be relegated to partners for the contractually agreed early repayment of loan products placed after 1 January 2018.

“Other items” relate to prior year balances currently being verified.

## Section 9 – Employee termination benefits – Item 90

Movements in employee termination benefits during the year under review are shown below:

### 9.1 Employee termination benefits: annual changes

(€m)	Total at 31/12/2019	Total at 31/12/2018
<b>A. Opening balance</b>	<b>3</b>	<b>17</b>
<b>B. Increases</b>	<b>1</b>	<b>-</b>
B.1 Provisions for the year	-	-
B.2 Other changes	1	-
<b>C. Decreases</b>	<b>(1)</b>	<b>(14)</b>
C.1 Benefits paid	-	(1)
C.2 Other changes	(1)	(13)
<b>D. Closing balance</b>	<b>3</b>	<b>3</b>

The current service cost is not applicable to the employee termination benefits attributable to BancoPosta RFC, since this cost is recognised in personnel expenses, as the contributions are paid over to pension funds or other social security institutions.

The other decreases are due to transfers to the same or other Group Companies and actuarial gains.

## 9.2 Other information

Measurement of the liability entails actuarial computations for which the following assumptions were used in 2019 and 2018:

### Economic and financial assumptions

	31/12/2019
Discount rate	0.550%
Inflation rate	1.50%
Annual rate of increase of employee termination benefits	2.625%

### Demographic assumptions

	31/12/2019
Mortality	ISTAT2018 differentiated by gender
Disability	INPS 1998 differentiated by gender
Rate of employee turnover	Specific table with rates differentiated by length of service. The average length of service for participants corresponds to an annual rate of 0.19%
Advance rate	1.25% for lengths of service of at least 8 years
Pensionable age	In accordance with rules set by INPS

### Actuarial gains/(losses)

	31/12/2019	31/12/2018
Change in demographic assumptions	-	-
Change in financial assumptions	0.2	-
Other experience-related adjustments	(0.5)	(0.5)
<b>Total</b>	<b>(0.3)</b>	<b>(0.5)</b>

### Sensitivity analysis

	Employee termination benefits at 31/12/2019
Inflation rate +0.25%	3
Inflation rate -0.25%	3
Discount rate +0.25%	3
Discount rate -0.25%	3
Turnover rate +0.25%	3
Turnover rate -0.25%	3

### Other information

	31/12/2019
<i>Service Cost</i>	-
Average duration of defined benefit plan	12.2
Average employee turnover	0.19%



## Section 10 – Provisions for risks and charges – Item 100

### 10.1 Provisions for risks and charges: breakdown

Items/Amounts (€m)	Total at 31/12/2019	Total at 31/12/2018
1. Provisions for credit risk relating to financial commitments and guarantees given	-	-
2. Provisions for other commitments and guarantees given	-	-
3. Provisions for retirement benefits	-	-
4. Other provisions for risks and charges	327	511
4.1 litigation	95	95
4.2 personnel expenses	1	1
4.3 Other	231	415
<b>Total</b>	<b>327</b>	<b>511</b>

The composition of “Other provisions” is provided in Table 10.6, below.

### 10.2 Provisions for risks and charges: annual changes

(€m)	Provisions for other commitments and guarantees given	Provisions for retirement benefits	Other provisions for risks and charges	Total
<b>A. Opening balance</b>	-	-	511	511
<b>B. Increases</b>	-	-	42	42
B.1 Provisions for the year	-	-	42	42
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to changed discount rates	-	-	-	-
B.4 Other changes	-	-	-	-
<b>C. Decreases</b>	-	-	(226)	(226)
C.1 Uses during the year	-	-	(201)	(201)
C.2 Changes due to changed discount rates	-	-	-	-
C.3 Other changes	-	-	(25)	(25)
<b>D. Closing balance</b>	-	-	327	327

The main changes are commented in the remainder of this section.

### 10.3 Provisions for credit risk relating to financial commitments and guarantees given

Nil.

### 10.4 Provisions for other commitments and guarantees given

Nil.

## 10.5 Company defined benefit pension plan

Nil.

## 10.6 Provisions for risks and charges - other provisions

Description (€m)	Total at 31/12/2019	Total at 31/12/2018
<b>Litigation</b>	<b>95</b>	<b>95</b>
Provisions for disputes with third parties	95	95
Provisions for disputes with staff	-	-
<b>Provisions for personnel expenses</b>	<b>1</b>	<b>1</b>
<b>Other provisions</b>	<b>231</b>	<b>415</b>
Provisions for operational risk	231	415
<b>Total</b>	<b>327</b>	<b>511</b>

**Provisions for disputes** with third parties regard expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, administrative and penal sanctions and compensation payable to customers. During the year, net provisions of €7 million regard an update of the estimate of the liabilities and the related legal expenses, taking account of both the overall value of negative outcomes in terms of litigation.

**Provisions for disputes** with staff regard liabilities that may arise following labour litigation and disputes of various types.

**Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour.

Provisions for operational risks reflect mainly risks for claims by customers in relation to investment products whose performance is not in line with expectations, compensation and adjustments to income for previous years, the liabilities arising from the reconstruction of operating ledger entries at the time of Poste Italiane SpA's incorporation, risks linked to the distribution of postal saving products created in past years, and probable frauds and estimated risks for charges and expenses to be incurred in connection with seizures effected by BancoPosta as garnishee-defendant.

Provisions for 2019, totalling €33 million, mainly reflect risks associated with the distribution of postal savings products issued in previous years and the adjustment of liabilities due to adjustments and settlements to income from previous years. During the year, the provision in question was utilised for a total of €193 million: (i) €100 million refer to liabilities defined in favour of customers subscribing to the Immobiliare Obelisco (expired on 31 December 2018) and Europa Immobiliare I funds, in relation to the voluntary protection initiatives approved by the Board of Directors of Poste Italiane and undertaken during 2019; (ii) €67 million refer to liabilities defined in favour of INPS, following the agreement signed between the parties in February 2019.

## Section 11 – Redeemable shares – Item 120

Nothing to report.

## Section 12 – Equity – Items 110, 130, 140, 150, 160, 170 and 180

### 12.1 Capital and treasury shares: breakdown

Nil.

### 12.2 Capital – Number of shares: annual changes

Nil.

## 12.3 Capital – Other information

Nil.

## 12.4 Profit reserves: other information

At 31 December 2019, undistributed earnings total €1,057 million. Other profit reserves amount to €1,210 million, including the initial reserve of €1,000 million provided to BancoPosta RFC on its creation and €210 million in additional capital contributions by Poste Italiane SpA in 2018.

## 12.5 Equity instruments: breakdown and annual changes

Nil.

## 12.6 Other information

Nil.

## Other information

### 1. Commitments and guarantees given (other than those measured at fair value)

Nil.

### 2. Other commitments and guarantees given

Nil.

### 3. Assets pledged as collateral for liabilities and commitments

<i>Portfolio</i> (€m)	Total at 31/12/2019	Total at 31/12/2018
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	7,329	5,179
3. Financial assets measured at amortised cost	5,707	3,773
4. Property, plant and equipment	-	-
of which: property, plant and equipment qualifying as inventories	-	-

“Financial assets measured at fair value through other comprehensive income” relate to securities used as collateral in repurchase agreements. “Financial assets measured at amortised cost” relate to securities used as collateral in repurchase agreements and securities provided as collateral to counterparties in interest rate swaps with negative fair value and in repurchase agreements.

## 4. Brokerage and management on behalf of third parties

Service (€m)	Amount
<b>1. Execution of orders on behalf of customers</b>	-
a) purchase	-
1. settled	-
2. not settled	-
b) sale	-
1. settled	-
2. not settled	-
<b>2. Individual <i>portfolio</i> management</b>	-
<b>3. Custody and administration of securities</b>	<b>55,720</b>
a) third party securities in custody: associated with depository bank services (excluding <i>portfolio</i> management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) other third party securities in custody (excluding <i>portfolio</i> management): other	3,375
1. securities issued by the reporting bank	-
2. other securities	3,375
c) third-party securities deposited with third parties	3,375
d) own securities deposited with third parties	52,345
<b>4. Other transactions</b>	<b>242,741</b>
a) Postal Savings Books	101,832
b) Interest-bearing Postal Certificates	140,909

The “Custody and administration of third-party securities deposited with third parties” relates to customers’ securities held at primary market operators and presented at their nominal value. Orders received from customers are executed by qualified, designated credit institutions.

“Other transactions” include the principal of postal savings deposits accepted for and on behalf of Cassa Depositi e Prestiti and the MEF.

## 5. Financial assets offset in the financial statements or subject to framework master netting agreements or similar arrangements

Technical form (€m)	Gross amount of financial assets (a)	Amount of financial liabilities offset in financial statements (b)	Amount of net financial assets reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2019 (f=c-d-e)	Net amount at 31 December 2018
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	73	-	73	73	-	-	1
2. Repurchase agreements	1,158	-	1,158	1,158	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
<b>Total at 31/12/2019</b>	<b>1,231</b>	-	<b>1,231</b>	<b>1,231</b>	-	-	<b>x</b>
<b>Total at 31/12/2018</b>	<b>619</b>	-	<b>619</b>	<b>604</b>	<b>14</b>	<b>x</b>	<b>1</b>

## 6. Financial liabilities offset in the financial statements or subject to master netting agreements or similar arrangements

Technical form (€m)	Gross amount of financial liabilities (a)	Amount of financial assets offset in financial statements (b)	Amount of net financial liabilities reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2019 (f=c-d-e)	Net amount at 31 December 2018
				Financial instruments (d)	Cash collateral given (e)		
1. Derivatives	5,552	-	<b>5,552</b>	573	4,979	-	<b>3</b>
2. Repurchase agreements	12,194	-	<b>12,194</b>	12,185	9	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
<b>Total at 31/12/2019</b>	<b>17,746</b>	-	<b>17,746</b>	<b>12,758</b>	<b>4,988</b>	-	<b>x</b>
<b>Total at 31/12/2018</b>	<b>10,302</b>	-	<b>10,302</b>	<b>8,923</b>	<b>1,376</b>	x	<b>3</b>

The tables under review have been compiled in accordance with IFRS 7 - Financial Instruments: Disclosures, which requires specific disclosures whether or not financial instruments have been offset in the financial statements.

BancoPosta RFC is not a party to enforceable master netting agreements or similar arrangements meeting the requirements of IAS 32, paragraph 42 for offsetting in the financial statements but used standard bilateral netting agreements that allow, in the event of the counterparty's default, the offsetting of debit and credit positions in relation to derivative financial instruments and securities financing transactions (SFT). In particular, there are ISDA agreements for derivative transactions and GMRA for repurchase agreements.

To compile the tables – in line with the IFRS 7 and the update of the Circular of the Bank of Italy 262 relating to the provisions governing banks' financial statements – it is noted that repurchase agreements are measured at amortised cost while derivative transactions are measured at fair value. The relevant financial guarantees are measured at fair value.

## 7. Securities lending

Nil.

## 8. Information on joint venture activities

Nil.

## Part C – Information on profit and loss

### Section 1 – Interest – Items 10 and 20

#### 1.1 Interest and similar income: breakdown

Items/Technical forms (€m)	Debt securities	Loans	Other transactions	FY 2019	FY 2018
<b>1. Financial assets measured at fair value through profit or loss</b>	-	-	-	-	-
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
<b>2. Financial assets measured at fair value through other comprehensive income</b>	<b>1,012</b>	-	<b>x</b>	<b>1,012</b>	<b>981</b>
<b>3. Financial assets measured at amortised cost</b>	<b>535</b>	<b>65</b>	-	<b>600</b>	<b>549</b>
3.1 Due from banks	-	-	-	-	1
3.2 Due from customers	535	65	-	600	548
<b>4. Hedging derivatives</b>	<b>x</b>	<b>x</b>	<b>(23)</b>	<b>(23)</b>	<b>7</b>
<b>5. Other assets</b>	<b>x</b>	<b>x</b>	-	-	-
<b>6. Financial liabilities</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>51</b>	<b>18</b>
<b>Total</b>	<b>1,547</b>	<b>65</b>	<b>(23)</b>	<b>1,640</b>	<b>1,555</b>
of which: interest income on impaired financial assets	-	-	-	-	-
of which: interest income on financial leases	-	-	-	-	-

The sub-item Financial liabilities reflects mainly interest income accruing during the year on reverse repos.

#### 1.2 Interest and similar income: other information

Nil.

##### 1.2.1 Interest income on foreign-denominated financial assets

Nil.

## 1.3 Interest expense and similar charges: breakdown

Items/Technical forms (€m)	Payables	Securities	Other transactions	FY 2019	FY 2018
<b>1. Financial liabilities measured at amortised cost</b>	<b>(60)</b>	-	-	<b>(60)</b>	<b>(21)</b>
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	(22)	X	X	(22)	(10)
1.3 Due to customers	(38)	X	X	(38)	(11)
1.4 Debt securities in issue	X	-	X	-	-
<b>2. Financial liabilities held for trading</b>	-	-	-	-	-
<b>3. Financial liabilities designated at fair value</b>	-	-	-	-	-
<b>4. Other liabilities and provisions</b>	<b>X</b>	<b>X</b>	-	-	-
<b>5. Hedging derivatives</b>	<b>X</b>	<b>X</b>	-	-	-
<b>6. Financial assets</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(14)</b>	<b>(7)</b>
<b>Total</b>	<b>(60)</b>	-	-	<b>(74)</b>	<b>(28)</b>
of which: interest expense on lease payables	-	-	-	-	-

The sub-item Financial assets includes interest expense to RFC totalling €4 million and interest expense accrued during the year for repurchase agreements totalling €5 million.

## 1.4 Interest expense and similar charges: other information

Nil.

### 1.4.1 Interest expense on foreign-denominated financial liabilities

Nil.

## 1.5 Differentials related to hedge transactions

Items (€m)	FY 2019	FY 2018
A.. Positive hedge differentials	8	12
B.. Negative hedge differentials	(31)	(5)
<b>C. Net (A-B)</b>	<b>(23)</b>	<b>7</b>

## Section 2 – Fees and commissions – Items 40 and 50

### 2.1 Commission income: breakdown

Service/Amounts (€m)	FY 2019	FY 2018
a) guarantees given	-	-
b) credit derivatives	-	-
c) management, brokerage and advisory services:	2,837	2,617
1. financial instrument trading	-	-
2. FX trading	1	1
3. individual <i>portfolio</i> management:	-	-
4. securities custody and administration	3	4
5. depository banking	-	-
6. securities placements	1	1
7. order receipt and transmission	4	3
8. advisory services:	-	-
8.1 relating to investments	-	-
8.2 relating to financial structuring	-	-
9. arrangement of third-party services:	2,828	2,608
9.1 <i>portfolio</i> management:	-	-
9.1.1 individual	-	-
9.1.2 collective	-	-
9.2 insurance products	437	407
9.3 other products	2,391	2,201
d) collection and payment services	703	994
e) securitisation servicing	-	-
f) factoring services	-	-
g) tax collection	-	-
h) multilateral trading services	-	-
i) current account maintenance and management	242	239
j) other services	12	11
<b>Total</b>	<b>3,794</b>	<b>3,861</b>

“Management, brokerage and advisory services” include, within the context of the distribution of other products, fees receivable in return for the collection of postal savings deposits, totalling €1,799 million. This service relates to the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books, carried out on behalf of Cassa Depositi e Prestiti under the Agreement of 14 December 2017, for the three-year period 2018-2020.

The decrease in “Collection and payment services” is primarily due to revenue from monetics relating to the issue of Postepay cards and related services, as they are included, with effect from 1 October 2018, in the business transferred to PostePay.



## Revenue from contracts with customers

Description (€m)	FY 2019	FY 2018
<b>Management, brokerage and advisory services</b>	<b>2,837</b>	<b>2,617</b>
Recognised at a point in time	1	1
Recognised over time	2,836	2,616
<b>Collection and payment services</b>	<b>703</b>	<b>994</b>
Recognised at a point in time	409	502
Recognised over time	294	492
<b>Current account maintenance and management</b>	<b>242</b>	<b>239</b>
Recognised at a point in time	-	-
Recognised over time	242	239
<b>Other services</b>	<b>12</b>	<b>11</b>
Recognised at a point in time	-	-
Recognised over time	12	11
<b>Total</b>	<b>3,794</b>	<b>3,861</b>

Revenue from contracts with customers relate mainly to: (i) revenue from management, brokerage and advisory services these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. With regard to the remuneration for postal savings deposits, the agreement entered into with Cassa Depositi e Prestiti provides for the payment of a variable fee when certain levels of funding are reached, the quantification of which is determined annually on the basis of volumes of deposits and early redemptions; certain commercial agreements, entered into with leading financial partners for the placement of loan products, provide for the relegation of placement fees in the event of early redemption or subrogation by customers; (ii) revenue for collection and payment services: recognised at point in time on the basis of the number of transactions accepted at the counter (e.g. commissions on postal current account slips) and valued on the basis of the contractual terms of sale and recognised over time based on the customer's use of the service, mainly with reference to commissions on delegated services and debit cards; (iii) revenue for current account management and maintenance services: recognised over time, measured on the basis of the service rendered and valued on the basis of the contractual terms offered to customers.

## 2.2 Fee and commission income by product and service distribution channel

Channel/Amounts (€m)	FY 2019	FY 2018
<b>A. Own counters:</b>	<b>2,829</b>	<b>2,609</b>
1. <i>portfolio</i> management	-	-
2. securities placements	1	1
3. third-party products and services	2,828	2,608
<b>B. door-to-door:</b>	<b>-</b>	<b>-</b>
1. <i>portfolio</i> management	-	-
2. securities placements	-	-
4. third-party products and services	-	-
<b>C. other distribution channels:</b>	<b>-</b>	<b>-</b>
1. <i>portfolio</i> management	-	-
2. securities placements	-	-
3. third-party products and services	-	-

Own counters means Poste Italiane SpA's post office network.

## 2.3 Commission expense: breakdown

Service/Amounts (€m)	FY 2019	FY 2018
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	(2)	(2)
1. financial instrument trading	-	-
2. FX trading	-	-
3. <i>portfolio</i> management:	-	-
3.1 own	-	-
3.2 for third parties	-	-
4. securities custody and administration	(1)	(1)
5. financial instrument placements	(1)	(1)
6. door-to-door marketing of financial instruments, products and services	-	-
d) collection and payment services	(331)	(136)
e) other services	(2)	(2)
<b>Total</b>	<b>(335)</b>	<b>(140)</b>

The increase in the item is primarily due to the cost of services provided by PostePay SpA, which in 2018 will only be affected from 1 October 2018, the effective date of the contract to outsource the management of service products.

## Section 3 – Dividends and similar income – Item 70

### 3.1 Dividends and similar income: breakdown

During the year, BancoPosta RFC received dividends of €0.4 million on its shares in Visa Incorporated, accounted for in “Financial assets measured at fair value through profit or loss”.

## Section 4 – Profits/(losses) on trading – Item 80

### 4.1 Profits/(losses) on trading: breakdown

Transactions/Profit component (€m)	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
<b>1. Financial assets held for trading</b>	-	<b>4</b>	-	-	<b>4</b>
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 UCIs	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	4	-	-	4
<b>2. Financial liabilities held for trading</b>	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>3. Financial assets and financial liabilities: exchange differences</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	-
<b>4. Derivative instruments</b>	-	-	<b>(15)</b>	-	<b>(15)</b>
4.1 Financial derivatives:	-	-	(15)	-	(15)
- on debt securities and interest rates	-	-	-	-	-
- on equity instruments and share indices	-	-	(15)	-	(15)
- on foreign exchange and gold	x	x	x	x	-
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected with the fair value option	x	x	x	x	-
<b>Total</b>	-	<b>4</b>	<b>(15)</b>	-	<b>(11)</b>

## Section 5 – Profits/(losses) on hedging – Item 90

### 5.1 Profits/(losses) on hedging: breakdown

Profit component/Amounts (€m)	FY 2019		FY 2018	
	Profit	Loss	Profit	Loss
<b>A. Income on:</b>				
A.1 Fair value hedge derivatives	11		6	
A.2 Hedged financial assets (fair value)	3,935		700	
A.3 Hedged financial liabilities (fair value)	-		-	
A.4 Cash flow hedge derivatives	-		-	
A.5 Foreign currency assets and liabilities	-		-	
<b>Gross hedging income (A)</b>	<b>3,946</b>		<b>706</b>	
<b>B. Cost of:</b>				
B.1 Fair value hedge derivatives	(3,939)		(702)	
B.2 Hedged financial assets (fair value)	(11)		(6)	
B.3 Hedged financial liabilities (fair value)	-		-	
B.4 Cash flow hedge derivatives	-		-	
B.5 Foreign currency assets and liabilities	-		-	
<b>Gross hedging cost (B)</b>	<b>(3,950)</b>		<b>(708)</b>	
<b>C. Profits/(Losses) on hedging (A – B)</b>	<b>(4)</b>		<b>(2)</b>	
of which: result of hedges of net positions	-		-	

## Section 6 – Profits/(losses) on disposal or repurchase – Item 100

### 6.1 Profits/(Losses) on disposal or repurchase: breakdown

Items/Profit component (€m)	FY 2019			FY 2018		
	Profit	Loss	Net result	Profit	Loss	Net result
<b>A. Financial assets</b>						
1. Financial assets measured at amortised cost	-	(10)	(10)	4	(3)	1
1.1 Due from banks	-	-	-	-	-	-
1.2 Due from customers	-	(10)	(10)	4	(3)	1
2. Financial assets measured at fair value through other comprehensive income	352	(3)	349	400	(22)	378
2.1 Debt securities	352	(3)	349	400	(22)	378
2.2 Loans	-	-	-	-	-	-
<b>Total assets (A)</b>	<b>352</b>	<b>(13)</b>	<b>339</b>	<b>404</b>	<b>(25)</b>	<b>379</b>
<b>B. Financial liabilities measured at amortised cost</b>						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
<b>Total liabilities (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Section 7 – Profits/(losses) on other financial assets and liabilities measured at fair value through profit or loss – Item 110

### 7.1 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities measured at fair value

Nil.

### 7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Profit component (€m)	Gains (A)	Realised gains (B)	Losses (C)	Realised losses (D)	Net result [(A+B)-(C+D)]
<b>1. Financial assets</b>	<b>24</b>	<b>1</b>	-	-	<b>25</b>
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	24	1	-	-	25
1.3 UCIs	-	-	-	-	-
1.4 Loans	-	-	-	-	-
<b>2. Financial assets in foreign currencies: exchange differences</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>2</b>
<b>Total</b>	<b>24</b>	<b>1</b>	-	-	<b>27</b>

## Section 8 – Net losses/recoveries due to credit risk – Item 130

### 8.1 Net losses/recoveries due to credit risk related to financial assets measured at amortised cost: breakdown

Transactions/Profit component (€m)	Impairment losses (1)			Reversals of impairment losses (2)		FY 2019	FY 2018
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
<b>A. Due from banks</b>	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-
of which: purchased or originated credit impaired loans	-	-	-	-	-	-	-
<b>B. Due from customers</b>	<b>(14)</b>	-	-	<b>3</b>	-	<b>(11)</b>	<b>(22)</b>
- Loans	(13)	-	-	1	-	(12)	(20)
- Debt securities	(1)	-	-	2	-	1	(2)
of which: purchased or originated credit impaired loans	-	-	-	-	-	-	-
<b>Total</b>	<b>(14)</b>	-	-	<b>3</b>	-	<b>(11)</b>	<b>(22)</b>

### 8.2 Net losses/recoveries due to credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Profit component (€m)	Impairment losses (1)			Reversals of impairment losses (2)		FY 2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3	
		Write-off	Other			
<b>A. Debt securities</b>	<b>(2)</b>	-	-	<b>4</b>	-	<b>2</b>
<b>B. Loans</b>	-	-	-	-	-	-
- to customers	-	-	-	-	-	-
- to banks	-	-	-	-	-	-
of which: purchased or originated credit impaired financial assets	-	-	-	-	-	-
<b>Total</b>	<b>(2)</b>	-	-	<b>4</b>	-	<b>2</b>

## Section 9 – Profits/(losses) from contract amendments without termination – Item 140

Not applicable

## Section 10 – Administrative expenses – Item 160

### 10.1 Personnel expenses: breakdown

Expense/Amounts (€m)	FY 2019	FY 2018
1) Employees	(36)	(82)
a) wages and salaries	(24)	(53)
b) social security	(7)	(14)
c) employee termination benefits	(1)	(3)
d) social security costs	-	-
e) provision for employee termination benefits	-	-
f) provisions for post-employment benefits:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	(1)	(1)
- defined contribution plans	(1)	(1)
- defined benefit plans	-	-
h) cost of share-based payments	(1)	(1)
i) other employee benefits	(2)	(10)
2) Other active personnel	-	-
3) Directors and Statutory Auditors	-	-
4) Retirees	-	-
5) Recovery of employment costs of staff seconded to other companies	-	-
6) Refund of costs of third party employees seconded to the company	-	-
<b>Total</b>	<b>(36)</b>	<b>(82)</b>

The reduction in this item is mainly attributable to the BancoPosta staff reorganisation projects under which, from 1 October 2018, back office and anti-money laundering activities were centralised in the Chief Operating Office function for RFC and, on the same date, the staff of the monetics and payments services business unit was transferred to PostePay (Table 10.2 of this Section).

### 10.2 Average number of employees by category\*

	FY 2019	FY 2018
<b>Employees</b>	<b>426</b>	<b>1.343</b>
a) executives	32	48
b) middle managers	304	426
c) other employees	90	869
<b>Other employees</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>426</b>	<b>1.343</b>

\* Figures expressed in full time equivalent terms.

## 10.3 Post-employment defined benefit plans: costs and revenue

Nil.

## 10.4 Other employee benefits

This primarily relates to redundancy payments.

## 10.5 Other administrative expenses: breakdown

Expense/Amounts (€m)	FY 2019	FY 2018
1) Cost of services provided by Poste Italiane SpA	(4,476)	(4,509)
2) Cost of goods and non-professional services:	(1)	(41)
- printing and postage	(1)	(35)
- credit and debit card supply services	-	(6)
3) Advisory and other professional services	(12)	(44)
4) Taxes, penalties and duties	(13)	(10)
5) Other expenses	-	-
<b>Total</b>	<b>(4,502)</b>	<b>(4,604)</b>

The cost of services provided by Poste Italiane functions outside the ring-fence relates to those services described in Part A - Accounting policies, A.1, Section 4 - Other information.

## Section 11 – Net provisions for risks and charges – Item 170

### 11.1 Net provisions for credit risk related to commitments to disburse funds and financial guarantees given: breakdown

Nil.

### 11.2 Net provisions related to other commitments and other guarantees given: breakdown

Nil.



## 11.3 Net provisions for other risks and charges: breakdown

Items/Profit component (€m)	Provisions	Reversals	Net result
Provisions for litigation	(7)	1	(6)
Provisions for risks and charges	(33)	23	(10)
<b>Total</b>	<b>(40)</b>	<b>24</b>	<b>(16)</b>

The main provisions and releases are discussed in Part B – Section 10 of Liabilities.

## Section 12 – Net losses/recoveries on property, plant and equipment – Item 180

Nothing to report.

## Section 13 – Net losses/recoveries on intangible assets – Item 190

Nothing to report.

## Section 14 – Other operating income/(expense) – Item 200

### 14.1 Other operating expense: breakdown

Profit component/Amounts (€m)	FY 2019	FY 2018
1. Burglaries and theft	(4)	(5)
2. Other expenses	(31)	(41)
<b>Total</b>	<b>(35)</b>	<b>(46)</b>

The sub-item “Other expenses” relates primarily to operating losses.

### 14.2 Other operating income: breakdown

Profit component/Amounts (€m)	FY 2019	FY 2018
1. Other revenue from contracts with customers	2	2
2. Other operating income	65	13
<b>Total</b>	<b>67</b>	<b>15</b>

The increase in the sub-item “Other operating income” refers to revenue recorded as a result of certain analyses carried out on the transitional accounts used as part of BancoPosta RFC operations, which resulted in non-existent liabilities.

The sub-item “Other revenue from contracts with customers” includes income recognised at point time for copying documents and prescription of certified cheques.

## Section 15 – Profits/(losses) on investments – Item 220

Nothing to report.

## Section 16 – Profits/(losses) on fair value measurement of property, plant and equipment and intangible assets – Item 230

Nothing to report.

## Section 17 – Impairment of goodwill – Item 240

Nothing to report.

## Section 18 – Profits/(losses) on disposal of investments – Item 250

Nothing to report.

## Section 19 – Income tax expense on continuing operations – Item 270

### 19.1 Income tax expense on continuing operations: breakdown

Profit component/Amounts (€m)	FY 2019	FY 2018
1. Current taxes (-)	(175)	(234)
2. Increase/(decrease) in current taxes of prior period taxation (+/-)	(1)	-
3. Reduction in current taxes (+)	-	-
3. <i>bis</i> Reduction in current taxes due to tax credit pursuant to Law 214/2011 (+)	-	-
4. Increase/(decrease) in deferred tax assets (+/-)	(58)	1
5. Increase/(decrease) in deferred tax liabilities (+/-)	-	-
<b>6. Tax expense for the year (-) (-1+/-2+3+3 bis+/-4+/-5)</b>	<b>(234)</b>	<b>(233)</b>

## 19.2 Reconciliation between theoretical tax charge at statutory rate and effective tax charge

Description (€m)	FY 2019		FY 2018	
	IRES	Tax Rate	IRES	Tax Rate
<i>Profit before tax</i>	844		826	
Theoretical tax charge	202	24.0%	198	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Net provisions for risks and charges and impairments of receivables	3	0.4%	1	0.1%
Other	(9)	-1.1%	(5)	-0.6%
<b>Effective tax charge</b>	<b>196</b>	<b>23.3%</b>	<b>194</b>	<b>23.5%</b>

Description (€m)	FY 2019		FY 2018	
	IRES	Tax Rate	IRES	Tax Rate
<i>Profit before tax</i>	844		826	
Theoretical tax charge	38	4.5%	37	4.5%
Effect of increases/(decreases) on theoretical tax charge				
Provisions for risks and charges	-	0.0%	1	0.1%
<b>Effective tax charge</b>	<b>38</b>	<b>4.5%</b>	<b>38</b>	<b>4.6%</b>

## Section 20 – Profit/(loss) after tax from discontinued operations – Item 290

Nothing to report.

## Section 21 – Other information

All information has been presented above.

## Section 22 – Earnings per share

Nothing to report.

## Part D – Comprehensive income

### Analysis of comprehensive income

Items (€m)	FY 2019	FY 2018
<b>10. Profit/(Loss) for the year</b>	<b>611</b>	<b>597</b>
<b>Other components of comprehensive income not reclassified to profit or loss</b>		
20. Equity instruments measured at fair value through other comprehensive income:	-	-
a) movements in fair value	-	-
b) transfers to other equity	-	-
30. Financial liabilities designated at fair value through profit or loss (changes in own credit rating):	-	-
a) movements in fair value	-	-
b) transfers to other equity	-	-
40. Hedges of equity instruments measured at fair value through other comprehensive income:	-	-
a) movements in fair value (hedged instrument)	-	-
b) movements in fair value (hedging instrument)	-	-
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	-	-
80. Non-current assets and disposal groups held for sale	-	-
90. Share of valuation reserve attributable to equity-accounted investments	-	-
100. Tax expense on other comprehensive income not reclassified to profit or loss	-	-
<b>Other components of comprehensive income after taxes reclassified to profit or loss</b>		
110. Hedges of foreign investments:	-	-
a) movements in fair value	-	-
b) reclassified to profit or loss	-	-
c) other movements	-	-
120. Foreign exchange differences:	-	-
a) movements in fair value	-	-
b) reclassified to profit or loss	-	-
c) other movements	-	-
130. Cash flow hedges:	38	210
a) movements in fair value	98	192
b) reclassified to profit or loss	(60)	18
c) other movements	-	-
of which: result of net positions	-	-
140. Hedges (elements not designated):	-	-
a) movements in fair value	-	-
b) reclassified to profit or loss	-	-
c) other movements	-	-
150. Financial assets (other than equity instruments) measured at fair value through other comprehensive income:	1,457	(2,272)
a) movements in fair value	1,702	(1,886)
b) reclassified to profit or loss	(245)	(386)
- losses due to credit risk	(2)	(1)
- realised gains/(losses)	(243)	(385)
c) other movements	-	-
160. Non-current assets and disposal groups held for sale:	-	-
a) movements in fair value	-	-
b) reclassified to profit or loss	-	-
c) other movements	-	-
170. Share of valuation reserve attributable to equity-accounted investments	-	-
a) movements in fair value	-	-
b) reclassified to profit or loss	-	-
- impairment losses	-	-
- realised gains/(losses)	-	-
c) other movements	-	-
180. Tax expense on other comprehensive income reclassified to profit or loss	(427)	589
<b>190. Total other comprehensive income</b>	<b>1,068</b>	<b>(1,473)</b>
<b>200. Comprehensive income (Items 10+190)</b>	<b>1,679</b>	<b>(876)</b>

# Part E – Information on risks and related hedging policies

## Introduction

BancoPosta's operations, conducted in accordance with Presidential Decree 144/2001, consist in the management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties.

The funds raised by private customers on postal current accounts must be used in euro area government securities and, for a portion not exceeding 50% of the funds raised, in other securities backed by the Italian government guarantee<sup>139</sup>, whilst deposits by Public Administration entities are deposited with the MEF.

In 2019, BancoPosta RFC's operations focused on investment of the significantly increased volume of current account deposits, the reinvestment of funds deriving from maturing government securities and in the active management of financial instruments.

The 2019 financial year was characterised by a reduction in yields on Italian government bonds (the 10-year BTP fell from 2.7% to 1.4%), which brought the BTP-Bund spread to 160 basis points compared to 250 last year.

With reference to BancoPosta RFC, following the positive development in revenue volumes and the change in the market scenario, the Leverage Ratio fell during the year to 3.0% at 31 December 2019, taking into account the increase in capital deriving from the calculation of part of the 2019 profits, no subject to distribution.

The investment profile is based, among other things, on the constant monitoring of habits of current account holders and a use of a leading market operator's statistical/econometric model of typical postal current account interest rates and maturities, based on a prudent projection of the future volume of deposits. The above-mentioned model is thus the general reference for the investments (the limits of which are determined by specific guidelines approved by the Board of Directors) in order to limit exposure to interest rate and liquidity risks.

## Financial risk management

Balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures, both within and without the BancoPosta ring-fence, that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including through the progressive implementation of adequate IT tools. In this regard, on 19 February 2018, the Board of Directors of Poste Italiane SpA adopted a revised version of the Guidelines for Internal Control and Risk Management System (SCIGR), which contains integrated guidelines for Poste Italiane SpA's Internal Control and Risk Management System. From an organisational viewpoint, the model consists of:

- the **Audit, Risk and Sustainability Committee** established in 2015 to support – thanks an adequate research, recommendation and advisory activity - the assessments and decisions of the Board of Directors on the internal control system, risk management and, starting from February 2018, issues pertaining to Poste Italiane's sustainability;
- the Financial and **Insurance Services Committee**, established on 19 March 2018 to replace the previous Finance, Savings and Investment Committee, with the aim of overseeing the process of developing the products and services distributed by BancoPosta, in order to take a uniform, integrated view of the entire offering and to monitor the performance of the financial investments in which private customer deposits are invested;

139. Amendment of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014).

- Poste Italiane SpA's **Coordination of Investment Management function**, the work of which is regulated by specific operating guidelines, oversees investment strategy and the hedging of capital market risks in respect of the liquidity deriving from BancoPosta current account deposits, in accordance with the guidelines established by the various corporate bodies. As of 1 January 2019, the coordination and management of investments and risk hedging related to BancoPosta RFC have been assigned by means of a specific mandate to the specialist functions of BancoPosta Fondi SpA SGR, a Poste Italiane Group company;
- the **BancoPosta's Risk Management function**, responsible for measuring and controlling risk and duly observing the independence of control functions from management.

In constructing the Risk Model used by BancoPosta RFC, account was also taken of the existing prudential supervisory standards for banks and the specific instructions for BancoPosta, published by the Bank of Italy on 27 May 2014 with the third revision of Circular 285 of 17 December 2013.

The above prudential standards have imposed the same obligations on BancoPosta as those applicable to banks in terms of corporate governance, internal controls and risk management, requiring, among other things, achievement of the following objectives:

- definition of a Risk Appetite Framework (RAF);
- oversight of implementation of the Company's strategies and policies;
- the containment of risks within the limits set by the RAF;
- protection of the value of assets and against losses;
- identification of material transactions to be subject to prior examination by the risk control function;
- application of the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP).

The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits and risk management policies, together with the processes needed to define and implement them.

## Section 1 – Credit risk

Credit risk regards the types of risk described below.

Credit risk is defined as the possibility that a change in the creditworthiness of a counterparty, to which the entity is exposed, could result in a matching change in the value of the amount due. It thus represents the risk that the debtor is partially or entirely unable to repay the principal and interest due.

Counterparty risk is the risk that a counterparty could default on obligations of a financial instrument during its term. This risk is inherent in certain types of transaction which, for BancoPosta RFC, would be derivatives and repurchase agreements.

Concentration risk is related to the overexposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographic region.

## Qualitative information

### 1. Generalities

Presidential Decree 144/2001 prohibits BancoPosta RFC from making loans to members of the public. As a result, there are no credit policies.

The nature of BancoPosta RFC's operations, however, results in a considerable concentration of exposure to Republic of Italy risk, as a result of its investments in Government securities and its deposits at the MEF. Credit risk models, explained below, show, however, that for capital requirements this type of investment does not determine capital absorption.

## 2. Credit risk management policies

### 2.1 Organisational aspects

The role of BancoPosta RFC's Risk Management function is the management and control of credit, counterparty and concentration risks.

Monitoring credit risk is particularly focused on the following exposures:

- euro area government securities or other securities backed by the Italian State for the use of liquidity collected through current accounts from private customers;
- deposits at the MEF in which Public Administration account deposits are invested;
- any eventual amounts due from the Italian Treasury as a result of depositing funds gathered less payables for advances disbursed;
- items in progress: cheque clearing, use of electronic cards, collections;
- temporarily overdrawn postal current accounts caused by debiting fees: limited to those which were not classified as impaired since the accounts were in funds in early 2020;
- cash collateral for outstanding transactions with banks and customers, in accordance with agreements intended to mitigate counterparty risk (CSA - Credit Support Annexes and GMRA – Global Master Repurchase Agreements);
- cash collateral provided to the guarantee fund of the Central Counterparty "Casa di Compensazione e Garanzia" for repurchase agreement transactions;
- securities provided as collateral in accordance with agreements intended to mitigate counterparty risk (CSAs and GMRAs);
- trade receivables payable by partners in relation to financial/insurance product placement.

Monitoring counterparty risk particularly regards hedging derivatives and repurchase agreements.

BancoPosta RFC's concentration risk is monitored to limit the instability that could be caused by the default of one customer or a group of related customers to which BancoPosta has a significant credit and counterparty risk exposure.

### 2.2 Management, measurement and control systems

Credit risk is controlled through the following:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- monitoring of changes in the ratings of counterparties.

The limits referred to above have been established by the Guidelines on Poste Italiane SpA's financial management<sup>140</sup> for BancoPosta RFC. Specifically, as regards rating limits, transactions are allowed solely with investment grade counterparties and euro area government issuers with a rating at least equal to that of the Italian Republic.

With reference to the monitoring thresholds of concentration risk, the limits set by prudential regulations are applied<sup>141</sup>.

The standardised approach<sup>142</sup> as defined by EU Regulation 575/2013, is used by BancoPosta to measure credit and counterparty risks. Application of this method entails the use of Standard & Poor's, Moody's, Fitch and DBRS for the computation of counterparty credit rating classes.

140. On 18 October 2018 the Board of Directors of Poste Italiane SpA approved the updated version of the Guidelines on Poste Italiane SpA's financial management, upon proposal of the CEO and with the consent of the Control, Risk and Sustainability Committee.

141. According to prudential regulations, with reference to the rules on Large Exposures, risk-weighted assets must remain below 25% of own funds. As a rule, exposures are recognised at nominal value, taking into consideration any credit risk mitigation techniques. To take into account the lower risk related to the nature of the borrower, more favourable weighting factors are applied.

142. The standardized approach entails risk weightings in accordance with the nature of the exposure and the identity of the counterparty and the counterparty's external credit rating.

In terms of prudential oversight, the following methods are used to estimate the exposure to counterparty risk inherent in each of the following types of transaction:

- the Market Value method<sup>143</sup>, is used for interest rate swaps and forward purchases of government securities;
- Credit Risk Mitigation (CRM) techniques, the Full Method, are used for repurchase transactions<sup>144</sup>.

Concentration risk is measured using the method described in EU Regulation 575/2013 with regard to large exposures.

## 2.3 Measurement of expected credit losses

The Expected Credit Loss (ECL) method introduced by IFRS 9 applies to financial assets measured at amortised cost and to financial assets measured at fair value through other comprehensive income.

For financial assets other than trade receivables, BancoPosta RFC applies the General deterioration approach, with models to estimate risk parameters depending on the type of counterparty:

- Internal risk parameter estimation models for debt securities and deposits with Sovereign, Banking and Corporate counterparties;
- risk ratings provided by an external provider and average default rates for the sector for Public Administration and Central Counterparties.

Expected credit losses are determined either over a 12-month horizon or a lifetime horizon, depending on the stage of the exposure, on the basis of the following metrics:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Time Factor (TF).

Below, the main assumptions adopted in determining the single factors are illustrated:

- PD: as indicated from the standard a Point in Time (PIT) or forward-looking PD has been adopted, depending on the stage of the exposure;
- LGD: use has been made of the Internal Ratings-Based (IRB) approach under the Basel guidelines (45% for senior risk assets, 75% for subordinated risk assets);
- EAD: exposure calculated prospectively until maturity of the instrument, starting from the development of projected cash flows. In the development account was taken of specific indexation assumptions for every asset class (fixed income securities, floating-rate securities, inflation-indexed securities, etc.);
- TF: the effective interest rate of each exposure was used as discount factor.

The collective impairment of a homogenous group of financial assets defines the expected credit loss (ECL) of the instrument, even though it cannot be associated with a specific exposure. Grouping takes place in relation to the type of counterparty on the basis of the estimated PD.

BancoPosta RFC elected not to adopt the low risk credit exemption and to proceed instead with the staging allocation of the financial instruments concerned.

Based on the impairment models described above, to allocate properly performing exposures in stage 1 or stage 2, the significant increase in exposures other than trade receivables is determined on the basis of the change in notches between the rating at the time of investment and the rating at the reporting date.

143. The Market Value method to measure the risk inherent in derivatives entails summing two components: the current replacement cost, represented by fair value, if positive, and an add-on equal to the product of the nominal value and the probability that the fair value, if positive, increases the value or, if negative, turns positive.

144. The full CRM method entails reducing risk exposure by the value of the guarantee. Specific rules are applied to take into account market price volatility of the guaranteed asset as well as the collateral received.



This change in notches is compared with a threshold that takes into account the following factors:

- the rating of the financial instrument at the time of investment;
- the rating of the financial instrument at the reporting date;
- the seniority of the position within the *portfolio* (vintage factor);
- an additive factor to mitigate the non-linearity of the PD vis-à-vis the rating classes<sup>145</sup>;
- a judgemental factor to be used only in the presence of sudden changes in the creditworthiness not yet reflected by the rating<sup>146</sup>.

Based on the above information, BancoPosta RFC does not apply the presumption that an exposure past due for over 30 days indicates automatically significant increases in credit risk after initial recognition.

BancoPosta RFC defines a default on the basis of ad hoc assessments that take into consideration:

- any payment delays;
- market information such as a default rating by the rating agencies;
- internal analyses of specific credit exposures.

With respect to payment delays, the definition of default is based on the following approach:

- late payments, even by one day, or debt renegotiation for financial instruments with sovereign counterparties;
- payments 90 days past due, for financial instruments with banking and corporate counterparties.

In keeping with the accounting standard, in determining ECL consideration was given also to forward looking elements based on broad-consensus scenarios.

The approach followed involves inclusion of forward-looking information in the estimation of the PD. In particular, the internal approach adopted allows completion of the input dataset necessary to calculate PD starting from a number of scenario values related to the approach. The objective of the approach is to estimate the unknown variables by using the historical correlation of the available information<sup>147</sup>.

As to the estimation techniques used, it is noted that since the approaches to calculate the PD for Sovereign, Banking and Corporate counterparties cannot use default events, as they are not frequent, a shadow rating approach was adopted.

This method entails the use of target variables related to the level of external rating produced by the agencies. The target could be directly the rating or, alternatively, the default rate linked to the rating level. The target was constructed on the basis of a rating agency selected as reference, considering both the large number of counterparties rated and the availability of historical data over a time horizon considered adequate.

The models have been constructed by extracting and utilising the following types of data for each country in the sample:

- macroeconomic data;
- market data: domestic equity indices, global energy/non-energy indices, Eurostoxx and S&P 500;
- financial statement data.

For trade receivables BancoPosta applies the simplified approach, where no significant increase in credit risk is expected. However, the loss provisions are calculated for an amount equal to lifetime expected credit loss.

145. The additive factor is built in view of the rating level at the reporting date, where the better the rating the higher the threshold for the transition to Stage 2.

146. The judgemental factor can summarise significant aspects in determining the significant increase of credit risk, considering such elements as:

- an actual or expected significant change of the internal/external credit rating of the financial instrument;
- actual or expected negative changes in economic, financial or business conditions that might cause a significant change in the borrower's ability to honour its obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in the unemployment rate.

147. In particular, the use of such approach is limited to situations where, actually, the available data are deemed to be no longer representative of the counterparty's risk.

Such approach is implemented through the following process:

- based on total revenue or the historical credit exposure, a credit threshold is identified beyond which the single receivables or the single exposure is evaluated. The analytical evaluation of the exposures entails an analysis of the borrower's credit quality and solvency, as determined on the basis of internal and external supporting evidence;
- for receivables falling below the threshold set, through the preparation of a matrix with the different impairment percentages determined on the basis of historical losses, or on the historical pattern of collections. In constructing the impairment matrix, receivables are grouped by homogeneous categories, based on their characteristics, to take into account the historical loss experience.

## 2.4 Credit risk mitigation techniques

BancoPosta RFC adopts credit and counterparty risk mitigation techniques. Specifically:

- regarding hedging derivatives and repurchase agreements, credit and counterparty risks are mitigated by entering into a master netting agreement and requiring collateral in the form of cash or government bonds;
- in relation to trade receivables credit terms are extended for customers, requesting, in certain cases, guarantees or sureties issued by prime banks or insurance companies.

At 31 December 2019, BancoPosta RFC does not hold financial assets secured by guarantees or other credit risk mitigating instruments for which no loss provisions have been made (except for the temporary use of liquidity in reverse repurchase agreements).

The main types of instrument used by BancoPosta RFC to mitigate credit and counterparty risk are described below:

### Fixed income instruments

Debt securities secured by guarantees or other credit risk mitigation instruments are bonds issued by CDP SpA guaranteed by the Italian State and subscribed by BancoPosta RFC, amounting to a nominal value of €3,750 million at 31 December 2019. These are recognised as financial assets measured at amortised cost and, in determining the associated expected credit losses, account was taken of the PD of the Italian Republic.

### Derivative financial instruments and repurchase agreements

In order to limit the counterparty risk exposure, BancoPosta RFC has concluded standard ISDA master agreements (with attached CSA) and GMRA's which govern the collateralization of derivative transactions and repurchase agreements, respectively.

In addition, in order to mitigate counterparty risk and gain readier access to the market, from December 2017, BancoPosta RFC has begun to enter into repurchase agreements with the Central Counterparty, the Cassa di Compensazione e Garanzia.

The calculation of positions in derivatives and repurchase agreements and the related risk mitigation instruments are illustrated in Part B – Other Information, tables 5 and 6, to which reference is made.

### Trade receivables

To mitigate the risks arising from the extension of credit terms to its customers, BancoPosta RFC has implemented a policy and suitable guidelines that govern the management of trade receivables, the terms and conditions of payment applicable to customers and defines the corporate process aimed at checking the customer's creditworthiness, as well as the sustainability of the business risk inherent in the contract involving extended payment terms.

Depending on the evaluations, the contracts entered into with customers may require a suitable guarantee. Guarantees are also requested if they are required by rules and regulations and/or implementing rules of specific services.

BancoPosta RFC accepts mainly guarantees issued by primary banks or insurance companies. Alternatively, upon request of the customer and after a risk analysis, it accepts sureties issued by other institutions, security deposits or the opening of postal escrow account.

Considering the limited risk of insolvency of government customers, BancoPosta RFC as a rule exempts the Public Administration from the provision of guarantees to secure trade receivables arising from transactions with it, save for the cases when such guarantees are mandatory by law or due to implementing rules of specific services.

Accordingly, the guarantees held are related mainly to private customers.

For all the credit exposures evaluated individually, to calculate loss provisions, guarantees reduce the amount of the exposure at risk.

At 31 December 2019, unsecured trade receivables minus the relevant loss provisions amount to €852 million.

### 3. Non performing exposure

BancoPosta RFC holds a single non-performing financial asset, which relates to items illegally taken away but that are now being recovered. The relevant amount of €13 million has been impaired for €13 million.

## Quantitative information

### A. Credit quality

#### A.1 Performing and non performing credit exposures: balance, impairment, developments, dynamics and business distribution

##### A.1.1 Distribution of financial assets by *portfolio* and credit quality (carrying amount)

<i>Portfolio/Credit quality</i> (€m)	Bad loans	Unlikely to pay	Non-performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	-	-	-	47	40,903	<b>40,950</b>
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	36,799	<b>36,799</b>
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
<b>Total at 31/12/2019</b>	-	-	-	<b>47</b>	<b>77,702</b>	<b>77,749</b>
<b>Total at 31/12/2018</b>	-	-	-	<b>43</b>	<b>65,748</b>	<b>65,791</b>

### A.1.2 Distribution of credit exposure by portfolio and credit quality (gross and net amounts)

Portfolio/Credit quality (€m)	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total impairments	Net exposure	Total partial write-offs*	Gross exposure	Total impairments	Net exposure	
1. Financial assets measured at amortised cost	13	13	-	-	41,017	67	40,950	<b>40,950</b>
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	36,810	11	36,799	<b>36,799</b>
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
<b>Total at 31/12/2019</b>	<b>13</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>77,827</b>	<b>78</b>	<b>77,749</b>	<b>77,749</b>
<b>Total at 31/12/2018</b>	<b>13</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>65,974</b>	<b>191</b>	<b>65,791</b>	<b>65,791</b>

\* Amount reported for disclosure purposes.

Portfolio/Credit quality (€m)	Assets of evidently low credit quality		Other assets	
	Cumulative losses	Net exposure	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-	-
2. Hedging derivatives	-	-	-	73
<b>Total at 31/12/2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73</b>
<b>Total at 31/12/2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>368</b>

### A.1.3 Distribution of financial assets by past due categories (carrying amount)

Portfolio/stages of risk (€m)	Stage 1			Stage 2			Stage 3		
	Between 1 and 30 days	30 - 90 days	Over 90 days	Between 1 and 30 days	30 - 90 days	Over 90 days	Between 1 and 30 days	30 - 90 days	Over 90 days
1. Financial assets measured at amortised cost	-	-	-	18	26	3	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
<b>Total at 31/12/2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>26</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31/12/2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>5</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>

### A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: overall impairment losses/reversals and overall provisions

Causes/stages of risk (€m)	Total impairments												Total provisions for commitments to disburse funds and financial guarantees given			Total	
	Assets in stage 1				Assets in stage 2				Assets in stage 3				of which: purchased or originated credit impaired financial assets	Stage 1	Stage 2		Stage 3
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairment	of which: collective impairment					
<b>Opening balance</b>	12	13	-	25	166	-	147	19	13	-	13	-	-	-	-	-	<b>204</b>
Increases in financial assets acquired or originated	1	2	-	3	2	-	-	2	-	-	-	-	-	-	-	-	5
Derecognitions other than write-offs	(1)	(1)	-	(2)	-	-	-	-	-	-	-	-	-	-	-	-	(2)
Net losses/ recoveries due to credit risk (+/-)	(1)	(3)	-	(4)	9	-	6	3	-	-	-	-	-	-	-	-	5
Contract amendments without termination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Write-off</i>	-	-	-	-	(121)	-	(121)	-	-	-	-	-	-	-	-	-	(121)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>11</b>	<b>11</b>	<b>-</b>	<b>22</b>	<b>56</b>	<b>-</b>	<b>32</b>	<b>24</b>	<b>13</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91</b>
Recovery of amounts on written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

During the year under review, upon completion of a process of analysis and a series of activities undertaken with regard to receivables for current accounts with debtor balance, it was found that it was not possible to recover these amounts, also taking into account the small amount of each receivable, in accordance with the provisions of IFRS 9, a total of €121 million was written off by using the provision for doubtful debts set aside at the time.

Stage 2 reflects mainly value adjustments related to trade receivables for which the loss provisions are measured in accordance with the simplified approach.

### A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between the different credit risk stages (gross and nominal amounts)

Nil.

## A.1.6 On- and off-balance-sheet credit exposures to banks: gross and net amounts

Type of exposure/Amounts (€m)	Gross exposure		Total impairments and total provisions	Net exposure	Total partial write-offs*
	Non-performing	Performing			
<b>A. On-balance sheet exposures</b>					
a) Bad loans	-	X	-	-	-
- of which forbome exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which forbome exposures	-	X	-	-	-
c) Non-performing past-due exposures	-	X	-	-	-
- of which forbome exposures	-	X	-	-	-
d) Performing past-due exposures	X	30	-	30	-
- of which forbome exposures	X	-	-	-	-
e) Other performing exposures	X	4,664	-	4,664	-
- of which forbome exposures	X	-	-	-	-
<b>Total A</b>	-	<b>4,694</b>	-	<b>4,694</b>	-
<b>B. Off-balance sheet exposures</b>					
a) Non-performing	-	X	-	-	-
b) Performing	X	778	-	778	-
<b>Total B</b>	-	<b>778</b>	-	<b>778</b>	-
<b>Total A+B</b>	-	<b>5,472</b>	-	<b>5,472</b>	-

\* Amount reported for disclosure purposes.

“Off-balance sheet exposures, Performing” relates to the counterparty risk associated with derivatives registering fair value gains, gross of any netting agreements<sup>148</sup>, securities provided as collateral under counterparty risk mitigation agreements and for Repo financing with Securities Financing Transactions (SFT)<sup>149</sup> margins.

## A.1.7 On- and off-balance-sheet credit exposures to customers: gross and net amounts

Type of exposure/Amounts (€m)	Gross exposure		Total impairments and total provisions	Net exposure	Total partial write-offs*
	Non-performing	Performing			
<b>A. On-balance sheet exposures</b>					
a) Bad loans	-	X	-	-	-
- of which forbome exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which forbome exposures	-	X	-	-	-
c) Non-performing past-due exposures	13	X	13	-	-
- of which forbome exposures	-	X	-	-	-
d) Performing past-due exposures	X	73	56	17	-
- of which forbome exposures	X	-	-	-	-
e) Other performing exposures	X	73,060	22	73,038	-
- of which forbome exposures	X	-	-	-	-
<b>Total A</b>	<b>13</b>	<b>73,133</b>	<b>91</b>	<b>73,055</b>	-
<b>B. Off-balance sheet exposures</b>					
a) Non-performing	-	X	-	-	-
b) Performing	X	6	-	6	-
<b>Total B</b>	-	<b>6</b>	-	<b>6</b>	-
<b>Total A+B</b>	<b>13</b>	<b>73,139</b>	<b>91</b>	<b>73,061</b>	-

\* Amount reported for disclosure purposes.

148. BancoPosta RFC is not a party to enforceable master netting agreements or similar arrangements meeting the requirements of IAS 32, paragraph 42 for offsetting in the financial statements but used standard bilateral netting agreements that allow, in the event of the counterparty's default, the offsetting of debit and credit positions in relation to derivative financial instruments.

149. As defined in the prudential requirements.

“Off-balance sheet exposures, Performing” relates to the counterparty risk associated with derivatives registering fair value gains, gross of any existing netting agreements.

### A.1.8 On-balance-sheet credit exposures to banks: trends in gross non-performing exposures

Nil.

### A.1.8 bis On-balance sheet credit exposures to banks: trends in gross forborne exposures granted by credit quality

Nil.

### A.1.9 On-balance sheet credit exposures to customers: trends in gross non-performing exposures

Causes/Categories (€m)	Bad loans	Unlikely to pay	Non-performing past-due
<b>A. Opening gross exposure</b>	-	-	<b>13</b>
- of which: transferred and not derecognised	-	-	-
<b>B. Increases</b>	-	-	-
B1. Transfers from performing exposures	-	-	-
B2. Transfers from acquired or originated impaired financial assets	-	-	-
B3. Transfers from other categories of non-performing exposure	-	-	-
B4. Contract amendments without termination	-	-	-
B5. Other increases	-	-	-
<b>C. Decreases</b>	-	-	-
C1. Transfers to performing exposures	-	-	-
C2. Write-off	-	-	-
C3. Collections	-	-	-
C4. Proceeds on disposal	-	-	-
C5. Losses on disposal	-	-	-
C6. Transfers to other categories of non-performing exposure	-	-	-
C7. Contract amendments without termination	-	-	-
C8. Other decreases	-	-	-
<b>D. Closing gross exposure</b>	<b>-</b>	<b>-</b>	<b>13</b>
- of which: transferred and not derecognised	-	-	-

### A.1.9bis On-balance sheet credit exposures to customers: trends in gross forborne exposures granted by credit quality

Nil.

### A.1.10 On-balance-sheet non-performing credit exposures to banks: trends in overall impairment losses/reversals

Nil.

### A.1.11 On-balance-sheet non-performing credit exposures to customers: trends in overall impairment losses/reversals

Causes/Categories (€m)	Bad loans		Unlikely to pay		Non-performing past-due	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
<b>A. Total opening adjustments</b>	-	-	-	-	13	-
- of which: transferred and not derecognised	-	-	-	-	-	-
<b>B. Increases</b>	-	-	-	-	-	-
B1. Value adjustments to acquired or originated impaired financial assets	-	X	-	X	-	X
B2. Other value adjustments	-	-	-	-	-	-
B3. Losses on disposal	-	-	-	-	-	-
B4. Transfers from other categories of non-performing exposure	-	-	-	-	-	-
B5. Contract amendments without termination	-	-	-	-	-	-
B6. Other increases	-	-	-	-	-	-
<b>C. Decreases</b>	-	-	-	-	-	-
C1. Write-backs on valuation	-	-	-	-	-	-
C2. Write-backs on collection	-	-	-	-	-	-
C3. Proceeds on disposal	-	-	-	-	-	-
C4. Write-off	-	-	-	-	-	-
C5. Transfers to other categories of non-performing exposure	-	-	-	-	-	-
C6. Contract amendments without termination	-	-	-	-	-	-
C7. Other decreases	-	-	-	-	-	-
<b>D. Total closing adjustments</b>	-	-	-	-	13	-
- of which: transferred and not derecognised	-	-	-	-	-	-

## A.2 Classification of financial assets, commitments to disburse funds and financial guarantees issued based on external and internal ratings

BancoPosta RFC has no lending policies as it does not grant loans to the public. It also uses internal models only for the measurement of expected losses as required by IFRS 9, but not for the quantification of capital requirements for credit risk.



## A.2.1 Distribution of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross amounts)

Exposures (€m)	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
<b>A. Financial assets measured at amortised cost</b>	<b>869</b>	<b>2,714</b>	<b>35,320</b>	<b>1</b>	<b>139</b>	<b>-</b>	<b>1,987</b>	<b>41,030</b>
- Stage 1	869	2,671	34,810	1	139	-	1,619	40,109
- Stage 2	-	43	510	-	-	-	355	908
- Stage 3	-	-	-	-	-	-	13	13
<b>B. Financial assets measured at fair value through other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>36,810</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,810</b>
- Stage 1	-	-	36,810	-	-	-	-	36,810
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
<b>C. Financial assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
<b>Total (A + B + C)</b>	<b>869</b>	<b>2,714</b>	<b>72,130</b>	<b>1</b>	<b>139</b>	<b>-</b>	<b>1,987</b>	<b>77,840</b>
of which: purchased or originated credit impaired financial assets	-	-	-	-	-	-	-	-
<b>D. Commitments to disburse funds and financial guarantees given</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
<b>Total (D)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A + B + C + D)</b>	<b>869</b>	<b>2,714</b>	<b>72,130</b>	<b>1</b>	<b>139</b>	<b>-</b>	<b>1,987</b>	<b>77,840</b>

Stage 2 reflects mainly financial assets represented by trade receivables for which loss provisions are measured with the simplified approach.

Financial assets allocated to stage 1 in the “Unrated” category refer mainly to the exposure to the Central Counterparty, Cassa di Compensazione e Garanzia.

The rating agency equivalents of credit rating classes are shown below:

Credit rating class	Fitch	Moody's	S&P	DBRS
1	from AAA to AA-	from Aaa to Aa3	from AAA to AA-	from AAA to AAL
2	from A+ to A-	from A1 to A3	from A+ to A-	from AH to AL
3	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-	from BBBH to BBBL
4	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-	from BBH to BBL
5	from B+ to B-	from B1 to B3	from B+ to B-	from BH to BL
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC

The nature of BancoPosta's operations exposes it to a substantial degree of concentration in respect of the Italian state. The concentration can be seen in Table A.2.1 under External Rating Class 3, which includes the Italian state.

## A.3 Distribution of guaranteed exposures by type of guarantee

### A.3.1 Guaranteed on- and off-balance-sheet credit exposures to banks

Nil.

### A.3.2 Guaranteed on- and off-balance-sheet credit exposures to customers

	Collateral (1)	Net exposure	Collateral (1)				Personal guarantees (2)							Total (1)+(2)	
			Mortgages	Finance leases	Securities	Other collateral	Credit derivatives				Unsecured				
							CLN	Other derivatives		Public Admin. entities	Banks	Other financial companies	Other financial entities		
								Central counterparties	Banks						Other financial companies
<b>1. Guaranteed on-balance sheet credit exposures:</b>															
1.1 guaranteed in full	1,908	1,908	-	-	1,159	-	-	-	-	-	750	-	-	-	<b>1,909</b>
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially guaranteed	3,197	3,196	-	-	-	-	-	-	-	-	3,000	-	-	-	<b>3,000</b>
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Guaranteed off-balance sheet credit exposures:</b>															
2.1 guaranteed in full	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## B. Distribution and concentration of credit exposures

### B.1 Distribution of on and off-balance sheet credit exposures to customers by economic sector

Exposures/Counterparty (€m)	Public Administration entities		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
	<b>A. On-balance sheet exposures</b>									
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
- of which forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
- of which forborne exposures	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	13	-	-
- of which forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	65,542	26	6,827	2	-	-	680	26	6	24
- of which forborne exposures	-	-	-	-	-	-	-	-	-	-
<b>Total A</b>	<b>65,542</b>	<b>26</b>	<b>6,827</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>680</b>	<b>39</b>	<b>6</b>	<b>24</b>
<b>B. Off-balance sheet exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	6	-	-	-	-	-	-	-
<b>Total B</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) at 31/12/2019</b>	<b>65,542</b>	<b>26</b>	<b>6,833</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>680</b>	<b>39</b>	<b>6</b>	<b>24</b>
<b>Total (A+B) at 31/12/2018</b>	<b>59,238</b>	<b>31</b>	<b>5,812</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>872</b>	<b>41</b>	<b>8</b>	<b>129</b>

## B.2 Geographical distribution of on- and off-balance sheet credit exposures to customers

Exposures/Counterparty (€m)	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
<b>A. On-balance sheet exposures</b>										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	13	-	-	-	-	-	-	-	-
A.4 Performing exposures	72,455	78	600	-	-	-	-	-	-	-
<b>Total A</b>	<b>72,455</b>	<b>91</b>	<b>600</b>	-	-	-	-	-	-	-
<b>B. Off-balance sheet exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	6	-	-	-	-	-	-	-
<b>Total B</b>	-	-	<b>6</b>	-	-	-	-	-	-	-
<b>Total (A+B) at 31/12/2019</b>	<b>72,455</b>	<b>91</b>	<b>606</b>	-	-	-	-	-	-	-
<b>Total (A+B) at 31/12/2018</b>	<b>65,817</b>	<b>203</b>	<b>105</b>	<b>1</b>	<b>8</b>	-	-	-	-	-

## B.2 Geographical distribution of on- and off-balance sheet credit exposures to customers

Exposures/geographic area (€m)	ITALY, NORTHWEST		ITALY, NORTHEAST		ITALY, CENTRE		ITALY, SOUTH AND ISLANDS	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
<b>A. On-balance sheet exposures</b>								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	13	-	-	-	-
A.4 Performing exposures	2	8	1	3	72,447	40	5	27
<b>Total A</b>	<b>2</b>	<b>8</b>	<b>1</b>	<b>16</b>	<b>72,447</b>	<b>40</b>	<b>5</b>	<b>27</b>
<b>B. Off-balance sheet exposures</b>								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	-	-	-	-	-	-
<b>Total B</b>	-	-	-	-	-	-	-	-
<b>Total (A+B) at 31/12/2019</b>	<b>2</b>	<b>8</b>	<b>1</b>	<b>16</b>	<b>72,447</b>	<b>40</b>	<b>5</b>	<b>27</b>
<b>Total (A+B) at 31/12/2018</b>	<b>4</b>	<b>27</b>	<b>1</b>	<b>29</b>	<b>65,808</b>	<b>76</b>	<b>4</b>	<b>71</b>

The concentration in central Italy is due to the fact that nearly all exposures consist of Italian Government securities and deposits at the MEF.

### B.3 Geographical distribution of on and off-balance sheet credit exposures to banks

Exposures/geographic area (€m)	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
<b>A. On-balance sheet exposures</b>										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	664	-	4,030	-	-	-	-	-	-	-
<b>Total A</b>	<b>664</b>	<b>-</b>	<b>4,030</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Off-balance sheet exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	413	-	208	-	-	-	-	-	-	-
<b>Total B</b>	<b>413</b>	<b>-</b>	<b>208</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) at 31/12/2019</b>	<b>1,077</b>	<b>-</b>	<b>4,238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) at 31/12/2018</b>	<b>464</b>	<b>-</b>	<b>1,490</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### B.3 Geographical distribution of on and off-balance sheet credit exposures to banks

Exposures/geographic area (€m)	ITALY, NORTHWEST		ITALY, NORTHEAST		ITALY, CENTRE		ITALY, SOUTH AND ISLANDS	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
<b>A. On-balance sheet exposures</b>								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	133	-	-	-	531	-	-	-
<b>Total A</b>	<b>133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>531</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Off-balance sheet exposures</b>								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	411	-	-	-	2	-	-	-
<b>Total B</b>	<b>411</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) at 31/12/2019</b>	<b>544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>533</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) at 31/12/2018</b>	<b>343</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121</b>	<b>-</b>	<b>-</b>	<b>-</b>

## B.4 Large exposures

In compliance with the supervisory standards in force, the table for Large exposures shows information on exposures to customers or groups of connected customers that exceed 10% of total own funds. The exposures are determined with reference to total on-balance sheet risk assets and off-balance sheet transactions, without applying any risk weightings. Based on these criteria, the table includes entities that, despite having a risk weighting of 0%, represent an unweighted exposure in excess of 10% of own funds. Exposures to the Italian state shown in the table represent approximately 84% of the total carrying amount. The remaining exposures regard primary counterparties represented by European Banks and other central counterparties in Italy. However, in view of the fact that it cannot lend to the public, the Bank of Italy has exempted BancoPosta RFC from application of the requirements regarding limits on large exposures. No further exemptions from the remaining obligations have been granted.

Large exposures	
a) Carrying amount (€m)	82,307
b) Weighted amount (€m)	5,410
c) Number	16

## C. Securitisations

Nil.

## D. Information on unconsolidated structured entities (other than securitisation vehicles)

Nil.

## E. Disposal of assets

### A. Financial assets sold but not fully derecognised

## Qualitative information

In the case of BancoPosta RFC, this category only regards Italian government securities provided as collateral for repurchase agreements. BancoPosta uses these transactions to access the interbank market to raise funds, with the aim of funding the purchase of government securities and the deposits necessary for margin lending.

## Quantitative information

### E.1 Financial assets sold recognised in full and associated financial liabilities: carrying amounts

(€m)	Full recognition of financial assets sold				Related financial liabilities		
	Carrying amount	of which: securitised	of which: subject to repurchase agreements	of which non-performing	Carrying amount	of which: securitised	of which: subject to repurchase agreements
<b>A. Financial assets held for trading</b>	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
<b>B. Other financial assets mandatorily measured at fair value</b>	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
<b>C. Financial assets designated at fair value</b>	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
<b>D. Financial assets measured at fair value through other comprehensive income</b>	<b>7,329</b>	-	<b>7,329</b>	-	<b>7,228</b>	-	<b>7,228</b>
1. Debt securities	7,329	-	7,329	-	7,228	-	7,228
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
<b>E. Financial assets measured at amortised cost</b>	<b>5,179</b>	-	<b>5,179</b>	-	<b>4,966</b>	-	<b>4,966</b>
1. Debt securities	5,179	-	5,179	-	4,966	-	4,966
2. Loans	-	-	-	-	-	-	-
<b>Total at 31/12/2019</b>	<b>12,508</b>	-	<b>12,508</b>	-	<b>12,194</b>	-	<b>12,194</b>
<b>Total at 31/12/2018</b>	<b>8,706</b>	-	<b>8,706</b>	-	<b>8,473</b>	-	<b>8,473</b>

## Section 2 – Market risk

Market risk relates to:

- price risk: 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;
- foreign exchange risk: 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;
- fair value interest rate risk: the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates;
- spread risk: the risk relates to the potential fall in the value of bonds held, following a deterioration in the creditworthiness of issuers;
- cash flow interest rate risk: the risk that the cash flows will fluctuate because of movements in market interest rates;
- interest rate risk of future cash flows: the risk that the cash flows will fluctuate because of movements in inflation rates in the market.

## 2.1 Interest rate and price risks - supervisory trading book

At 31 December 2019, there were financial liabilities for trading deriving exclusively from the stipulation of a forward contract for the sale of 400 thousand ordinary shares of Visa Incorporated for the purpose of stabilising their yield. This transaction does not meet the trading intent requirement, as defined by art. 104 of Regulation (EU) no. 575/2013, for classification in the “Regulatory trading book”; this intent is, however, excluded from the Guidelines on Poste Italiane SpA’s financial management for BancoPosta RFC.

Information on the market risks associated with this transaction is provided in the Banking Book section.

## 2.2 Interest rate and price risks - banking book

### Qualitative information

#### A. Generalities, operating procedures and interest rate and price risk measurement methods

##### Interest rate risk

Interest rate risk is inherent in the operations of a financial institution and can affect income (cash flow interest rate risk) and the value of the firm (fair value interest rate risk). Movements in interest rate can affect the cash flows associated with variable rate assets and liabilities and the fair value of fixed rate instruments.

Cash flow interest rate risk arises 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 an impact on future results. This risk is of particular relevance to variable rate assets and liabilities or assets and liabilities which have been transformed into variable rate by fair value hedges.

Fair value interest rate risk primarily 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 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<sup>150</sup>.

Interest rate risk is measured internally using the economic value method. This results in a need to develop an amortisation schedule for the funding consistent with its nature and to select a time horizon and confidence levels for the estimates. A maximum time horizon (cut-off point) of 20 years is used for retail customer deposits, 10 years for business customer deposits and Postepay cards<sup>151</sup>, and 5 years for Public Administration deposits, based on a 99% confidence level. This approach entails the computation of an ALM rate risk through the determination of asset/liability.

The exposure to interest rate risk, as measured internally, is subject to stress tests of the principal risk factors – such as the duration of deposits, the value of investments and interest rate trends – that contribute to determining the measurement of exposure. In particular, the stress tests are based on an assumed reduction in the maximum time horizon (cut-off point) for retail and business customer deposits, revaluation of the asset *portfolio* in response to adverse market movements, and non-parallel shifts in the interest rate curve.

Interest rate risk management and mitigation is based on the conclusions of the measurement of risk exposure and compliance - in line with the risk appetite and thresholds and limits established in the RAF - with financial operations guidelines as approved from time to time by the Board of Directors of Poste Italiane SpA.

150. Duration is the indicator used to estimate the percentage change in price in response to a shift in market returns.

151. Since 1 October 2018, prepaid cards are the responsibility of Postepay SpA. The liquidity raised through these cards is transferred to BancoPosta, which invests the funds raised in euro area government bonds or bonds guaranteed by the Italian State. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

Details on the risk management model are contained in the note on financial risks in Part E.

BancoPosta RFC monitors market risk, including fair value interest rate and spread risks, inherent in financial assets measured at fair value through other comprehensive income and derivative financial instruments through the computation of Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.

## Spread risk

Spread risk regards commitments in Euro area government securities or guaranteed by the Italian government and classified as financial assets measured at fair value through other comprehensive income. 2019 witnessed an average decrease in the yields on Italian government bonds compared with the previous year and, at 31 December 2019, the spread between ten-year Italian government bonds and German bunds is approximately 160 bps, down on the figure for the previous year (250 bps at 31 December 2018).

In the reporting period, as described above resulted in the *portfolio* of financial assets measured at fair value through other comprehensive income (notional of around €31 billion), held by BancoPosta RFC, an overall net increase in fair value of approximately €3.7 billion: this change was partly recognised in the profit and loss for a positive amount of approximately €2 billion relating to the change in the fair value of securities hedged against interest rate risk, whilst the positive change in the fair value of unhedged securities and the spread risk component (not hedged) was reflected in equity for approximately €1.7 billion.

## Price risk

Price risk relates to financial assets measured at fair value through profit or loss.

This sensitivity analysis takes into account the main positions potentially exposed to the greatest risk of price movements.

BancoPosta RFC monitors the price risk to which its shareholdings are exposed by computing Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.



## Quantitative information

### 1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: Euro

Type/ Residual term to maturity (€m)	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
<b>1. On-balance sheet assets</b>	<b>14,724</b>	<b>6,447</b>	<b>1,029</b>	<b>1,833</b>	<b>6,284</b>	<b>11,192</b>	<b>36,236</b>	<b>-</b>
1.1 Debt securities	-	5,289	1,029	1,833	6,284	11,192	36,236	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	5,289	1,029	1,833	6,284	11,192	36,236	-
1.2 Due from banks	4,691	-	-	-	-	-	-	-
1.3 Due from customers	10,033	1,158	-	-	-	-	-	-
- current accounts	8	-	-	-	-	-	-	-
- other loans	10,025	1,158	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	10,025	1,158	-	-	-	-	-	-
<b>2. On-balance sheet liabilities</b>	<b>58,601</b>	<b>3,266</b>	<b>586</b>	<b>1,603</b>	<b>6,740</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Due to customers	58,106	2,310	586	1,074	1,535	-	-	-
- current accounts	53,554	-	-	-	-	-	-	-
- other deposits	4,552	2,310	586	1,074	1,535	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	4,552	2,310	586	1,074	1,535	-	-	-
2.2 Due to banks	495	956	-	529	5,205	-	-	-
- current accounts	383	-	-	-	-	-	-	-
- other deposits	112	956	-	529	5,205	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	1,504	-	-	-	-	-	-
+ Short positions	-	-	-	-	835	649	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	4,195	-	1,930	19,055	1,375	805	-
+ Short positions	-	1,360	-	575	-	450	24,975	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

## 1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: US dollar

Type/ Residual term to maturity (€m)	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
<b>1. On-balance sheet assets</b>	<b>1</b>	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	1	-	-	-	-	-	-	-
1.3 Due from customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
<b>2. On-balance sheet liabilities</b>	-	-	-	-	-	-	-	-
2.1 Due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

## 1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: Swiss franc

Type/ Residual term to maturity (€m)	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
<b>1. On-balance sheet assets</b>	<b>2</b>	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Due from banks	2	-	-	-	-	-	-	-
1.3 Due from customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
<b>2. On-balance sheet liabilities</b>	-	-	-	-	-	-	-	-
2.1 Due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
<b>4. Other off-balance sheet transactions</b>								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

## 2. Banking *portfolio*: internal models and other methods of sensitivity analysis

### Fair value interest rate risk

The sensitivity of exposures to fair value interest rate risk was tested by assuming a parallel shift of the market yield curve of +/- 100 bps. The sensitivities data shown by the analysis provide a base scenario that can be used to measure potential changes in fair value, in the presence of changes in interest rates.

BancoPosta's financial assets measured at fair value through other comprehensive income at 31 December 2019 had a duration of 5.30 (31 December 2018: 4.80). The sensitivity analysis is shown in the table.

### Fair value interest rate risk

Analysis date (€m)	Nominal value*	Fair value	Change in value		Net interest and other banking income		Equity reserves before taxation	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
<b>2019 effects</b>								
Financial assets measured at fair value through other comprehensive income								
Fixed income instruments	31,170	36,799	(1,016)	1,003	-	-	(1,016)	1,003
Assets - Hedging derivatives	-	-	-	-	-	-	-	-
Liabilities - Hedging derivatives	(1,504)	(36)	67	(71)	-	-	67	(71)
<b>Variability at 31 December 2019</b>	<b>29,666</b>	<b>36,763</b>	<b>(949)</b>	<b>932</b>	<b>-</b>	<b>-</b>	<b>(949)</b>	<b>932</b>
<b>2018 effects</b>								
Financial assets measured at fair value through other comprehensive income								
Fixed income instruments	30,229	32,040	(798)	753	-	-	(798)	753
Assets - Hedging derivatives	3,135	155	(4)	4	-	-	(4)	4
Liabilities - Hedging derivatives	-	-	-	-	-	-	-	-
<b>Variability at 31 December 2018</b>	<b>33,364</b>	<b>32,195</b>	<b>(802)</b>	<b>757</b>	<b>-</b>	<b>-</b>	<b>(802)</b>	<b>757</b>

\* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

All of BancoPosta RFC's investments are classified as either Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income. The sensitivity analysis shown above is for the last of these categories.

In particular, the risk in question concerns:

- In relation to financial assets measured at fair value through other comprehensive income, fixed income Government bonds for €36,799 million, consisting of fixed income bonds for €14,944 million, floating-rate bonds swapped into fixed income bonds through interest rate swaps of cash flow hedges for €2,076 million, inflation-indexed bonds for €2,303 million and fixed income bonds swapped into floating rate instruments through fair value hedge derivatives for €17,476 million (of which €15,555 million with forward starts);
- In relation to hedge derivatives, forward sales of government bonds for a notional amount of €1,504 million, classified as cash flow hedges.

## Spread risk

Spread risk reflects the impact of the difference between yields on sovereign debt and the fair value of euro area government bonds, where such difference, or spread, reflects the perception of markets regarding issuers' creditworthiness.

The value of the *portfolio* of Italian government securities or backed by the guarantee of the Italian State is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due to the fact that changes in credit spreads are not hedged and regard the entire securities *portfolio*, meaning both the fixed and variable rate components. In this latter case, in fact, fair value derivatives, used to convert variable rate instruments, hedge only the risk-free interest rate risk and not credit risk. This means that a change in the credit spread has an equal impact on both fixed and variable instruments.

The sensitivity to the spread<sup>152</sup> has been calculated by applying a shift of +/- 100 bps to the risk factor that affects the different types of bonds held represented by the yield curve of Italian government bonds.

The sensitivity analyses are shown below.

## Fair value spread risk

Analysis date (€m)	Nominal value*	Fair value	Change in value		Net interest and other banking income		Equity reserves before taxation	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
<b>2019 effects</b>								
Financial assets measured at fair value through other comprehensive income								
Fixed income instruments	31,170	36,799	(3,458)	4,056	-	-	(3,458)	4,056
Assets - Hedging derivatives	-	-	-	-	-	-	-	-
Liabilities - Hedging derivatives	(1,504)	(36)	70	(74)	-	-	70	(74)
<b>Variability at 31 December 2019</b>	<b>29,666</b>	<b>36,763</b>	<b>(3,388)</b>	<b>3,982</b>	<b>-</b>	<b>-</b>	<b>(3,388)</b>	<b>3,982</b>
<b>2018 effects</b>								
Financial assets measured at fair value through other comprehensive income								
Fixed income instruments	30,229	32,040	(2,587)	3,025	-	-	(2,587)	3,025
Assets - Hedging derivatives	3,135	155	(4)	4	-	-	(4)	4
Liabilities - Hedging derivatives	-	-	-	-	-	-	-	-
<b>Variability at 31 December 2018</b>	<b>33,364</b>	<b>32,195</b>	<b>(2,591)</b>	<b>3,029</b>	<b>-</b>	<b>-</b>	<b>(2,591)</b>	<b>3,029</b>

\* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

It is worthy of note that any change in the spread would not entail any accounting effect on financial assets measured at amortised cost but would affect solely unrealised gains/losses. In other words, fixed income instruments measured at amortised cost, which at 31 December 2019 amounted to €25,064 million (nominal value of €21,175 million) and have a fair value of €24,686 million, would be reduced in fair value by approximately €2.7 billion following an increase in the spread of 100 bps, with the change not reflected in the accounts.

Movements in the spread have no impact on BancoPosta RFC's ability to meet its capital requirements, as the fair value reserves are not included in the computation of own funds for supervisory purposes.

In addition to sensitivity analyses, BancoPosta RFC monitors fair value interest rate risk by computing maximum potential loss or VaR - Value at Risk. The results of the VaR analysis regarding the variability of spread risk are shown below.

152. For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of 21 bps and the spread of the BTP compared to the 10-year swap rate of 120 bps).

## Spread risk - VaR analyses

Analysis date (€m)	Risk exposure		SpreadVaR
	Nominal value*	Fair value	
<b>2019 effects</b>			
Financial assets measured at fair value through other comprehensive income			
Fixed income instruments**	31,170	36,799	307
Assets - Hedging derivatives**	-	-	-
Liabilities - Hedging derivatives**	-	-	-
<b>Variability at 31 December 2019</b>	<b>31,170</b>	<b>36,799</b>	<b>307</b>
<b>2018 effects</b>			
Financial assets measured at fair value through other comprehensive income			
Fixed income instruments**	30,229	32,040	377
Assets - Hedging derivatives**	1,491	94	24
Liabilities - Hedging derivatives**	-	-	-
<b>Variability at 31 December 2018</b>	<b>31,720</b>	<b>32,134</b>	<b>401</b>

\* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

\*\* The VAR indicated for derivative financial instruments refers solely to forward purchases while the VAR related to fixed-income bonds takes into account also forward sales.

Maximum potential loss (VaR - Value at Risk), a statistical estimation with a time horizon of 1 day and a confidence level of 99%, is also computed by BancoPosta RFC to monitor market risk. Risk analysis performed through VAR takes into account the historical variability of the risk (spread) in question, in addition to modelling parallel shifts of the yield curve.

In order to jointly monitor spread and fair value interest rate risks, the following table shows the results of the VaR analysis conducted with reference to financial assets measured at fair value through other comprehensive income and the relevant derivative financial instruments (except forward purchases), taking into account the variability of both risk factors:

(€m)	2019	2018
Average VaR	(412)	(417)
Minimum VaR	(270)	(189)
Maximum VaR	(637)	(822)

Taking into account both financial assets measured at fair value through other comprehensive income (including the related hedges outstanding) and forward purchases and sales, the combined analysis of spread risk and fair value interest rate risk at 31 December 2019 results in a potential loss of €336 million (VaR at the end of the period). The decrease in VaR at the end of the period, compared with the €402 million at 31 December 2018, primarily reflects the decrease in market volatility.

## Cash flow interest rate risk

The sensitivity to cash flow interest rate risk at 31 December 2018 and 31 December 2019 is summarised in the table below and was computed assuming a +/- 100 bps parallel shift in the market forward interest rate curve.

### Cash flow interest rate risk

(€m)	2019			2018		
	Risk exposure Notional	Net interest and other banking income		Risk exposure	Net interest and other banking income	
		+100 bps	-100 bps		+100 bps	-100 bps
Cash						
- Account held at Bank of Italy	814	8	(8)	348	3	(3)
Financial assets measured at amortised cost						
Due from banks						
- Collateral guarantees	4,620	46	(46)	1,349	13	(13)
- Deposits	4	-	-	5	-	-
Due from customers						
- Deposits at MEF (PA deposits)	7,066	71	(71)	5,930	59	(59)
- Deposits at MEF (private customer deposits)	495	5	(5)	1,306	13	(13)
- Collateral guarantees	1,040	10	(10)	303	3	(3)
- Due from Poste Italiane SpA outside the ring-fence	647	6	(6)	843	8	(8)
- Fixed income instruments	2,560	26	(26)	425	4	(4)
Financial assets measured at fair value through other comprehensive income						
- Fixed income instruments	3,565	36	(36)	1,740	17	(17)
Financial liabilities measured at amortised cost						
Due to banks						
- Collateral guarantees	(112)	(1)	1	(70)	(1)	1
Due to customers						
- Due to Poste Italiane SpA outside the ring-fence	-	-	-	(14)	-	-
<b>Total variability</b>	<b>20,699</b>	<b>207</b>	<b>(207)</b>	<b>12,165</b>	<b>119</b>	<b>(119)</b>

Cash flow interest rate risk at 31 December 2019 was primarily due to:

- the placement of Public Administration deposits with the MEF;
- fixed income bonds issued by the Italian State swapped in floating-rate bonds through fair value hedge derivatives for a total nominal amount of €6,125 million mainly including: (i) Italian government bonds for €4,385 million, whose fair value hedge will start to take effect in the 12 months following the period under review; (ii) inflation-linked bonds issued by the Italian Republic with a nominal amount of €100 million;
- receivables for a total amount of €5,660 million for security deposits provided as collateral for derivative liabilities and repurchase agreements.

## Cash flow inflation risk

Cash flow inflation rate risk at 31 December 2019 relates to government inflation indexed bonds which were not hedged through the arrangement of cash flow hedges or fair value hedges entered into by BancoPosta RFC, having a nominal value of €1,875 million and a fair value of €2,381 million. The effects of sensitivity analysis are immaterial.

## Price risk

The sensitivity of financial instruments to price risk is analysed using a variability stress calculated with reference to one-year historical volatility, considered to be representative of potential market movements.

## Price risk

Analysis date (€m)	Exposure	Change in value		Net interest and other banking income		Equity reserves before taxation		
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol	
<b>2019 effects</b>								
Financial assets measured at fair value through profit or loss								
	Equity instruments	71	14	(14)	14	(14)	-	-
	Financial liabilities held for trading	(15)	(12)	12	(12)	12	-	-
	<b>Variability at 31 December 2019</b>	<b>56</b>	<b>2</b>	<b>(2)</b>	<b>2</b>	<b>(2)</b>	<b>-</b>	<b>-</b>
<b>2018 effects</b>								
Financial assets measured at fair value through profit or loss								
	Equity instruments	50	13	(13)	13	(13)	-	-
	Financial liabilities held for trading	-	-	-	-	-	-	-
	<b>Variability at 31 December 2018</b>	<b>50</b>	<b>13</b>	<b>(13)</b>	<b>13</b>	<b>(13)</b>	<b>-</b>	<b>-</b>

Notes on the related equity instruments (shares) are contained in Part B, Assets, Table 2.5.

The preference Visa Incorporated shares (Series C Convertible Participating Preferred Stock) held in *portfolio* were sensitivity tested using similar Class A shares, after adjusting for the volatility of the shares traded on the NYSE. This volatility was mitigated by the partial forward sale of approximately 90% of Visa Incorporated ordinary shares in 2019. The shares' price risk is also monitored through the computation of VaR.

The VaR sensitivity analyses are shown below:

(€m)	2019	2018
Closing VaR	-	(3)
Average VaR	(1)	(2)
Minimum VaR	-	(1)
Maximum VaR	(3)	(3)



## 2.3 Foreign exchange risk

### Qualitative information

#### A. Generalities, management policies and foreign exchange risk measurement methods

Foreign exchange risk relates to losses that could be incurred on foreign currency positions, regardless of *portfolio*, through fluctuations in foreign exchange rates. In BancoPosta RFC's case, this risk primarily derives from foreign currency bank accounts, foreign currency cash and VISA shares<sup>153</sup>.

Foreign exchange risk is controlled by the Risk Management unit using the measurement of exposure to the risk in accordance with financial operations guidelines which restrict currency trading to the foreign exchange service and international bank transfers.

Foreign exchange risk is measured using the Bank of Italy prudential methodology currently recommended for banks (see EU Regulation 575/2013). Furthermore, sensitivity stress tests are regularly conducted for the most important exposures with reference to hypothetical levels of exchange rate volatility for each currency position. Movements in exchange rates equal to the historical volatility are assumed to emulate market fluctuations.

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153. The exchange rate risk relating to VISA shares was mitigated through a forward sale transaction carried out during 2019.

## B. Foreign exchange hedges

### Quantitative information

#### 1. Distribution of assets, liabilities and derivatives by currency

Voci (€m)	Currency					
	US Dollar	Swiss Franc	GB Sterling	Japanese Yen	Tunisian Dinar	Other currencies
<b>A. Financial assets</b>	<b>72</b>	<b>2</b>	-	-	-	-
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	71	-	-	-	-	-
A.3 Due from banks	1	2	-	-	-	-
A.4 Due from customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
<b>B. Other assets</b>	<b>7</b>	<b>3</b>	<b>2</b>	-	-	-
<b>C. Financial liabilities</b>	-	-	-	-	-	-
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	-	-	-	-	-	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
<b>D. Other liabilities</b>	-	-	-	-	-	-
<b>E. Financial derivatives</b>						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
Other derivatives						
+ Long positions	51	-	-	-	-	-
+ Short positions	65	-	-	-	-	-
<b>Total assets</b>	<b>130</b>	<b>5</b>	<b>2</b>	-	-	-
<b>Total liabilities</b>	<b>65</b>	-	-	-	-	-
<b>Net position (+/-)</b>	<b>65</b>	<b>5</b>	<b>2</b>	-	-	-

“Other assets” relate to foreign currencies held in post offices for the foreign exchange service.

## 2. Internal models and other methods of sensitivity analysis

Application of the foreign exchange rate volatility during the period to the most important equity instruments held by BancoPosta are shown in the following table.

### Foreign exchange risk - US dollar

Analysis date (€m)	USD position (\$000)	EUR position (€000)	Change in value		Net interest and other banking income		Equity reserves before taxation	
			+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
			260 days	260 days	260 days	260 days	260 days	260 days
<b>2019 effects</b>								
Financial assets measured at fair value through profit or loss								
Equity instruments	79	71	4	(4)	4	(4)	-	-
Liabilities held for trading	(17)	(15)	(1)	1	(1)	1	-	-
<b>Variability at 31 December 2019</b>	<b>62</b>	<b>56</b>	<b>3</b>	<b>(3)</b>	<b>3</b>	<b>(3)</b>	<b>-</b>	<b>-</b>
<b>2018 effects</b>								
Financial assets measured at fair value through profit or loss								
Equity instruments	58	50	4	(4)	4	(4)	-	-
Liabilities held for trading	-	-	-	-	-	-	-	-
<b>Variability at 31 December 2018</b>	<b>58</b>	<b>50</b>	<b>4</b>	<b>(4)</b>	<b>4</b>	<b>(4)</b>	<b>-</b>	<b>-</b>

## Section 3 – Derivative instruments and hedging policies

### 3.1 Trading derivative instruments

#### A. Financial derivatives

##### A.1 Trading financial derivatives: year-end notional amounts

Underlyings / Type of derivative (€m)	Total at 31/12/2019				Total at 31/12/2018			
	Central counterparties	Over the counter		Organised markets	Central counterparties	Over the counter		Organised markets
		Without central counterparties				Without central counterparties		
		With netting agreements	Without netting agreements		With netting agreements	Without netting agreements		
<b>1. Debt securities and interest rates</b>	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>2. Equity instruments and equity indexes</b>	-	<b>51</b>	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	51	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>3. Currencies and gold</b>	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>4. Commodities</b>	-	-	-	-	-	-	-	-
<b>5. Other</b>	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>51</b>	-	-	-	-	-	-

## A.2 Trading financial derivatives: gross positive and negative fair value - breakdown by product

Type of derivative (€m)	Total at 31/12/2019				Total at 31/12/2018			
	Central counterparties	Over the counter		Organised markets	Central counterparties	Over the counter		Organised markets
		Without central counterparties				Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
<b>1. Positive fair value</b>								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-
<b>2. Negative fair value</b>								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	(15)	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
<b>Total</b>	-	(15)	-	-	-	-	-	-

### A.3 OTC trading financial derivatives: notional amounts, gross positive and negative fair value by counterparty

Underlying asset (€m)	Central counterparties	Banks	Other financial companies	Other entities
<b>Contracts not falling within the scope of netting agreements</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>2) Equity instruments and equity indexes</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>3) Currencies and gold</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>4) Commodities</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>5) Other</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>Contracts falling within the scope of netting agreements</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>2) Equity instruments and equity indexes</b>				
- notional amount	-	51	-	-
- positive fair value	-	-	-	-
- negative fair value	-	(15)	-	-
<b>3) Currencies and gold</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>4) Commodities</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>5) Other</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

## A.4 Residual life of OTC trading financial derivatives: notional amounts

Underlyings/Residual term to maturity (€m)	1 year or less	1 - 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity instruments and equity indexes	-	51	-	51
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
<b>Total at 31/12/2019</b>	-	<b>51</b>	-	<b>51</b>
<b>Total at 31/12/2018</b>	-	-	-	-

## B. Credit derivatives

Nothing to report.

## 3.2 Hedge accounting

BancoPosta RFC has fair value and cash flow hedge policies for which it elected, under IFRS 9, to maintain the accounting treatment provided for by IAS 39.

## Qualitative information

### A. Fair value hedges

BancoPosta RFC has a government bond *portfolio* – made up of fixed income BTPs and inflation-linked BTPs – subject to movements in fair value due to changes in interest rates and in the inflation rate.

To limit the effects of interest rates on fair value, BancoPosta RFC enters into interest rate swaps Over the Counter (OTC) to hedge the fair value of the bonds held in *portfolio*. The objective of these transactions is to have instruments that can offset changes in fair value of the *portfolio* due to interest rate fluctuations and the rate of inflation.

### B. Cash flow hedges

BancoPosta RFC enters into:

- **forward purchases** of government bonds, to limit the exposure to interest rate risk deriving from the need to reinvest the cash generated by maturing bonds held in *portfolio*;
- **forward sales** of government bonds to pursue the stabilisation of returns.

These derivatives qualify as cash flow hedges of forecast transactions.

In addition, BancoPosta RFC has a *portfolio* of inflation-linked BTPs subject to cash flow variability in relation to inflation.

To limit the effects of interest rates on cash flows, BancoPosta RFC enters into OTC interest rate swaps to hedge the cash flows of the bonds held in *portfolio*. The objective of these transactions is to stabilise until maturity the return of the instrument, regardless of movements of the variable parameter.

## C. Hedges of foreign operations

BancoPosta RFC does not have a policy for hedges of foreign operations.

## D. Hedging instruments

Regarding fair value hedge instruments, the main source of ineffectiveness is the use of different spreads in determining the fair value of the hypothetical derivative and the derivative actually entered into. In particular, to evaluate the effectiveness of the hedge relationship, for the hypothetical derivative use is made of the mid-market spread, which makes the present value at the settlement date equal to zero, and for the actual derivative the interest rate agreed upon with the counterparty.

As to cash flow hedge instruments, the main source of ineffectiveness is the use of the fixed income component used in determining the fair value of the hypothetical derivative and the actual derivative. In particular, to evaluate the effectiveness of the hedge relationship use is made, for the hypothetical derivative, the fixed rate that makes the present value at the settlement date equal to zero while for the actual derivative the calculation is performed with the interest rate agreed upon with the counterparty.

With respect to the hedges of forecast transactions, no source of ineffectiveness was identified, as the forward prices of the counterparties were assumed to be perfectly equal to the theoretical forward prices.

## E. Hedged items

BancoPosta RFC designates as hedged items:

- fixed income and index-linked bonds, in connection the fair value hedge policy;
- inflation-linked bonds and forecast transactions, in connection with cash flow hedge policies.

In particular, in fair value hedges, the credit risk of the Italian Republic is not hedged and is set for the duration of the swap. In addition, full hedges and partial hedges are implemented, with the start date equal to the date of purchase of the instrument (swap spot start) and after the purchase of the instrument (swap forward start), respectively.

Regarding fair value hedges, BancoPosta RFC evaluates the effectiveness of every hedging relationship in offsetting movements in fair value through a retrospective effectiveness test and a prospective effectiveness test<sup>154</sup>, using the approaches illustrated in the following notes.

The retrospective effectiveness test is run by utilising the “dollar offset approach through the hypothetical derivative<sup>155</sup>. With this approach, consideration is given to the hedge ratio of the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual hedging instrument have a settlement date consistent with the hedge inception (spot or forward start) and differ solely in their spread which is considered, as already indicated, the main source of ineffectiveness. The partial ineffectiveness of the hedge, equal to the difference between the changes in value of the two derivatives (hypothetical and actual) represents the net effect of the hedge recognised separately in profit or loss.

154. IAS 39 requires two effectiveness tests:

- prospective effectiveness test: attests that the hedging relationship is expected to be highly effective in future periods;
  - retrospective effectiveness test: attests that the hedging relationship has been effective from inception to the reporting date.
- For a hedge to be effective, the prospective effectiveness test must show that the hedge is highly effective in offsetting fair value or cash flow movements attributable to the hedged instrument during the designation period, while the result of the retrospective test must show offset ratios ranging from 80% to 125%.

A hedge can be ineffective when the hedging instrument and the hedged item: are in different currencies; have different maturities; use different underlying interest rates; are exposed to different counterparty risks; and when the derivative is not equal to zero at inception.

155. The dollar offset approach is a quantitative method that involves a comparison between movements in the fair value or cash flow of the hedging instrument and the movements in the fair value or cash flow of the hedged instrument attributable to the risk hedged. Depending on the policy selected, this approach can be used:

- on a cumulative basis, by observing the performance of the hedge since inception;
- on a periodic basis, by comparing the hedge performance with that of the last test.

The dollar offset approach can be implemented through a hypothetical derivative, that is by constructing a theoretical derivative to compare the relevant theoretical movements in fair value or cash flow with those of the hedged instrument (actual derivative).



For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. Specifically:

- the “Critical terms<sup>156</sup>” approach for swap spot start, for which it has been determined at inception that the characteristics of the fixed leg make it possible to replicate exactly the fixed cash flows generated by the hedged item;
- the “Dollar offset through the hypothetical derivative” approach for forward start swaps, for which the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative<sup>157</sup>. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

Regarding cash flow hedges, BancoPosta RFC evaluates the effectiveness of the designated derivative in every hedging relationship through a retrospective effectiveness test and a prospective effectiveness test.

With regards to the hedges of forecast transactions, the retrospective effectiveness test involves the calculation of a hedge ratio defined as the ratio of the difference between the fair value of the forward transaction entered into with the counterparty on the test and inception date and the present value of the difference between the theoretical forward price of the BTP calculated as of the test and inception date. Assuming a perfect match between the forward prices of the counterparties and the theoretical forward prices, the hedge ratio is always equal to 100%. As such, there are no sources of ineffectiveness.

For the purposes of the prospective effectiveness test, the critical terms approach is applied, considering at inception the consistency between the hedging instrument and the hedged item on the basis of the qualitative characteristics of the contracts <sup>158</sup>.

With respect to inflation-linked bonds, the retrospective effectiveness test considers the hedge ratio between the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between the date of inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual derivative have the settlement date that matches the inception of the hedge and differ in terms of their fixed income component. Moreover, for the derivatives used to hedge inflation-linked BTP, the fair value at the settlement date reflects also the interest accrued of the instrument accrued from the latest interest payment date to the date of settlement of the derivative. As such, both are considered the main sources of ineffectiveness.

The change in fair value of the actual derivative is recognised through equity, for the effective portion of the hedge, while the change in fair value of the ineffective portion is recognised through profit or loss.

For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. Specifically:

- the “Critical terms” approach for derivatives for which it has been determined at inception that the characteristics of the indexed leg of the swap make it possible to replicate exactly the variable cash flows generated by the hedged item;
- the “Dollar offset through the hypothetical derivative” approach for derivative contracts with a fixed rate applicable to a nominal amount growing constantly at six-month intervals until the derivative expires. For these contracts the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative<sup>159</sup>. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

156. The critical terms approach involves a comparison between the critical terms of the hedging instrument with those of the hedged item. The hedging relationship is highly effective when all the critical terms of the two instruments match perfectly and there are no features or options that might invalidate the hedge. Critical terms include, for example: notional amount of the derivative and principal of the underlying, credit risk, timing, currency of the cash flows.

157. Calculated by assuming a parallel shift of + / - 100 bps of the yield curves.

158. The notional amount of the forward contract must be set, at the settlement date, as equal to the nominal amount of the instrument in case of purchase, and equal or lower than the nominal amount of the instrument in case of sale. The underlying of the forward contract must coincide with the instrument that must be purchased or sold (in this case it must be an instrument in the *portfolio*) at the settlement date. The settlement date must be the same as the date on which the cash flow to be hedged is expected, in case of forward purchase, or must be related to the year in which the total return must be stabilised, in case of forward sale.

159. Calculated by assuming a parallel shift of + / - 100 bps of the yield curves.

## Quantitative information

### A. Hedging financial derivatives

#### A.1 Hedging financial derivatives: year-end notional amounts

Underlyings / Type of derivative (€m)	Total at 31/12/2019				Total at 31/12/2018			
	Central counterparties	Over the counter		Organised markets	Central counterparties	Over the counter		Organised markets
		Without central counterparties				Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
<b>1. Debt securities and interest rates</b>	-	<b>28,864</b>	-	-	-	<b>28,335</b>	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	27,360	-	-	-	25,200	-	-
c) Forwards	-	1,504	-	-	-	3,135	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>2. Equity instruments and equity indexes</b>	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>3. Currencies and gold</b>	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
<b>4. Commodities</b>	-	-	-	-	-	-	-	-
<b>5. Other</b>	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>28,864</b>	-	-	-	<b>28,335</b>	-	-

## A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

Type of derivative (€m)	Fair value gains and losses							Change in value used to recognise ineffective portion of hedge	
	Total at 31/12/2019			Organised markets	Total at 31/12/2018			Total at 31/12/2019	Total at 31/12/2018
	Over the counter		Without central counterparties		Over the counter		Organised markets		
	Central counterparties	Without central counterparties		Central counterparties	Without central counterparties				
		With netting agreements	Without netting agreements		With netting agreements	Without netting agreements			
<b>1. Positive fair value</b>									
a) Options	-	-	-	-	-	-	-	-	
b) Interest rate swaps	-	73	-	-	-	213	-	24	(106)
c) Cross currency swaps	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	155	-	-	155
f) Futures	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>73</b>	-	-	-	<b>368</b>	-	<b>24</b>	<b>49</b>
<b>2. Negative fair value</b>									
a) Options	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	(5,516)	-	-	-	(1,829)	-	(3,969)	(590)
c) Cross currency swaps	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-
e) Forwards	-	(36)	-	-	-	-	-	(36)	-
f) Futures	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>(5,552)</b>	-	-	-	<b>(1,829)</b>	-	<b>(4,005)</b>	<b>(590)</b>

### A.3 OTC hedging financial derivatives: notional amounts, gross positive and negative fair value by counterparty

Underlying asset (€m)	Central counterparties	Banks	Other financial companies	Other entities
<b>Contracts not falling within the scope of netting</b>				
<b>1) Contracts not falling within the scope of netting agreements</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>2) Equity instruments and equity indexes</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>3) Currencies and gold</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>4) Commodities</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>5) Other</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>Contracts falling within the scope of netting agreements</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	-	24,834	4,030	-
- positive fair value	-	67	6	-
- negative fair value	-	(4,975)	(577)	-
<b>2) Equity instruments and equity indexes</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>3) Currencies and gold</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>4) Commodities</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>5) Other</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

## A.4 Residual life of OTC hedging financial derivatives: notional amounts

Underlyings/Residual term to maturity (€m)	1 year or less	1 - 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	1,504	465	26,895	28,864
A.2 Financial derivatives on equity instruments and equity indexes	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
<b>Total at 31/12/2019</b>	<b>1,504</b>	<b>465</b>	<b>26,895</b>	<b>28,864</b>
<b>Total at 31/12/2018</b>	<b>3,580</b>	<b>440</b>	<b>24,315</b>	<b>28,335</b>

## B. Hedging credit derivatives

Nothing to report.

## C. Non-derivative hedging instruments

Nothing to report.

## D. Hedged instruments

### D.1 Fair value hedges

(€m)	Specific hedges: carrying amount	Specific hedges - net positions: balance sheet value of assets or liabilities (before netting)	Accumulated movements in fair value of hedged instrument	Specific hedges: Termination of the hedge: residual cumulative changes in fair value	Change in value use to recognise ineffective portion of hedge	Specific hedges: carrying amount
<b>A. Assets</b>						
<b>1. Financial assets measured at fair value through other comprehensive income - hedging:</b>						
1.1 Debt securities and interest rates	17,476	-	2,552	-	2,040	X
1.2 Equity instruments and equity indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
<b>2. Financial assets measured at amortised cost - hedging:</b>						
1.1 Debt securities and interest rates	15,017	-	2,870	-	1,883	X
1.2 Equity instruments and equity indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
<b>Total at 31/12/2019</b>	<b>32,493</b>	<b>-</b>	<b>5,422</b>	<b>-</b>	<b>3,923</b>	<b>-</b>
<b>Total at 31/12/2018</b>	<b>25,727</b>	<b>-</b>	<b>1,561</b>	<b>-</b>	<b>694</b>	<b>-</b>
<b>B. Liabilities</b>						
<b>2. Financial liabilities measured at amortised cost - hedging:</b>						
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
<b>Total at 31/12/2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31/12/2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## D.2 Cash flow and hedges of net investments in foreign operations

(€m)	Change in value use to recognise ineffective portion of hedge	Hedge reserve	Termination of hedge: residual value of hedge reserve
<b>A. Cash flow hedges</b>			
<b>1. Assets</b>			
1.1 Debt securities and interest rates	54	161	-
1.2 Equity instruments and equity indexes	-	-	-
1.3 Currencies and gold	-	-	-
1.4 Receivables	-	-	-
1.5 Other	-	-	-
<b>2. Liabilities</b>			
1.1 Debt securities and interest rates	-	-	-
1.2 Currencies and gold	-	-	-
1.3 Other	-	-	-
<b>Total (A) at 31/12/2019</b>	<b>54</b>	<b>161</b>	<b>-</b>
<b>Total (A) at 31/12/2018</b>	<b>(155)</b>	<b>123</b>	<b>-</b>
<b>B. Hedges of net investments in foreign operations</b>			
<b>Total (A + B) at 31/12/2019</b>	<b>54</b>	<b>161</b>	<b>-</b>
<b>Total (A + B) at 31/12/2018</b>	<b>(155)</b>	<b>123</b>	<b>-</b>

## E. Effects of hedging transactions through equity

### E.1 Reconciliation of equity components

(€m)	Cash flow hedge reserve					Hedge reserve of net investments in foreign operations				
	Debt securities and interest rates	Equity instruments and equity indexes	Currencies and gold	Receivables	Other	Debt securities and interest rates	Equity instruments and equity indexes	Currencies and gold	Receivables	Other
<b>Opening balance</b>	<b>123</b>	-	-	-	-	-	-	-	-	-
Movements in fair value (effective portion)	98	-	-	-	-	-	-	-	-	-
Reclassifications to profit or loss	(60)	-	-	-	-	-	-	-	-	-
of which: future transactions no longer expected	-	-	-	-	-	X	X	X	X	X
Other changes	-	-	-	-	-	-	-	-	-	-
of which: transfers to initial carrying amount of hedged instruments	-	-	-	-	-	X	X	X	X	X
<b>Closing balance</b>	<b>161</b>	-	-	-	-	-	-	-	-	-

## 3.3 Other information on trading and hedging derivatives

### A. Financial and credit derivatives

#### A.1 OTC financial and credit derivatives: net fair value by counterparty

At 31 December 2019 Banco Posta RFC had no master netting or similar agreements in place that meet the requirements of IAS 32, paragraph 42, regarding offsetting financial assets and liabilities.

## Section 4 – Liquidity risk

### Qualitative information

#### A. Generalities, management policies and liquidity risk measurement methods

Liquidity risk is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. Liquidity risk may derive from the inability to sell financial assets quickly at an amount close to fair value or the need to raise funds at off-market rates.

It is policy to minimise liquidity risk through:

- diversification of the various forms of short-term and long-term loans and counterparties;
- gradual and consistent distribution of the maturities of medium/long-term borrowings;
- use of dedicated analytical models to monitor the maturities of assets and liabilities;
- the availability of the interbank markets as a source of repurchase agreement finance, with collateral in the form of securities held in *portfolio*, due to the fact that such assets consist of financial instruments deemed to be highly liquid assets by current standards.

In order to mitigate liquidity and market risk in the event of extreme market scenarios, during 2019 BancoPosta RFC entered into a contract that provides for the granting by Cassa Depositi e Prestiti of a short-term committed facility for repurchase agreements up to a maximum of €5 billion and a 12-month extension period.

In terms of BancoPosta RFC's specific operations, liquidity risk regards the investment of current account and prepaid card<sup>160</sup> deposits in bonds issued by euro area government securities and/or other securities backed by guarantee of the Italian Republic, and the margins on derivative transactions. The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of loan and deposit maturities, using the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of 20 years for retail customers, 10 years for business customers and Postepay cards and 5 years for Public Administration customers. BancoPosta RFC closely monitors the behaviour of deposits taken in order to assure the model's validity.

In addition to postal deposits, BancoPosta also funds itself through:

- long-term repos, amounting to an outstanding €6.1 billion;
- short-term deposits created through repurchase agreements as funding for incremental deposits used as collateral for interest rate swaps and Repos (collateral provided, respectively, under CSAs and GMRAs).

BancoPosta RFC's maturity mismatch approach entails an analysis of the mismatch between cash in and outflows for each time band of the maturity ladder.

BancoPosta RFC's cash is dynamically managed by treasury for the timely and continual monitoring of private customer postal current account cash flows and the efficient management of short-term cash shortfalls and excesses. In order to assure flexible investments in securities consistent with the dynamic nature of current accounts, BancoPosta RFC can also use the MEF buffer account within certain limits and subject to payment of a fee.

Details on the risk management model are contained in the note on financial risk at the beginning of this Part E.

The liquidity risk resulting from contract terms requiring the provision of additional collateral in the event of a downgrade of Poste Italiane SpA is negligible. Such contracts include those for margin lending of derivatives, which require the threshold

160. Since 1 October 2018, prepaid cards are the responsibility of Postepay SpA. The liquidity raised through these cards is transferred to BancoPosta, which invests the funds raised in euro area government bonds or bonds guaranteed by the Italian State. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

amount<sup>161</sup> to be reduced to zero in the event that Poste Italiane SpA's rating is downgraded to below BBB-. The threshold amounts relating to margin lending contracts included in repurchase agreements are equal to zero, meaning that these transactions are not subject to liquidity risk.

BancoPosta RFC's liquidity is assessed, in the form of stress tests, through risk indicators (the Liquidity Coverage Ratio and Net Stable Funding Ratio) defined by the Basel 3 prudential regulations. These indicators aim to assess whether or not the entity has sufficient high-quality liquid assets to overcome situations of acute stress lasting a month, and to verify that assets and liabilities have sustainable maturity profiles assuming a stress scenario lasting one year. Taking into account the capital structure of BancoPosta RFC characterised by the presence of a high amount of EU government securities and deposits mainly made up of retail deposits, these indicators are well above the limits imposed by prudential regulations.

Moreover, liquidity risk is monitored through the development of early warning indicators that, in addition to taking into account the level of deposit withdrawals under conditions of stress, aim to monitor funding outflows in line with the estimated performance of deposits at a 99% confidence level.

## Quantitative information

### 1. Distribution of residual terms to maturity of financial assets and liabilities

The time distribution of assets and liabilities is shown below, as established for banks' financial statements (Bank of Italy Circular 262/2005 and subsequent updates), using accounting data reported for the residual contractual term to maturity.

Management data, such as the modelling of demand deposits and the reporting of cash and cash equivalents taking account of their degree of liquidity, has, consequently, not been used.

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161. The threshold amount is the amount of collateral that is not required to be provided under the contract; it therefore represents the residual counterparty risk to be borne by a counterparty.



## Currency: Euro

Items/Residual terms to maturity (€m)	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	Over 5 years	Unspecified maturity
<b>A. On-balance sheet assets</b>	<b>9,124</b>	<b>6,818</b>	<b>3</b>	<b>-</b>	<b>2,028</b>	<b>562</b>	<b>2,219</b>	<b>6,975</b>	<b>42,135</b>	<b>13</b>
A.1 Government bonds	-	-	3	-	2,006	549	1,434	6,975	39,135	-
A.2 Other debt securities	-	-	-	-	22	13	785	-	3,000	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	9,124	6,818	-	-	-	-	-	-	-	13
- Banks	71	4,620	-	-	-	-	-	-	-	-
- Customers	9,053	2,198	-	-	-	-	-	-	-	13
<b>B. On-balance sheet liabilities</b>	<b>59,231</b>	<b>119</b>	<b>151</b>	<b>1,526</b>	<b>1,581</b>	<b>585</b>	<b>1,601</b>	<b>6,734</b>	<b>-</b>	<b>-</b>
B.1 Deposits and current accounts	53,938	-	-	-	-	-	-	-	-	-
- Banks	383	-	-	-	-	-	-	-	-	-
- Customers	53,555	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	5,293	119	151	1,526	1,581	585	1,601	6,734	-	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- Long positions	-	-	-	-	1,504	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	730	550	-
C.2 Financial derivatives without exchange of principal										
- Long positions	-	-	-	2	37	6	58	-	-	-
- Short positions	-	-	-	-	45	2	82	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## 1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: US dollar

Items/Residual terms to maturity (€m)	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	Over 5 years	Unspecified maturity
<b>A. On-balance sheet assets</b>	<b>1</b>	-	-	-	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1	-	-	-	-	-	-	-	-	-
- Banks	1	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
<b>B. On-balance sheet liabilities</b>	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with exchange of principal										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## 1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: Swiss franc

Items/Residual terms to maturity (€m)	Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 year	1 - 5 years	Over 5 years	Unspecified maturity
<b>A. On-balance sheet assets</b>	<b>2</b>	-	-	-	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2	-	-	-	-	-	-	-	-	-
- Banks	2	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
<b>B. On-balance sheet liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
<b>C. Off-balance sheet transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

## Section 5 – Operational risk

### Qualitative information

#### A. Generalities, management policies and operational risk measurement methods

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. Operational risk includes legal risk, but not strategic and reputational risks.

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operational risk related to its products/processes.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

In 2019, activities continued to refine the operational risk management framework, with the aim of making the process of recording operational losses more efficient and mitigating such risks by cross-functional working groups. Support has also been provided to the specialist units and the owner of the process of analysing and assessing IT risk, in keeping with the approach adopted in 2018.

### Quantitative information

At 31 December 2019, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC's products are exposed to. In particular:

#### Operational risk

Event type	Number of types
Internal fraud	32
External fraud	49
Employee practices and workplace safety	7
Customers, products and business practices	31
Damage caused by external events	4
Business disruption and system failure	10
Execution, delivery and process management	115
<b>Total at 31 December 2019</b>	<b>248</b>

For each type of mapped risk, the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) have been recorded and classified in order to construct complete inputs for the integrated measurement model.

Systematic measurement of the mapped risks has enabled the prioritization of mitigation initiatives and the attribution of responsibilities in order to contain any future impact.

# Part F – Information on equity

## Section 1 – BancoPosta RFC's equity

### A. Qualitative information

The prudential regulations applicable to banks and investment firms from 1 January 2014 are contained in Bank of Italy Circular 285/2013, the purpose of which was to implement EU Regulation 575/2013 (the so-called Capital Requirements Regulation, or CRR) and Directive 2013/36/EU (the so-called Capital Requirements Directive, or CRD IV), containing the reforms required in order to introduce the Basel 3 regulations. In the third revision of the above Circular, the Bank of Italy has extended the prudential requirements applicable to banks to BancoPosta, taking into account the specific nature of the entity. As a result, BancoPosta RFC is required to comply with Pillar 1 capital requirements (credit, counterparty, market and operational risks) and those regarding Pillar 2 internal capital adequacy (Pillar 1 and interest rate risks), for the purposes of the ICAAP process. The relevant definition of capital in both cases is provided by the above supervisory standards<sup>162</sup>.

In view of the extension of prudential standards to BancoPosta, BancoPosta RFC is now required to establish a system of internal controls in line with the provisions of Bank of Italy Circular 285/2013, which, among other things, requires the definition of a Risk Appetite Framework (RAF) and the containment of risks within the limits set by the RAF<sup>163</sup>. Compliance with the objective, threshold and limit system established by the RAF influences decisions regarding profit distributions as part of capital management.

162. With effect from 1 January 2018, EU Regulation no. 2017/2395 came into force, which amends the so-called CRR and introduces, inter alia, transitional provisions to mitigate the impact of the introduction of IFRS 9 on own funds. BancoPosta RFC has availed itself of the possibility, recognised by these regulations, to adopt a "transitional approach" (so-called (phase-in) of recording the effects of adjustments for expected losses over a transitional period of 5 years, sterilising the impact in CET1 by applying decreasing percentages over time.

163. A definition of the RAF is provided in the Introduction to Part E.

## B. Quantitative information

### B.1 Company's equity: breakdown

Items/Amounts (€m)	Total at 31/12/2019	Total at 31/12/2018
1. Share capital	-	-
2. Share premium reserve	-	-
3. Reserves	2,267	2,267
- retained earnings	1,057	1,057
a) legal	-	-
b) required by articles of association	-	-
c) treasury shares	-	-
d) other	1,057	1,057
- other	1,210	1,210
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	1,083	15
- Equity instruments measured at fair value through other comprehensive income	-	-
- Hedges of equity instruments measured at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	970	(71)
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of net investments in foreign operations	-	-
- Cash flow hedges	115	88
- Hedging instruments (undesignated elements)	-	-
- Translation differences	-	-
- Non-current assets and disposal groups held for sale	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
- Actuarial profits/(losses) on defined benefit plans	(2)	(2)
- Valuation reserves relating to equity accounted investments	-	-
- Special revaluation laws	-	-
7. Profit/(Loss) for the year	611	597
<b>Total</b>	<b>3,961</b>	<b>2,879</b>

“Reserves, other” consists of the initial reserve of €1 billion provided to BancoPosta RFC on its creation, through the attribution of Poste Italiane SpA’s retained earnings and the €210 million equity injection, resolved by the Extraordinary General Meeting of 29 May 2018, through the allocation of Poste Italiane SpA’s available reserves.

## B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Asset/Amounts (€m)	Total at 31/12/2019		Total at 31/12/2018	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,461	(491)	773	(844)
2. Equity instruments	-	-	-	-
3. Loans	-	-	-	-
<b>Total</b>	<b>1,461</b>	<b>(491)</b>	<b>773</b>	<b>(844)</b>

## B.3 Valuations reserves for financial assets measured at fair value through other comprehensive income: annual changes

(€m)	Debt securities	Equity instruments	Loans
<b>1. Opening balance</b>	<b>(71)</b>	-	-
<b>2. Increases</b>	<b>1,393</b>	-	-
2.1 Increases in fair value	1,374	-	-
2.2 Losses due to credit risk	2	X	-
2.3 Reclassification to profit or loss of negative reserve for realised losses	17	X	-
2.4 Transfers to other equity (equity instruments)	-	-	-
2.5 Other changes	-	-	-
<b>3. Decreases</b>	<b>(352)</b>	-	-
3.1 Decreases in fair value	(157)	-	-
3.2 Recoveries due to credit risk	(4)	-	-
3.3 Reclassification to profit or loss of positive reserve for realised gains	(191)	X	-
3.4 Transfers to other equity (equity instruments)	-	-	-
3.5 Other changes	-	-	-
<b>4. Closing balance</b>	<b>970</b>	-	-

## B.4 Valuation reserves for defined benefit plans: annual changes

(€m)	Total at 31/12/2019	Total at 31/12/2018
<b>Opening actuarial gains/(losses)</b>	<b>(2)</b>	<b>(2)</b>
Actuarial gains/(losses)	-	-
Taxation of actuarial gains/(losses)	-	-
<b>Closing actuarial gains/(losses)</b>	<b>(2)</b>	<b>(2)</b>

## Section 2 – Own funds and capital ratios

BancoPosta RFC's own funds are all Common Equity Tier 1 (CET 1) and consist of:

- other reserves, being revenue reserves, amounting to €1 billion originating from the creation of the ring-fence, and any further amounts attributed by Poste Italiane SpA that meet the requirements for inclusion in own funds<sup>164</sup>;
- undistributed earnings, being BancoPosta RFC's profits appropriated on approval of Poste Italiane SpA's financial statements.

At 31 December 2019, CET 1 amounted to €2,388 million, €85 million of which was calculated from the profit for 2019 (in compliance with the provisions of art. 26 of Regulation (EU) no. 575/2013) and €36 million deriving for €28 million from the application of the transitional provisions to mitigate the effects of IFRS 9 and for the remainder from the application to BancoPosta RFC of prudential supervisory institutions.

Based on prudential standards, BancoPosta is required to comply with the following minimum capital ratios:

- Total capital ratio (the ratio of total own funds to total risk weighted assets - RWA<sup>165</sup>), equal to 10.5% (8% being the minimum requirement and 2.5% being the capital conservation buffer);
- Common Equity Tier 1 ratio (the ratio of CET1 to total risk weighted assets - RWAs): equal to 7.0% (4.5% being the minimum requirement and 2.5% being the capital conservation buffer);
- Tier 1 ratio (the ratio of Tier 1 to total risk weighted assets - RWAs): equal to 8.5% (6.0% being the minimum requirement and 2.5% being the capital conservation buffer).

At 31 December 2019, BancoPosta RFC complies with the prudential requirements, with a CET1 ratio of 18.3%.

For more details, reference is made, as provided for by Circular no 262 of the Bank of Italy, to the information on own funds and capital adequacy contained in the public disclosure (Pillar 3).

## Part G – Business combinations

No business combinations took place either during or subsequent to the period under review.

## Part H – Related party transactions

### 1. Payments to key management personnel

Key management personnel consist of Directors of Poste Italiane SpA and first-line managers, whose compensation before social security and welfare charges and contributions are disclosed in table 4.4.5 in the notes on Poste Italiane SpA's financial statements and have been charged to BancoPosta RFC as part of the services provided by Poste Italiane functions outside the ring-fence (see Part C, Table 9.5). The charges are calculated in accordance with specific operating guidelines (Part A, paragraph A.1, Section 4).

164. Contributions from non-controlling shareholders to BancoPosta RFC are excluded, as they are not provided for in the special regulations governing the ring-fence.

165. Risk weighted assets, or RWAs, are calculated by applying a risk weighting to the assets exposed to credit, counterparty, market and operational risks.



## 2. Related party transactions

### Impact of related party transactions on the financial position at 31 December 2019

Name (€m)	Total at 31/12/2019						
	Financial assets	Due from banks and customers	Hedging derivative assets and liabilities	Other assets	Financial liabilities	Due to banks and customers	Other liabilities
Poste Italiane SpA	-	651	-	83	-	58	442
<b>Direct subsidiaries</b>							
BancoPosta Fondi SpA SGR	-	17	-	-	-	15	11
CLP ScpA	-	-	-	-	-	1	-
Consorzio PosteMotori	-	18	-	-	-	44	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	-	-
EGI SpA	-	-	-	-	-	13	-
Indabox Srl	-	-	-	-	-	-	-
Poste Air Cargo Srl	-	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	-	-	-	12	-
Poste Tributi ScpA (in liquidation)	-	2	-	-	-	2	-
Poste Vita SpA	-	141	-	-	-	237	-
Postel SpA	-	-	-	-	-	7	1
PostePay SpA	-	55	-	53	-	5,219	101
SDA Express Courier SpA	-	-	-	-	-	4	-
<b>Indirect subsidiaries</b>							
Address Software Srl	-	-	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	1	-
Poste Assicura SpA	-	6	-	-	-	8	-
Poste Welfare Servizi Srl	-	-	-	-	-	8	-
Poste Insurance Broker	-	-	-	-	-	1	-
Uptime SpA (in liquidation)	-	-	-	-	-	-	-
<b>Associates</b>							
Conio Inc	-	-	-	-	-	-	-
Anima Group	-	-	-	-	-	-	-
ItaliaCamp Srl	-	-	-	-	-	-	-
<b>Related parties external to the Group</b>							
MEF	-	7,616	-	-	-	4,542	-
Cassa Depositi e Prestiti Group	3,947	451	-	-	-	-	-
Enel Group	-	-	-	-	-	-	-
Eni Group	-	-	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	-
Monte dei Paschi Group	-	142	(134)	-	-	265	-
Invitalia Group	-	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	-
Provision for doubtful debts owing from external related parties	(1)	(5)	-	-	-	-	-
<b>Total</b>	<b>3,946</b>	<b>9,094</b>	<b>(134)</b>	<b>136</b>	<b>-</b>	<b>10,437</b>	<b>555</b>

## Impact of related party transactions on the financial position at 31 December 2018

Name (€m)	Total at 31/12/2018						
	Financial assets	Due from banks and customers	Hedging derivative assets and liabilities	Other assets	Financial liabilities	Due to banks and customers	Other liabilities
Poste Italiane SpA	-	844	-	2	-	79	410
<b>Direct subsidiaries</b>							
BancoPosta Fondi SpA SGR	-	15	-	-	-	20	-
CLP ScpA	-	-	-	-	-	1	-
Consorzio PosteMotori	-	13	-	-	-	45	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	1	-
EGL SpA	-	-	-	-	-	7	-
Indabox Srl	-	-	-	-	-	-	-
Poste Air Cargo Srl	-	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	-	-	-	9	-
Poste Tributi ScpA (in liquidation)	-	2	-	-	-	1	-
Poste Vita SpA	-	140	-	-	-	539	-
Postel SpA	-	-	-	-	-	6	25
PostePay SpA	-	47	-	176	-	4,271	103
SDA Express Courier SpA	-	-	-	-	-	3	-
<b>Indirect subsidiaries</b>							
Address Software Srl	-	-	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	-	-
Poste Assicura SpA	-	7	-	-	-	5	-
Poste Welfare Servizi Srl	-	-	-	-	-	9	-
Poste Insurance Broker	-	-	-	-	-	-	-
Uptime SpA (in liquidation)	-	-	-	-	-	-	-
<b>Associatesv</b>							
Conio Inc	-	-	-	-	-	-	-
Anima Group	-	-	-	-	-	-	-
ItaliaCamp Srl	-	-	-	-	-	-	-
<b>Related parties external to the Group</b>							
MEF	-	7,312	-	4	-	3,649	1
Cassa Depositi e Prestiti Group	4,541	440	-	-	-	-	1
Enel Group	-	-	-	-	-	-	-
Eni Group	-	-	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	-
Monte dei Paschi Group	-	15	9	-	-	317	-
Invitalia Group	-	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	-
Provision for doubtful debts owing from external related parties	(2)	(5)	-	-	-	-	-
<b>Total</b>	<b>4,539</b>	<b>8,830</b>	<b>9</b>	<b>182</b>	<b>-</b>	<b>8,962</b>	<b>540</b>

\* On 26 September 2018, PosteMobile was entered in the Register of electronic money institutions (article 114-*quater* of the Consolidated Banking Act) and, as of 1 October 2018, changed its name to PostePay SpA.

## Impact of related party transactions on profit or loss for the year ended 31 December 2019

Name (€m)	FY 2019							
	Interest and similar income	Interest expense and similar charges	Fee income	Fee expenses	Dividends and similar income	Net losses/ recoveries on impairments	Administrative expenses	Other operating income/ (expense)
Poste Italiane SpA	-	(4)	-	-	-	-	(4,476)	-
<b>Direct subsidiaries</b>								
BancoPosta Fondi SpA SGR	-	-	63	-	-	-	(11)	-
CLP ScpA	-	-	-	-	-	-	-	-
Consorzio PosteMotori	-	-	38	-	-	-	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	-	-	-
EGI SpA	-	-	-	-	-	-	-	-
Indabox Srl	-	-	-	-	-	-	-	-
Poste Air Cargo Srl	-	-	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	-	-	-	-	-	-
Poste Tributi ScpA (in liquidation)	-	-	-	-	-	-	-	-
Poste Vita SpA	1	-	432	-	-	-	-	-
Postel SpA	-	-	-	-	-	-	(1)	-
PostePay SpA	1	(22)	192	(317)	-	-	-	(4)
SDA Express Courier SpA	-	-	-	-	-	-	-	-
<b>Indirect subsidiaries</b>								
Address Software Srl	-	-	-	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	-	-	-
Poste Assicura SpA	-	-	38	-	-	-	-	-
Poste Welfare Servizi Srl	-	-	-	-	-	-	-	-
Poste Insurance Broker	-	-	-	-	-	-	-	-
Uptime SpA (in liquidation)	-	-	-	-	-	-	-	-
<b>Associates</b>								
Conio Inc	-	-	-	-	-	-	-	-
Anima Group	-	-	-	-	-	-	-	-
ItaliaCamp Srl	-	-	-	-	-	-	-	-
<b>Related parties external to the Group</b>								
MEF	64	(5)	60	-	-	-	1	-
Cassa Depositi e Prestiti Group	74	-	1,799	(1)	-	1	-	-
Enel Group	-	-	4	-	-	-	-	-
Eni Group	-	-	2	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	-	-
Monte dei Paschi Group	1	-	-	-	-	-	-	-
Invitalia Group	-	-	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	-	-
<b>Total</b>	<b>141</b>	<b>(31)</b>	<b>2,628</b>	<b>(318)</b>	<b>-</b>	<b>1</b>	<b>(4,487)</b>	<b>(4)</b>

## Impact of related party transactions on profit or loss for the year ended 31 December 2018

Name (€m)	FY 2018							
	Interest and similar income	Interest expense and similar charges	Fee income	Fee expenses	Dividends and similar income	Net losses/ recoveries on impairments	Administrative expenses	Other operating income/ (expense)
Poste Italiane SpA	-	(4)	-	-	-	-	(4.508)	-
<b>Direct subsidiaries</b>								
BancoPosta Fondi SpA SGR	-	-	51	-	-	-	-	-
CLP ScpA	-	-	-	-	-	-	-	-
Consorzio PosteMotori	-	-	36	-	-	-	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	-	-	-
EGI SpA	-	-	-	-	-	-	-	-
Indabox Srl	-	-	-	-	-	-	-	-
Poste Air Cargo Srl	-	-	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	-	-	-	-	-	-
Poste Tributi ScpA (in liquidation)	-	-	-	-	-	-	-	-
Poste Vita SpA	2	-	402	-	-	-	-	-
Postel SpA	-	-	-	-	-	-	(40)	-
PostePay SpA	-	(4)	48	(82)	-	-	(1)	1
SDA Express Courier SpA	-	-	-	-	-	-	-	-
<b>Indirect subsidiaries</b>								
Address Software Srl	-	-	-	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	-	-	-
Poste Assicura SpA	-	-	29	-	-	-	-	-
Poste Welfare Servizi Srl	-	-	-	-	-	-	-	-
Poste Insurance Broker	-	-	-	-	-	-	-	-
Uptime SpA (in liquidation)	-	-	-	-	-	-	-	-
<b>Associates</b>								
Conio Inc	-	-	-	-	-	-	-	-
Anima Group	-	-	-	-	-	-	-	-
ItaliaCamp Srl	-	-	-	-	-	-	-	-
<b>Related parties external to the Group</b>								
MEF	62	(3)	99	-	-	-	(2)	4
Cassa Depositi e Prestiti Group	64	-	1.827	-	-	1	(24)	-
Enel Group	-	-	7	-	-	-	-	-
Eni Group	-	-	3	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	-	-
Monte dei Paschi Group	1	-	-	-	-	-	-	-
Invitalia Group	-	-	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	(4)	-
<b>Total</b>	<b>129</b>	<b>(11)</b>	<b>2.502</b>	<b>(82)</b>	<b>-</b>	<b>1</b>	<b>(4.579)</b>	<b>5</b>

\* On 26 September 2018, PosteMobile was entered in the Register of electronic money institutions (article 114-*quater* of the Consolidated Banking Act) and, as of 1 October 2018, changed its name to PostePay SpA.

# Part I – Share-based payment arrangements

## A. Qualitative information

### 1. Description of share-based payment arrangements

#### Long-term incentive scheme: Phantom Stock Plan

The Annual General Meeting of Poste Italiane SpA's shareholders held on 24 May 2016 approved the information circular for the Long-term Incentive Plan for 2016-2018 (LTIP) – Phantom Stock Plan, prepared in accordance with art. 84-*bis* of the Regulations for Issuers. The LTIP, set up in line with market practices, aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value over the long term.

#### Description of the Plan

The ILT Phantom Stock 2016-2018 Plan provides for the assignment to the Beneficiaries of rights to receive units representing the value of the Poste Italiane share (the so-called Phantom Stock), and the related bonus in cash, at the end of a vesting period. The number of phantom stocks awarded to each Beneficiary is dependent on achieving the Performance Hurdle and meeting the Qualifying Conditions and the related Performance Targets over a three-year period. The Plan covers a medium- to long-term period. In particular, the plan includes three award cycles, corresponding to the financial years 2016, 2017 and 2018, each with a duration of three years.

The phantom stocks are awarded if the performance targets are achieved, and converted into a cash bonus based on the market value of the shares in the thirty stock exchange trading days prior to the delivery date for the phantom stocks, after the retention period (as specified below). The key characteristics of the Plan are described below.

#### Beneficiaries

The beneficiaries of the Plan are BancoPosta RFC's Risk Takers.

#### Plan terms and conditions

The Performance Targets, to which receipt of the cash bonus is subject, are as follows:

- an indicator of earnings over a three-year period, based on the RORAC (Return On Risk Adjusted Capital), used for the LTIP with the aim of taking into account the continuity and sustainability of the long-term performance after appropriately adjusting for risk;
- an indicator of shareholder value creation, based on the Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with other FTSE MIB-listed companies.

Vesting of the phantom stocks is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, vesting, awarding and delivery of the Rights are also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, based on CET 1 at the end of the period;
- Indicator of short-term liquidity, based on LCR at the end of the period.

The phantom stocks will be awarded by the end of the year following the end of the Performance Period, and are subject to a one-year retention period before they can be converted into cash, following confirmation that the Qualifying Conditions have been met.

## Determination of fair value and effects on profit or loss

An independent expert was appointed to measure the value of the stocks and this was done using Monte Carlo simulations.

### First Cycle 2016-2018

The total number of phantom stocks awarded to the 4 Beneficiaries of the First Cycle of the Plan outstanding at 31 December 2019 amounted to 39,294.

### Second Cycle 2017-2019

The total number of phantom stocks awarded to the 6 Beneficiaries of the Second Cycle of the Plan amounted to 47,595 units.

### Third Cycle 2018-2020

The total number of phantom stocks awarded to the 8 Beneficiaries of the Third Cycle of the Plan amounted to 54,635 units.

The total cost for 3 cycles recognised for 2019 is approximately €0.7 million, whilst the liability recognised in amounts due to staff is approximately €1.2 million.

## Long-term incentive scheme: performance share plan

The Annual General Meeting of Poste Italiane SpA's shareholders held on 28 May 2019 approved the information circular for the Equity-based incentive plan (ILT) – Performance Share Plan, prepared in accordance with art 84-bis of the Regulations for Issuers. This incentive scheme, set up in line with market practices, aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value over the long term.

## Description of the Plan

The ILT Performance Share Plan, as described in the relevant Information Circular, provides for the assignment of Rights to the ordinary shares of Poste Italiane. The number of Rights to be granted to Beneficiaries is subject to the achievement of Performance Targets over a three-year period, following confirmation of achievement of the Hurdle, the Qualifying Conditions and compliance with the Malus Provisions. The Plan covers a medium- to long-term period. In particular, the Plan includes two award cycles, corresponding to the financial years 2019 and 2020, each with a duration of three years. Shares are awarded if performance targets are met or after a Retention Period. The key characteristics of the Plan are described below.

## Beneficiaries

The beneficiaries of the Plan are some BancoPosta RFC resources.

## Plan terms and conditions

The Performance Targets, common to all Beneficiaries, to which the vesting of the Rights and, therefore, the allocation of the Shares is conditioned, for the first award cycle are highlighted below:

- a profitability indicator identified in the Group's three-year cumulative EBIT used to recognise the continuity and sustainability of profitability results over the long term;
- an indicator of shareholder value creation, based on the relative Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with the FTSE MIB index<sup>166</sup>.

Vesting of the Rights and the therefore the awarding of the Shares is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, vesting of the phantom stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, (CET 1) at the end of the period;
- Indicator of short-term liquidity, (LCR) at the end of the period;
- RORAC risk-adjusted earnings at the end of the period.

The allocation of the Shares (both for the up-front and deferred portions) will take place following the verification of the existence of capitalisation and liquidity levels.

The Shares will be awarded by the end of the year following the end of the Performance Period as follows:

- 40% up-front;
- the remaining 60% in two portions, with deferral periods of 2 and 4 years, respectively.

A further Retention Period of one year will be applied to both the up-front and deferred portions.

Finally, the delivery of the shares, both for up-front and deferred portions, is subject to the fulfilment of the Qualifying Conditions on the date of delivery of the shares.

## Determination of fair value and effects on profit or loss

An independent expert, external to the Group, was appointed to measure the value of the stocks and this was done using Monte Carlo simulations.

### First Cycle 2019-2021

The total number of Rights to receive Shares assigned for the First Cycle of the Plan concerns 9 Beneficiaries and was 35,671 units, whose unit fair value at the grant date (7 October 2019) was €8.29. The cost recognised for 2019 is approximately €0.1 million, equivalent to the equity reserve specifically created for this case. Finally, the unit fair value of each right is equal to its nominal value at the grant date (determined on the basis of stock exchange prices), discounted by the expected dividend rate and the risk-free interest rate.

166. The objective linked to the relative Total Shareholder Return (rTSR) includes a "negative threshold" provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.

## Short-term incentive schemes: MBO

On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta (Part IV, Chapter I, BancoPosta including in Circular 285 of 17 December 2013 Prudential supervisory standards for banks) which, in taking into account BancoPosta's specific organisational and operational aspects, has extended application of the prudential standards for banks to include BancoPosta RFC. This includes the standards relating to remuneration and incentive policies (Part I, Title IV, Chapter 2 Remuneration and incentive policies and practices in the above Circular 285). These standards provide that a part of the bonuses paid to BancoPosta RFC's Risk Takers may be awarded in the form of financial instruments over a multi-year timeframe.

With regard to the management incentive schemes adopted for BancoPosta RFC MBO for 2017 and 2018, where the incentive is above a certain materiality threshold, the MBO management incentive scheme envisages the award of 50% of the incentive in the form of phantom stocks, representing the value of Poste Italiane's shares, and application of the following deferral mechanisms:

- 60% of the award to be deferred for a 5-year period on a pro-rata basis, in the case of Material Risk Takers who are beneficiaries of both the short-term incentive scheme and the third cycle 2018-2020 of the LTI Phantom Stock Plan;
- 40% of the award to be deferred for a 3-year period on a pro-rata basis for the remaining Material Risk Takers.

The new short-term management incentive scheme (MBO 2019), approved by the General Meeting of Poste Italiane SpA's shareholders on 28 May 2019, provides, where the incentive exceeds a materiality threshold, for the payment of a portion of the bonus accrued in the form of shares in Poste Italiane SpA and the application of deferral mechanisms:

- 60% of the incentive over 5 years pro-rata for the head of the BancoPosta function;
- 40% over 5 years pro-rata for the Senior Management Beneficiaries;
- 40% over 3 years pro-rata for the Other Beneficiaries.

The allocation of Phantom Stocks (MBO 2017 and 2018) and Rights to receive Shares (MBO 2019) is subject to the existence of a Performance Hurdle (Group Profitability EBIT) and Qualifying Conditions as follows:

- Capital adequacy, (CET 1);
- Short-term liquidity, (LCR).

Shares allocated in the form of Phantom Stock or Shares are subject to a Retention Period for both up-front and deferred shares.

Payment of the deferred portion will take place each year, provided that BancoPosta RFC's minimum regulatory capital and liquidity requirements have been met. The effects on profit or loss and on equity are recognised in the period in which the instruments vest.

## Determination of fair value and effects on profit or loss

An independent expert, external to the Group, was appointed to measure the value of the stocks, based on best market practices.

At 31 December 2019, the number of Phantom Stocks relating to the 2017 and 2018 MBO plans in place was 92,639. The liability recognised at 31 December 2019 amounts to €0.8 million.

At 31 December 2019, the number of Rights to receive Shares, deriving from the new short-term MBO 2019 incentive plan, estimated on the basis of the best information available, pending the actual finalisation of the system in order to record the cost of the service received, was 36,791. The amount recognised in profit and loss in 2019 is €0.3 million.



## Part L – Operating segments

The economic flows and performance of the operations are reported internally on a regular basis to executives without identifying segments. BancoPosta RFC's results are consequently evaluated by senior management as one business division.

Furthermore, in accordance with IFRS 8.4, when separate and consolidated financial statements are combined segment information is only required for the consolidated statements.

## Part M – Information on leases

During the reporting period, BancoPosta RFC did not carry out any transactions in accordance with IFRS 16 relating to Leases.









# 03

## REPORTS AND ATTESTATIONS







# 03 REPORTS AND ATTESTATIONS



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**REPORTS AND ATTESTATIONS**

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## **Attestation of the Consolidated Financial Statements of the Poste Italiane Group at 31 December 2019 pursuant to art. 154-bis, paragraph 5, of Legislative Decree 58/1998 and art. 81-ter of CONSOB Regulation no. 11971 of 14 May 1999**

1. The undersigned Matteo Del Fante, as Chief Executive Officer, and Alessandro Del Gobbo, as Manager Responsible for Financial Reporting of Poste Italiane S.p.A., also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, attest to:

- the adequacy, in relation to the characteristics of the Poste Italiane Group, and
- the effective application of the administrative and accounting procedures for the formation of the Consolidated Financial Statements of the Poste Italiane Group in the period between 1 January 2019 and 31 December 2019.

2. In this regard, please note that:

- the adequacy of the administrative and accounting procedures for the formation of the Consolidated Financial Statements of the Poste Italiane Group was verified by evaluating the internal control system on financial reporting. This evaluation was performed by taking as a reference the criteria laid out in the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- no significant aspects emerged from the evaluation of the internal control system on financial reporting.

3. It is also attested that:

3.1 The Consolidated Financial Statements of the Poste Italiane Group for the year ended 31 December 2019:

- a) have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002;
- b) are consistent with the underlying accounting books and records;
- c) give a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

3.2 The report on operations includes a reliable analysis of the operating and financial performance and the situation of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 05 March 2020

Chief Executive Officer

Matteo Del Fante

Manager Responsible for Financial Reporting

Alessandro Del Gobbo

(This report has been translated from the original issued in accordance with Italian legislation)

## **Attestation of the Financial Statements at 31 December 2019 pursuant to art. 154-bis, paragraph 5, of Legislative Decree 58/1998 and art. 81-ter of CONSOB Regulation no. 11971 of 14 May 1999**

1. The undersigned Matteo Del Fante, as Chief Executive Officer, and Alessandro Del Gobbo, as Manager Responsible for Financial Reporting of Poste Italiane S.p.A., also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, attest to:

- the adequacy, in relation to the characteristics of the company, and
- the effective application of the administrative and accounting procedures for the formation of the Financial Statements in the period between 1 January 2019 and 31 December 2019.

2. In this regard, please note that:

- the adequacy of the administrative and accounting procedures for the formation of the Financial Statements of Poste Italiane S.p.A. was verified by evaluating the internal control system on financial reporting. This evaluation was performed by taking as a reference the criteria laid out in the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- no significant aspects emerged from the evaluation of the internal control system on financial reporting.

3. It is also attested that:

3.1 The Financial Statements for the year ended 31 December 2019:

- a) have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002;
- b) are consistent with the underlying accounting books and records;
- c) give a true and fair view of the financial position and results of operations of the issuer.

3.2 The report on operations includes a reliable analysis of the operating and financial performance and the situation of the issuer, together with a description of the main risks and uncertainties.

Rome, 05 March 2020

Chief Executive Officer

Matteo Del Fante

Manager Responsible for Financial Reporting

Alessandro Del Gobbo

(This report has been translated from the original issued in accordance with Italian legislation)

**REPORT TO SHAREHOLDERS BY THE BOARD OF STATUTORY AUDITORS of  
POSTE ITALIANE S.P.A.  
pursuant to art. 153 of Legislative Decree 58/1998**

Dear Shareholders,

During the year ended 31 December 2019, the Board of Statutory Auditors of Poste Italiane S.p.A. (hereinafter also the “Company” or “Parent Company”) fulfilled its statutory duties in accordance with the Italian Civil Code and Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, Legislative Decree 58/1998 (Testo Unico della Finanza, the Consolidated Law on Finance), pursuant to Presidential Decree 144/2001 “Regulations governing the services provided by BancoPosta”, and in accordance with the provisions applied to BancoPosta by the relevant authorities. In conducting its duties, the Board also took into account the indications contained in the Corporate Governance Code for Listed Companies, which the Company formally adopted with the Board of Directors’ resolution of 31 July 2015. The oversight activities required by law were also conducted in accordance with the code of conduct for Boards of Statutory Auditors, drawn up by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (national association of chartered accountants) in April 2018.

**Election and activities of the Board of Statutory Auditors**

The undersigned members of the Company’s Board of Statutory Auditors, elected by the Annual General Meeting of shareholders held on 28 May 2019, are Mauro Lonardo, Chairman, and Anna Rosa Adiutori and Luigi Borré, standing Auditors.

The Board of Statutory Auditors obtained the information necessary in order to carry out its appointed duties by attending the Board of Directors’ and Board Committee meetings, by taking part in the *induction sessions* organised by the Company, by holding meetings with the Company’s principal functions and - above all with internal auditing staff and the Supervisory Board - and with the Company’s management, as well as through ongoing contact with the Manager responsible for financial reporting and with the Independent Auditor, PricewaterhouseCoopers S.p.A., who are responsible for auditing the separate and consolidated financial statements.

On 30 January 2020, the Supervisory Body approved the new “Regulations governing the functioning of the Board of Statutory Auditors of Poste Italiane S.p.A.”, which regulates the procedures for functioning of the Board of Statutory Auditors in compliance with the law, the By-laws and the provisions of Bank of Italy Circular 285 of 17 December 2013 for banks, as well as the principles set out in the Corporate Governance Code for Listed Companies and the Code of Conduct for the Board of Statutory Auditors of Listed Companies, recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (national association of chartered accountants).

On the above basis, the following information is provided in accordance with the provisions of CONSOB announcement DEM 1025564/2001, following the numerical order established thereby, as amended by announcement DEM/3021582 of 4 April 2003 and then by announcement DEM/6031329 of 7 April 2006.

**A) Oversight of compliance with the law and the Company’s By-laws and with correct corporate governance principles, the adequacy of the organisational structure and the administrative and accounting systems adopted by the Company, and with Legislative Decree 39/2010, as amended.**

*1. Most significant transactions having an impact on the results of operations and financial position and their compliance with the law and the By-laws.*

The Board of Statutory Auditors verified compliance with the law and the By-laws, periodically receiving information from the Directors on the overall operating performance, the outlook for the Company and on the most significant transactions having an impact on the results of operations and financial position decided on and carried out by the Company and by companies of the Poste Italiane Group (also “Group”) during the year.

Full disclosure regarding these transactions is provided in the Directors’ Report on Operations, to which reference should be made.

The meetings were conducted in accordance with the By-laws, the related legislation and regulations governing their conduct and, within the scope of our responsibilities, the Board can provide reasonable assurance that the actions approved comply with the law, the By-laws and correct corporate governance principles and were not manifestly imprudent, risky or in conflict with resolutions approved by the General Meeting, or such as to compromise the value of the Company; from the information provided during the Board of Directors’

meetings, there is no evidence that the Directors have carried out transactions giving rise to a potential conflict of interest with the Company.

*2. and 3. Exceptional or unusual transactions, including those with Group companies or related parties.*

In this regard, the Board declares that:

- ✓ based on the assessments conducted, we are not aware of exceptional or unusual transactions with Group companies, third parties or other related parties;
- ✓ the procedures applied by the Company in conducting related party transactions comply with the principles contained in CONSOB Regulation 17221 of 12 March 2010, as amended by CONSOB Resolution 19974 of 27 April 2017 and by the provisions of Bank of Italy Circular 263/2006 (Title V, Chapter 5), with reference to transactions between BancoPosta and Poste Italiane's related parties;
- ✓ infra-group or related party transactions did not give rise to critical issues;
- ✓ with regard to transactions conducted by relevant persons and by persons closely associated with them (provisions relating to "*Internal Dealing*"), the Board verified that the Company has adopted specific internal regulations and procedures for such disclosures following the revised interpretation provided by ESMA and the changes introduced by CONSOB Resolution 19925 of 22 March 2017.

The Board oversaw effective implementation of the rules governing related party transactions, by attending meetings of the Related and Connected Parties Committee ("Committee"). The Directors have provided adequate disclosure on intra-group and related party transactions in the Report on Operations and the notes to the separate and consolidated financial statements.

During 2019, the Company made certain changes to its Guidelines for the management of transactions with related and connected parties (the "Guidelines"); adopted for the first time in 2015, as part of the listing requirements, these were subject to an initial three-year review during 2018.

Bank of Italy regulations call for the Board of Statutory Auditors' involvement when the "procedures" are drawn up or in the event of material changes or amendments, requiring the Board to issue a detailed and reasoned opinion on the overall adequacy of the procedures in relation to meeting the objectives set out in the supervisory standards.

Therefore, at the Committee meetings held on 26 June, 29 July and 25 September 2019, the Board of Statutory Auditors presented its assessment and recommendations regarding the proposed changes, which mainly refer to transactions involving BancoPosta RFC and are summarised below: i) in all cases where the opinion, although not relating to a transaction of major importance, regards a transaction that must be approved by the Management Body, the Committee is required to express an opinion prior to the Board of Directors' resolution; ii) in all cases of transactions of strategic importance, the resolution procedure for transactions of greater importance must apply.

On 25 September 2019, the Board of Statutory Auditors, having analysed the final text of the Guidelines, issued an opinion in favour of their approval by the Company's Board of Directors. Specifically, taking into consideration the Company's characteristics - also with regard to BancoPosta RFC - on the basis of the provisions in Bank of Italy Circular 263/2006, Title V, Chapter 5 "Risky transactions and conflicts of interest involving connected parties", section III, para. 2.2, the Board of Statutory Auditors deems that the procedure, as revised, is on the whole fit for the purpose of meeting the objectives for managing conflicts of interest with related parties.

However, this procedure will have to be updated following issuance of the CONSOB regulation on related party transactions provided for by the new third paragraph of Article 2391-bis of the Italian Civil Code: on that occasion, the Board of Statutory Auditors also recommends that the list of examples of macro-transactions with related parties be extended to make it easier to identify them and consequently update the first-level controls relating to the identification and classification of all related party transactions.

Considering the very high number of related parties, the Board welcomes the fact that:

- computerisation of the system for managing related party transactions, using a secure IT platform, was completed in 2019. The system consists of a register of Poste Italiane S.p.A.'s related and connected parties, in the "Central Database" and "Database of Transactions";
- the "Central Database", comprising approximately 3,000 persons, is periodically updated and automatically cross-checked against the Sogei database to verify the match between tax data and the correct name of the person concerned; the "Central Database" is integrated with other company databases in order to achieve more stringent monitoring of transactions with related parties;

- to facilitate updates of the “Central Database”, senior managers are required to promptly communicate any changes in circumstances that might require modification of the Central Database;
- senior managers are, in any event, invited to access the “Central Database” each year to check that their data is complete and correct.

The IT system, thanks to migration of the related party transactions DB to a secure platform, allows the direct loading of the transactions through a guided web interface, by the competent company functions. During 2019, the Company also defined development plans for the system, which will be implemented during 2020.

*4. Oversight of the financial reporting process. Observations and proposals regarding any qualifications or emphases of matter contained in the Independent Auditor’s report.*

The Board of Statutory Auditors, identified by art. 19, par. 2 of the Consolidated Law as the “Committee responsible for internal and statutory auditing”, oversaw the financial reporting process.

The Board of Statutory Auditors has verified the existence of adequate regulations and processes relating to the financial reporting process, examining the process that enables the “Manager responsible for financial reporting”, appointed pursuant to Law 262/2005, and the Company’s Chief Executive Officer to issue the attestations required by art. 154-bis of the Consolidated Law on Finance.

On 4 March 2020, the Board of Statutory Auditors held a specific meeting with the Manager responsible for financial reporting to examine the Poste Group’s Internal Control System on Financial Reporting (SCIIF), during which the Manager responsible for financial reporting stated that the results showed the system to be effective and that significant weaknesses could be ruled out.

The report by the Manager responsible for financial reporting shows that over the years, while the scope of companies and processes has expanded, there has been an overall containment of the exceptions noted in both the functional and IT areas, indicating achievement of the maturity level of model 262.

The Group *Self Assessment* performed on the Platform of the Manager responsible for financial reporting allowed 100% coverage of the planned *Process Level Controls or PLC* (total of 2,661), all of which are certified. The certifications showed positive results for 99%



with regard to design and 97% with regard to operation (2% was n.a.). Independent monitoring carried out by Internal Control, which allowed 100% coverage of the planned *Process Key Controls* or PKC (1,122), revealed a positive outcome for 91% of the tests completed. The monitoring of the Action Plans showed that 73% of the planned initiatives were actually implemented.

In terms of planning the 2020 activities of the Manager responsible for financial reporting, in addition to continuous monitoring of progress of the action plans following the exceptions identified by the assessment activities, the 262 procedures will be updated according to the results of the 262 independent audits, the self-assessment and the organisational changes that have taken place. Lastly, Model 262 will be revised based on the structure of the new SAP ONE ERP accounting system implemented from January 2020. To this end, the Manager responsible for financial reporting launched an assessment of the impact on administrative processes in this area. A new *risk and control* assessment will be carried out in the first half of 2020, in order to identify and formalise the new controls on procedures pursuant to Law 262.

The Board of Statutory Auditors, following examination of some of the main issues in the 2019 financial statements relating to reconciliations of prior-period items (recognition with write-off of overdrawn current accounts for €121 million and reconciliation of postal current accounts for services for €61 million) recommended that: i) in defining the general audit strategy, the Independent Auditor review the risk inherent in certain classes of transactions such as those mentioned above and the specific procedures for monitoring them; ii) a general strengthening of the testing activities be carried out by the Manager responsible for financial reporting, as well as of the verification activities delegated to the internal control function in view of 262/2005; iii) the additional specific procedures by the FTA function on the two areas concerned to be completed by 2020 be carried out.

The Board of Statutory Auditors analysed the methodological framework adopted by the Independent Auditor and acquired the necessary information during the course of its work, with information on the audit approach used for the various significant reporting areas, sharing issues relating to corporate risks, as well as receiving updates on the progress of the audit assignment and on the main aspects for the attention of the Independent Auditor.

The Independent Auditor, with which we also periodically met in compliance with the provisions of art. 150, paragraph 3, of Legislative Decree 58/1998 (Consolidated Law on Finance) for the mutual exchange of information, has not informed the Board of Statutory Auditors of any actions or events deemed to be censurable or of an irregular nature requiring

specific reporting pursuant to art. 155, paragraph 2, of Legislative Decree 58/1998 (Consolidated Law on Finance).

The administrative and accounting procedures adopted in preparation of the separate and consolidated financial statements, and of any other financial communication, have been drawn up under the responsibility of the Manager responsible for financial reporting who, together with the Chief Executive Officer, has attested to their adequacy with regard to the nature of Poste Italiane and to their effective application.

The Board of Statutory Auditors has also examined the reports prepared by the Independent Auditor, PricewaterhouseCoopers S.p.A., appointed by Annual General Meeting of Poste Italiane's shareholders to audit the separate and consolidated financial statements for the financial years from 2011 to 2019.

The Independent Auditor issued its reports on the separate and consolidated financial statements for the year ended 31 December 2019, prepared pursuant to art. 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) 537/2014, on 25 March 2020. Details of the opinions and statements are provided in the reports issued by the Independent Auditor.

In its audit reports on the financial statements, the Independent Auditor has:

- ✓ issued an opinion stating that Poste Italiane's separate and consolidated financial statements provide a true and fair view of the financial position of the Company and the Group at 31 December 2019 and of the results of operations and cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union and with the regulations issued in implementation of article 9 of Legislative Decree 38/05;
- ✓ stated that, as required by art. 14, paragraph 2 e) of Legislative Decree 39/10 and article 123-bis, paragraph 4 of Legislative Decree 58/98, it has performed the audit procedures required under auditing standard (SA Italia) no. 720B in order to express an opinion of the consistency of the Report on Operations and of the specific information included in the Report on Corporate Governance and the Ownership Structure, referred to in article 123-bis, paragraph 4 of Legislative Decree 58/98, with Poste Italiane's separate and consolidated financial statements for the year ended 31 December 2019 and on their compliance with the law, as well as issue a statement on material misstatements, if any. As a result, the Independent Auditor has also confirmed that the above Report on Operations and specific information included in the Report on Corporate Governance

and the Ownership Structure are consistent with Poste Italiane's separate and consolidated financial statements for the year ended 31 December 2019 and have been prepared in compliance with the law.

The Independent Auditor's reports do not contain qualifications or emphases of matter.

The Independent Auditor's reports, issued in compliance with art. 10 of Regulation (EU) 537/2014, include information on key matters covered by the audit and the related audit procedures applied. As referred to in the reports on the separate and consolidated financial statements, these key matters (the Recoverable amount of the "Mail, Parcels and Distribution" segment, Measurement of the technical provisions for the insurance business, and Valuation of unlisted financial instruments measured at fair value), and the opinions on the separate and consolidated financial statements are in line with the contents of the supplementary report for the Board of Statutory Auditors in its role as committee responsible for internal and statutory auditing, prepared pursuant to article 11 of the above Regulation.

The above key matters were the subject of detailed analysis and updating during the periodic meetings that the Board of Statutory Auditors held with the Independent Auditor.

In addition to the issues mentioned above, the Board of Statutory Auditors requested further information from the Administration, Finance and Control Department, the Manager responsible for financial reporting and the Independent Auditor with regard to revaluation of the investment in FSIA. In this regard, at the request of the Board of Statutory Auditors, the Administration, Finance and Control Department and the Manager responsible for financial reporting extensively discussed the assessment logic adopted, as well as the support provided in terms of the accounting principles applied to the case. The line identified by management for the accounting treatment of the case has been analysed in detail and fully shared by the Independent Auditor.

The Independent Auditor has not reported any events or circumstances identified during the audit that might cast significant doubt on the entity's ability to continue as a going concern, nor has it reported any significant deficiencies in the internal control system on financial reporting and/or in the accounting system, or any significant instances of non-compliance, whether effective or assumed, with laws and regulations or the By-laws, that have come to light during its audit.

The Independent Auditor has also today issued its report on the non-financial statement prepared pursuant to article 3, paragraph 10 of Legislative Decree 254/2016 and article 5 of CONSOB Regulation 20267. Based on the work performed, the Independent Auditor stated that nothing has come to its attention that would cause it to believe that the Poste Italiane Group's Non-financial Statement for the year ended 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Through a specific meeting with both the Independent Auditor and the function involved in preparing the statement, the Board of Statutory Auditors has overseen compliance with the provisions of Legislative Decree 254/2016, within the scope of the responsibilities assigned to us by law.

The financial statements contain detailed information on any liabilities and costs that may arise from pending legal proceedings. The Board of Statutory Auditors, together with the relevant Company functions, examined in detail the methodology and process adopted in the analysis of litigation and in the analysis and evaluation of provisions for risks and charges, and it requested to be periodically and promptly updated on the evolution of the main situations.

With regard to the possible effects of the Covid-19 emergency, in the Report on Operations, the directors note that *“With reference to the possible medium-term impact of the spread of the coronavirus (covid-19) in Italy as well, it is not currently possible to make a reasonable estimate”*. In view of the Board of Directors' approval of the draft financial statements on 5 March 2020, and thus prior to the ESMA Recommendation of 11 March 2020, it recommends: (i) verifying below whether situations likely to have a direct and significant impact on fundamentals, prospects or the financial situation may arise and, if so, disclosing them to the market; (ii) providing, in the next periodic report, evidence on the current and potential impacts of COVID-19 on business activities, financial position and economic performance, based on a qualitative and quantitative assessment, to the extent possible.

#### *5. and 6. Information on any complaints presented pursuant to art. 2408 of the Italian Civil Code and petitions*

During 2019, the Board received two complaints pursuant to art. 2408 of the Italian Civil Code:

- i. *Complaint of 2 January 2019*, lodged by shareholder Tommaso Marino, concerning the alleged financing of three Casaleggio Associati reports by the Poste Group, news also reported in the “Huffington Post.it” article of 13 November 2018, to which Mr Marino refers in the complaint. In particular, Mr. Marino asked the Board of Statutory Auditors previously in office to assess the correctness of Poste’s actions, not only with respect to the general corporate rules but also and above all with respect to the Poste’s Code of Ethics. In the course of the preliminary investigation, the Board of Statutory Auditors previously in office requested and examined a detailed note prepared by the Company on the events reported, the Poste Group’s Code of Ethics, the Company’s procedure governing the sponsorship process, as well as the 2018 pre-closure figure for Sponsorships/Donations, in order to take account of the materiality of the sponsorship in question.

The Board of Statutory Auditors in office, after having examined the documentation produced, requested additional documentation, examined in detail the aspects relating to the costs incurred by Poste for general participation in the events, carefully examined the documentation illustrating the phases of the “Sponsorship and Donations” procedure in force at said date, verifying that all phases of the procedure have been applied and documented with the necessary authorisations, and acquired the “Minutes of the Performance of Services” and the minutes of the Sponsorship and Donations Committee, confirms compliance of the company’s operations with the general corporate rules and with Poste’s Code of Ethics. On the basis of the above and of the examination carried out, the Board of Statutory Auditors considers that there are no censurable elements in the Company’s operations.

- ii. *Complaint of 24 January 2019*, lodged by shareholder Marco Pedretti, concerning a disservice in the delivery of a legal document from Agenzia delle Entrate (Inland Revenue), notified by postal service to the complainant. The complaint asked the Board of Statutory Auditors previously in office to investigate the adequacy of the internal control system and the management of inefficiencies, as well as the “*alleged misappropriation or error of employees in the performance of their duties, including in the performance of public official duties*”. The Board of Statutory Auditors previously in office requested a preliminary internal examination of the definition of “censurable facts” in order to determine whether or not, in the context of the case referred to in art. 2408 of the Italian Civil Code, the complaint in question falls under such category, ascertaining that it does not but consists of a disservice in the interest of the complainant. In this regard, it should be noted that, pursuant to the code of conduct for the Board of Statutory

Auditors of listed companies, non-censurable facts are those which are completely unsuitable in comprising the common interest of shareholders or acts detrimental to the interests of individual shareholders. In any case, the Supervisory Body has begun a preliminary investigation by asking the competent function to prepare an explanatory note on the subject facts of the complaint and has received information on the resolution of the disservice and consequent definition of the case, thanks to prompt activation of the COO/Retail Customer Assistance/Management Complaints function of Poste for management of the complaint. The Board of Statutory Auditors in office, after having examined the fact reported and the related documentation, considers that the fact reported was a disservice, now resolved, that could only compromise a specific interest of the complaining shareholder.

Briefly, in response to the two complaints received, the Board of Statutory Auditors has conducted careful investigations with the support of the relevant functions, assessing the grounds for the complaints, the adequacy of the actions taken, and monitoring the process of identifying any individual responsibility. As a result of our checks, we have concluded that there are no irregularities to report to the Annual General Meeting.

The Board acknowledges that it received a further complaint on 27 February 2020, with respect to which it opened an investigation and will report back to shareholders at the next Annual General Meeting, as required by article 2408 of the Italian Civil Code.

In addition, during the year and up to the current date, the Board of Statutory Auditors has received two complaints from third parties, as a result of which it launched its own investigation, asking the Company to carry out the necessary inquiries with the relevant departments in order to obtain clarification on the matters indicated in the complaints.

The reported facts were handled and resolved by the relevant corporate functions and, as a result of the checks carried out, no irregularities to be reported to the Annual General Meeting were identified.

*7. and 8. Oversight of the independence of the Independent Auditor. Disclosure of any additional non-audit engagements or ongoing relations with associates of the Independent Auditor and the related costs.*

The Board of Statutory Auditors has received the Independent Auditor's annual declaration confirming its independence, drawn up pursuant to art. 6, paragraph 2.a) of Regulation (EU) 537/2014 and paragraph 17 of ISA Italia 260, which confirms compliance with the ethical principles set forth in articles 9 and 9-bis of Legislative Decree 39/2010, not having identified

situations that could compromise the independence of the Independent Auditor in the period from 1 January 2019 until the date of issue of the declaration (25 March 2020).

Attached to the notes to the Company's separate financial statements is a section entitled "Disclosure of fees paid to the Independent Auditor in accordance with art. 149-duodecies of the CONSOB Regulations for Issuers", which includes a table showing the fees payable to the Independent Auditor, PricewaterhouseCoopers SpA (also "PwC"), and companies within its network for the year under review.

In view of:

- ✓ the independence declaration issued by PricewaterhouseCoopers SpA pursuant to art. 6, par. 2.a) of Regulation (EU) 537/2014 and the transparency report prepared by PwC and published on its website pursuant to art. 13 of the above Regulation;
- ✓ the engagements assigned to the Independent Auditor and companies within its network by Poste Italiane S.p.A. and Group companies;

the Board is not aware of any situations in which the Independent Auditor's independence has been compromised.

In line with Regulation (EU) 537/2014 and in accordance with the Poste Italiane Group's "Guidelines for the assignment of engagements to Poste Italiane's Independent Auditor", approved by the Board of Directors on 15 March 2017, the Board of Statutory Auditors has, during 2019 and through to the date of issue of this report, issued favourable opinions on the following additional engagements of the Independent Auditor, or of companies within its network, by the Parent Company and its subsidiaries and recognised on an accruals basis in 2019:

<b>Engagement</b>	<b>Amount</b>
Conduct of an audit, at the request of Cassa Depositi e Prestiti, regarding the distribution and management of postal savings products in 2018 (a descriptive report on the accounting system and controls connected with Postal Savings – BancoPosta RFC's operations and a report prepared by the Independent Auditor of Poste Italiane's financial statements on specific audits of the procedures that make up the above system within the scope of the services provided by Poste Italiane to CDP).	€55,000 (plus out-of-pocket and administrative expenses capped at 5% of the fees and VAT)
Annual update of the Euro Medium Term Note Programme of Poste Italiane S.p.A. (Bond listed on the Luxembourg Stock Exchange) - Comfort letter and review of the financial statements in English.	€37,000 for the first Comfort Letter; €30,000, 25,000 and 10,000 respectively for the subsequent Comfort Letters; €20,000 for review of the financial statements in

	English; €10,000 for review of the translation of the Half-year report. Added to these fees will be out-of-pocket and administrative expenses, defined in a lump-sum amount of 5%, and VAT.
PostePay: Attestation of the consistency of the data in the Report on the Patrimonio Destinato IMEL (EMI RFC).	€30,000 (plus administrative and out-of-pocket expenses and VAT)
Consorzio Poste Motori: Professional assistance from PwC Advisory's Forensic Team in conducting a critical assessment of transactions with consortium members.	€20,000 (plus out-of-pocket and administrative expenses and VAT, where applicable)
Auditor's opinion on interim dividends pursuant to art. 2433-bis of the Italian Civil Code	€130,000 (plus VAT and expenses capped at 5% of the fees)

With the support of the FTA Function, the Board of Statutory Auditors periodically monitored respect of the caps on the value of non-audit engagements - which, as established by art. 4 par. 2 of Regulation (EU) 537/2014, must be capped at 70% of the average fees paid in the previous consecutive three years for the audit of the accounts of the audited entity.

In view of the approaching expiry of PwC's nine-year engagement as the Company's Independent Auditor (the financial statements for the year ended 31 December 2019), in 2019, the Company, under the Board of Statutory Auditors' responsibility and supervision, completed the process of selecting a new sole auditor for the Group for the nine-year period 2020-2028, process which began in 2018. The above selection process was completed in early 2019 and, on 15 March 2019, the Board of Statutory Auditors previously in office formally set out our recommendation to be presented to the General Meeting of shareholders for the Meeting to vote on the engagement of the Poste Italiane Group's Independent Auditor for the financial years 2020-2028. We have identified two potential companies and have expressed a preference for one of them which, based on a comparative, overall analysis of the proposals put forward, is the most suitable to carry out the engagement in line with the Company's requirements.

The General Meeting of 28 May 2019 thereby resolved to appoint Deloitte & Touche S.p.A. to audit the Poste Italiane Group's accounts for the nine-year period 2020-2028, also determining the relative fees.

#### *9. Disclosure of opinions issued pursuant to the law during the year.*



Pursuant to art. 154-bis of Legislative Decree 58/1998, in 2019, the Board of Statutory Auditors issued an opinion on the appointment of the new Manager responsible for financial reporting.

In accordance with Bank of Italy Circular 263 of 2006, Title V, chapter 5, section III, par. 2.2 and par. 6.4 of the “Guidelines for the management of transactions with related and connected parties”, the Board issued a prior, reasoned opinion on the fact that, on the whole, the Guidelines are fit for the purpose of meeting the objectives set out in the regulations for managing conflicts of interest with related and connected parties.

In addition, the Board has issued a reasoned opinion for the next General Meeting of shareholders on the payment of supplementary fees to the Independent Auditor to cover the cost of the additional activities involved in preparing for first-time adoption of IFRS 16.

#### *10. Disclosure of the frequency and number of meetings of the Board of Directors, the Executive Committee and the Board of Statutory Auditors*

During the year, the Board of Statutory Auditors took part in a total of 68 meetings. The Board met on 35 occasions as the Board of Statutory Auditors (including 11 held jointly with the Control, Risk and Sustainability Committee), with the meetings having an average duration of approximately 3 hours and 20 minutes. We attended all Board of Directors’ meetings and all those of Board Committees. Specifically, the Board of Statutory Auditors attended 11 Board of Directors’ meetings, 11 meetings of the Control, Risk and Sustainability Committee (all held jointly with the Board of Statutory Auditors), 6 meetings of the Nominations and Corporate Governance Committee, 8 meetings of the Related and Connected Parties Committee, 7 meetings of the Remuneration Committee, attended by at least one Statutory Auditor, and 1 Ordinary General Meeting.

Lastly, the Magistrate appointed by the Italian Court of Auditors to oversee Poste Italiane’s financial management has always been invited to attend meetings of the Board of Statutory Auditors.

#### *11. and 12. Observations on compliance with correct corporate governance principles and the adequacy of the organisational structure*

The Board of Statutory Auditors oversaw, within the scope of our responsibilities, the adequacy of the Company’s organisational structure and, more generally, that of the Poste Italiane Group as a whole, based on the information and constant updates provided by the Company on its organisational arrangements, as well as by dedicating a specific meeting to this issue. Given the complexity of the Company’s and the Group’s organisational structure,

which is subject to continuous change, the Board of Statutory Auditors did not identify any elements that would result in the organisational structure being considered inadequate.

### *13. Oversight of adequacy of the internal control system*

With regard to the internal control and risk management system, the Board has noted the information on the system provided in the “Annual Report on Corporate governance and the Ownership Structure”.

The Board of Statutory Auditors met periodically and systematically with the head of Poste Italiane’s Internal Control Function and, among other things, discussed the results of the activities carried out in 2019, during a specific meeting; it also acknowledged, during March 2020, a summary of the “Group Report on Assessment of the adequacy of the 2019 Internal Control and Risk Management System (“SCIGR”), drawn up by Poste Italiane’s Internal Control Function, certifying that *“at the date of this report and for the relevant reporting period, the internal control and risk management system, taken as a whole, is fit for the purpose of mitigating the risks that threaten the successful pursuit of the Company’s objectives”*.

The audit results received by the Board of Statutory Auditors, as well as the summary regarding the overall assessment of the SCIGR, showed an overall positive assessment, without prejudice to a number of areas for which there is a need or opportunity for strengthening. Moreover, with regard to a specific area (logistical processes), the internal control system is not yet fully adequate and is characterised by a high degree of instability linked to the ongoing evolution of operational controls which, at present, continue to be essentially managerial in nature.

The Board of Statutory Auditors, following the meetings held with the Supervisory Bodies of some Group Companies and on the basis of the results that emerged, highlighted the physiological downsizing of the risk areas present in the Subsidiaries as a result of several revisions to the Group’s structure. In particular, following the centralisation of purchases at the Parent Company, it examined with the Internal Control Function the planning of audit activities on Subsidiaries in order to include, in the 2020 Audit Plan, the implementation of audits, including transversal ones, that could interest/include Group Companies.

In addition, the Board of Statutory Auditors has verified, with the support of the Internal Control function, the adequacy of internal controls over the Poste Italiane Group’s Corporate Governance process, with specific reference to transmission and implementation by subsidiaries of the Policies/Lines approved by the Parent Company, taking account of the specific characteristics of the subsidiaries themselves. The audit of the degree to which the

Subsidiaries have implemented the Guidelines disclosed by the Parent Company, conducted by Internal Control, was fully positive.

The Corporate Affairs function (also “CA”) has always played an important role in directing, controlling and coordinating the corporate structure. Based on a logic of coordination and integration of competencies, it guarantees unitary governance of the legal, corporate and *Corporate Governance* issues of the Poste Italiane Group and ensures efficiency, economies of scale, quality and effective support to the different business functions; in addition, in order to ensure uniform and integrated *governance*, a new Corporate Affairs function was set up in 2019, called “Group Corporate Compliance”, which encompasses the Corporate Affairs activities of the companies PostePay, SDA, Postel and BancoPosta Fondi SGR.

The Board of Statutory Auditors acknowledges that the Company, through the Corporate Affairs function, has consolidated the strengthening of both the internal control system and Poste Italiane’s role in providing guidance, coordination and control, also through a number of important initiatives highlighted below.

In 2019, with a view to strengthening the SCIGR, organisational and procedural controls were consolidated with the introduction of further elements reflecting the social role of the company and its commitment in the area of “*Sustainability*”, the main initiatives of which include:

- the definition of an internal regulatory framework in compliance with the General Data Protection Regulation (GDPR), consisting of the Poste Italiane Group’s Data Protection Policy issued in March 2019, for the dissemination of a culture of confidentiality and the adoption of measures necessary for the implementation and maintenance of a privacy management system that complies with the Regulation; this Policy is the framework for the 2018 Privacy Guidelines and the relative adoption of Poste Italiane’s new Privacy Model;
- issuance of the Policy for the Protection of classified company information, which defines a security policy for the management of information and directs Poste Italiane and Group Companies to adopt measures to protect the information handled regardless of its origin, the IT medium in which it is saved or the processing phase, in accordance with regulations and with the *best practices* of the sector;
- introduction of new and innovative digital payment solutions that comply with the security requirements of the European Payment Services Directive (PSD2), which is the basis of the PostePay Code Project;

- presentation to the General Meeting of shareholders, in May 2019, of the Integrated Report, which adds environmental, social and *governance* commitments and objectives to the Company's financial and strategic objectives and which, in line with the strategic plan (Deliver 2022), outlines the Group's sustainability strategy, providing for concrete results to be achieved within the established time frame; the document is based on six fundamental pillars, namely: integrity and transparency, people development, support for the territory, customer care, environmental sustainability, sustainable finance;
- start of the operational phase of the One ERP programme, which will enable the Poste Italiane Group to adopt a single administrative-accounting and control model with the migration to a single integrated IT platform; the programme is expected to be completed by 2022 with the integration of all Subsidiaries onto a single IT System;
- the update, in October 2019, of the approval and monitoring procedure for investment projects aimed at regulating preparation of the Investment Authorisation (ADI), the economic/financial assessment and the return on investment, including periodic monitoring, identifying the responsibilities of the various parties involved; the main innovations include the definition of new authorisation thresholds, the establishment of the Investment Committee with advisory functions and the provision of a non-binding opinion for investments by Group companies above the threshold of €1 million;
- the launch of the Financial *Education* and *Best Practices* project concerning areas of high technological innovation, with the aim of contributing to raising the knowledge and financial education of customers and citizens in general by encouraging the adoption, even by individuals and families, of informed and sustainable financial decisions in line with the opportunities offered by digital evolution;
- the launch of a process to optimise and standardise ICT processes at Group level, which involves centralising the IT departments of the various Group companies, in line with the business model adopted, based on strong integration of assets, processes, resources and controls. The first phase of this process, also taking into account the objectives set out in the Strategic Plan in the parcels segment, involved the sale of the SDA Express Courier IT business unit and the simultaneous establishment, in the IT Systems area of Poste Italiane, of a function dedicated to IT solutions for the Express Courier service;
- continuation of the process of centralisation of purchasing activities of a negotiation nature carried out in the territory, with consequent revision to the structure of the Territorial Purchasing Units and the Project for centralisation of territorial purchases; in addition, the establishment of the Green Procurement structure within the Purchasing function, aimed at integrating sustainability aspects into the strategy and organisation of the Company;

- continuation of the process of centralisation of *back office* activities, launched by the Company with the aim of guaranteeing continuous improvement in the quality of services provided to customers, as well as effectiveness and efficiency of the processes managed, in compliance with sector regulations;
- activation, in the *Corporate Affairs* area, of the *Health & Caring* Project, with the aim of defining a programme of training events, health services and clinical-diagnostic services to strengthen the awareness and culture of prevention for the health of employees;
- the establishment, in the Human Resources and Organisation area, of the *People Care and Diversity Management* function, committed to safeguarding the well-being of people working in the Company with an approach focused on the protection and integration of *diversity*.

In addition, the Board of Directors has implemented various organisational initiatives designed to strengthen the internal control system, as follows:

- on 26 September 2019, it approved the revision to the Guidelines for the Management of Transactions with Related and Connected Parties;
- on 5 November 2019, it approved the update of the Organisational Model pursuant to Legislative Decree 231/2001 of Poste Italiane S.p.A.; this revision takes account of the policies for centralising certain operating activities, launched by the Company in order to achieve organisational efficiency, cost rationalisation and process optimisation;
- also on 5 November 2019, it approved the update of the Guidelines on the *Whistleblowing* system, thereby regulating the channels and procedures for reporting and handling irregularities or violations of the regulations (including for the purposes of Legislative Decree 231/2001);
- again on 5 November 2019, it approved the Group's new Money Laundering Prevention Guidelines;
- on 11 December 2019, it approved the Sustainability Strategy: materiality analysis;
- on 30 January 2020, it approved the amendment to the Financial Management Guidelines for Poste Italiane.

With regard to revision of the procurement model, a process that began in 2017 and proceeded in 2018, the Board was kept up-to-date on the progress made in centralising procurement in the CA/Procurement function, which is now the competence centre for the Poste Group. The function is responsible for the overall and integrated management of purchasing processes, guaranteeing quality, efficiency and procedural accuracy. During 2019, the project to centralise the purchases of the main investee companies was implemented,

eliminating the 9 territorial breakdown of purchases. The Board of Statutory Auditors has also taken note of the issue/updating of the following procurement procedures:

(i) General procedure for the purchase of works, services and supplies (August 2019); (ii) Internal Regulation for the Award of Works, Service and Supply Contract Procedures (August 2019); (iii) Sponsorship and donations procedure (September 2019); (iv) Operating Instructions for the Requirements Plan for Group Companies (October 2019); (v) Operating Instructions for the Energy Procurement Plan for the Poste Italiane Group (February 2020).

In 2018, following discussions with the Bank of Italy, the Company adopted a centralised approach to risk coordination, control and management and related obligations to prevent money laundering and terrorist financing at Group level, and in 2019, in accordance with the new regulatory provisions on the subject, it updated the Group's Anti-Money Laundering Guidelines in force.

The main changes with respect to the previous version regard:

- the obligation for the Management Body to define a Guideline approved by the Board of Directors (December 2019) and containing the choices it intends to make on relevant profiles in terms of organisational structure, procedures and internal controls, adequate verification and storage of data;
- more detail on the decisions and procedures adopted with respect to adequate customer assessment, according to a risk-based approach (at least with regard to specific simplified and enhanced assessment measures);
- measures to be taken in relation to customers operating with other countries at high risk of money laundering or terrorist financing, including specific periodic reporting requirements for transactions carried out.

During the various meetings held with the Board of Statutory Auditors, the head of the Group's Anti-Money Laundering function clarified the controls that support the qualitative and quantitative adequacy of both the Group Anti-Money Laundering function and the new organisational set-up of the anti-money laundering structures, at the central and territorial level, as well as that the "2019 Group Anti-Money Laundering Function Activity Plan" was carried out essentially in line with the planned activities and timing.

The results of the consolidated assessment conducted for 2019 by the Group's Anti-Money Laundering function, which the Board of Statutory Auditors acknowledged in March 2020, indicate that the level of "residual risk" to which the Group is exposed is classified as "low". This level is determined by the weighted average of the residual risk assessments assigned to each company (BancoPosta, PostePay S.p.A., BancoPosta Fondi SGR S.p.A. and Poste Vita S.p.A.).

With regard to risk management, the Board of Statutory Auditors acknowledges that in 2019 the CA/Group Risk Management function activated a Strategic *Risk Assessment* with the objective of identifying and assessing risks that, from an integrated standpoint, could undermine the full achievement of the corporate objectives defined in the “*Deliver 2022*” business plan. The process is supported by the RSA *Archer* platform, which allows each actor to view information in line with their profile and supports the preparation of integrated reporting. The risks, indicators and management measures formalised in the 2019 *Corporate Risk Profile* have been identified and shared with the *risk owners* and with the relevant specialist second-level control functions. The *assessment* confirmed that the quality delivered, customer satisfaction and IT security are the areas in which a high level of control must be maintained in order to contain risks within the tolerance and acceptability levels defined in 2019 Risk Appetite Framework (RAF). The risks associated with these areas are particularly significant and require constant monitoring, taking into account their potential reputational impact, also from an ESG perspective. In 2019, work continued on the transversal analysis of all risks affecting the company’s operations, with an integrated approach based on processes, in order to exploit possible synergies and convergences, as well as to consolidate the overall view of Poste Italiane’s integrated risk profile, thus going beyond the “silos” approach for each risk area.

With a view to strengthening the *Governance* controls and the continuous evolution of the Group’s Internal Control and Risk Management System, in 2019 the Group Risk Management function in the Corporate Affairs area launched a project aimed at defining an Integrated Compliance Model at Group level with the objective of: (i) consolidating and/or creating operational synergies between the various specialist safeguards for non-compliance risks, (ii) harmonising models and information flows by promoting the integration and rationalisation of risks and controls and (iii) responding to the need to comply with more stringent and not always coordinated regulations. On the basis of the evidence gathered, the risk controls implemented through the definition of measures for the prevention and continuous monitoring of risks, taking into account the further interventions carried out during the year 2019, appear to be suitable overall to contain the residual risk within acceptable levels.

In terms of risk management, the Board of Statutory Auditors notes that the risk management model is being modified, with the aim of centralising the assessment and monitoring of all Group risks. In this regard, we wish to reiterate our earlier recommendation that the Board of Directors should periodically monitor above all financial risk on a forward-looking, multi-year basis, periodically revising the assessment of such risks and examining investment and hedging policies via regular investigation by the Control, Risk and Sustainability Committee. In this connection, in view of the composition of the Group’s securities portfolio, which has a

high concentration of government securities, persistently low interest rates, spread risk and the resulting impact on *capital gains* and on unrealised gains, the Board recommended and oversaw that the Board of Directors constantly monitored the key *drivers* in the business plan and the relative *sensitivity*, verifying the necessary controls and assessing the level of residual risk, with a specific focus on a long-term, multi-year basis.

The Board of Statutory Auditors met periodically with the Supervisory Board (“SB”) to ascertain the activities carried out by the latter during the 2019 financial year. During the meetings, it emerged that the Group’s oversight with respect to 231 has been strengthened, also through functional coordination by the relevant departments, with a view to standardising the general approach under 231. The checks carried out by Poste’s Supervisory Board show that the Subsidiaries have adopted their own Organisational Model pursuant to Legislative Decree 231/2001 (OM 231), in line with the Parent Company’s approach, taking account of their specific organisational and operational characteristics. In addition, in the 231 area, the Parent Company has a substantial body of legislation that seems to be adequate, also considering the size of the Company. In 2019, the Company carried out a *risk assessment* and *gap analysis* activity, which identified a number of areas for further strengthening of the 231 control system, and action plans were then shared with company management, essentially related to the updating of company procedures, which are being progressively implemented. In the above context, the *Archer* platform, recently implemented to support the management of risk monitoring and control activities, is a central tool in the area of 231 efficiency and allows ongoing verification of the evolution of risks and control procedures; on the platform, about 400 regulatory instruments have been surveyed and evaluated for the purposes of OM 231, such as Policies, Guidelines, Procedures, etc.

Following *risk assessment* and *gap analysis* under 231, the Company carried out a Project for the review of Poste Italiane’s OM 231, focusing on the following main aspects:

- implementation of recent external regulatory developments (e.g. the new offence of “trafficking of illicit influences”) and organisational changes within the company;
- enhancement of the characteristics of Poste Italiane’s internal control and risk management system;
- harmonisation of sensitive activities in order to make them homogeneous among the various Special Sections of the Model, also introducing a process approach;
- review/integration of the specific control principles and behavioural rules set out in the Model;



- express reference has been made to the fact that the specific control principles - as reported in each individual Special Section - are set out in the dedicated organisational controls and internal regulatory instruments, prepared in accordance with the Company's Regulatory System, with reference to the risk areas identified;
- correlation matrices have been introduced between sensitive activities and specific control principles.

For the revision of the Model, the contributions of all company functions were collected and a comparison was made with a leading external criminal law firm, in order to ensure the utmost compliance of choices made with the spirit of the rules and developments of law.

The proposal to update the OM 231, which was positively evaluated by the Company's SB, was approved by the Board of Directors at its meeting of 5 November 2019.

In terms of the structure of the document, in line with current *best practices*, this OM 231 by Poste is divided into a General Section and Special Sections.

In summary, in light of the overall activities carried out by the Board of Statutory Auditors, considering:

- ✓ the organisational structure of the Poste Group in general and of BancoPosta RFC specifically;
- ✓ the existing set of procedures and their continuous updating;
- ✓ the results of the verification and evaluation activities received by the Board of Statutory Auditors from Bancoposta's internal control as well as statutory audit function;
- ✓ the results of the inspection activities carried out by the various Supervisory Authorities;
- ✓ the assessment results recorded during the year by the other corporate control functions provided for by the internal control and risk management system;
- ✓ the information acquired during participation by the Board of Statutory Auditors in the meetings of the Board of Directors and Board Committees;
- ✓ the exchange of information with the Independent Auditor, the *Data Protection Officer* and the Supervisory Board pursuant to 231/2001;
- ✓ the main developments of the SCIGR (internal control and risk management system) and, in particular, the initiatives to strengthen it;
- ✓ the compensatory controls and improvement measures implemented and/or in progress in relation to the activities carried out and the findings relating to the SCIGR highlighted by Poste Italiane's Internal Control function;

- ✓ the compensatory controls and improvement measures implemented and/or underway in relation to the findings relating to the SCIGR highlighted by BancoPosta's Internal Audit functions and the Audit functions of Group companies;
- ✓ further events with potential impacts on the SCIGR, including corporate project initiatives in specific operational areas, implemented or in the process of progressive implementation;
- ✓ the evidence acquired from management of the Whistleblowing reporting system;

the Board of Statutory Auditors is not aware of critical situations or events that might suggest shortcomings in the internal control system of Poste Italiane overall and of BancoPosta RFC in particular.

#### *14. Observations on the adequacy of the Company's administrative/accounting system and its reliability in representing operating activities*

The Board of Statutory Auditors examined and oversaw, within the scope of our responsibilities, the adequacy of the Company's administrative/accounting system in reliably representing operating activities, the effectiveness of the internal control and risk management system and the financial reporting process, by: (i) gathering information from the heads of the various functions, from the Independent Auditor and from the Manager responsible for financial reporting; (ii) examining the annual report of the Manager responsible for the internal control system; (iii) taking part in the work of the Control, Risk and Sustainability Committee and the Related and Connected Parties Committee; (iv) examining the results of activities carried out by Poste Italiane S.p.A.'s Internal Control function and by BancoPosta's Internal Auditing function; (v) examining the proposed Audit Plan for 2020, prepared by both Poste Italiane S.p.A.'s Internal Control function and BancoPosta's Internal Auditing function; (vi) examining reports prepared by Poste Italiane S.p.A.'s Internal Control function and BancoPosta's Internal Auditing function; (vii) obtaining information on inspections and proceedings conducted by Italian government or European Union bodies and authorities, including those of an independent nature, the details of which are provided in the section, "Principal relations with the authorities", in the notes to the financial statements.

The Board also notes the Attestations, dated 5 March 2020, of the separate and the consolidated financial statements for the year ended 31 December 2019 pursuant to art.154-bis, paragraph 5 of Legislative Decree 58/1998 and art. 81-ter of CONSOB Regulation 11971 of 14 May 1999, in which the Chief Executive Officer and the Manager responsible for financial reporting declare, among other things, that the separate and consolidated financial statements:

- ✓ have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002;
- ✓ are consistent with the underlying accounting books and records;
- ✓ give a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

The Chief Executive Officer and the Manager responsible for financial reporting also declare that the Directors' Report on Operations includes a reliable analysis of the operating and financial performance and situation of the issuer and the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

*15. Observations on the adequacy of the guidelines communicated by the Company to its subsidiaries pursuant to art. 114, paragraph 2 of Legislative Decree 58/1998.*

The Board verified, partly in the course of a specific meeting, the adequacy of the guidelines communicated by the Company to its subsidiaries pursuant to art. 114, paragraph 2 of the Consolidated Law on Finance, following revision of the "Guidelines for Management and Publication of Confidential Information, and Creation and Maintenance of a register of persons with access to Confidential Information", approved by the Board of Directors on 22 June 2017 and later revised on 2 October 2018.

These Guidelines and the "Internal Dealing Guidelines", also approved by the Board of Directors on 22 June 2017 and later revised on 2 October 2018, are in compliance with the amendments to Italian legislation introduced from July 2016, in compliance with Regulation (EU) 596/2014 of the European Parliament and Council of 16 April 2014 relating to market abuse.

The Corporate Affairs Department is currently reviewing the "Guidelines for Management and Publication of Confidential Information, and Creation and Maintenance of a register of persons with access to Confidential Information", based on the latest regulatory developments and *best practices* in the sector. The main new element under evaluation is the provision of the "Relevant Information List" ("RIL"), which represents an additional protection with respect to the Insider Register.

In addition, the Board of Statutory Auditors periodically held meetings with the Boards of Statutory Auditors of the principal Group Companies. In particular, the Board has noted the Company's issue of attestations regarding its binding commitment to provide financial

support in 2020 to SDA Express Courier S.p.A., Poste Air Cargo S.r.l. and, throughout its liquidation, Poste Tributi S.c.p.A. (in liquidation).

*16. Oversight of the statutory audit of the annual and consolidated accounts and observations on any key aspects that came to light during meetings with the auditors pursuant to art. 150, paragraph 2 of Legislative Decree 58/1998*

The Independent Auditor, which periodically met with the undersigned Board of Statutory Auditors, in accordance with the provisions of art. 150, paragraph 3, of Legislative Decree 58/1998 for the mutual exchange of information, did not reveal any actions or events deemed to be censurable or of an irregular nature that required the formulation of specific reports pursuant to art. 155, paragraph 2 of Legislative Decree 58/1998 (Consolidated Law on Finance).

On 25 March 2020, the Independent Auditor issued the Additional Report required by art. 11 of the Regulation (EU) 537/2014, of which the annual Confirmation of Independence and the *Audit Plan* for 2019 (the latter previously presented to us by the Independent Auditor) are an integral part. The Board has already examined the contents of such documents during a meeting. The Auditor did not consider issuing any suggestion letters to management.

The Independent Auditor has not informed us of any events or circumstances identified during the performance of the audit that might raise significant doubts about the ability of the Company or the Group to continue to operate as a going concern, nor regarding material shortcomings in its internal control system over financial reporting and/or in its accounting system, or any significant doubts over instances of non-compliance, whether effective or presumed, with laws, regulations or statutory requirements identified during the performance of the audit.

The Reports on the audit of the separate and consolidated financial statements illustrate the key aspects that, in the Auditor's opinion, were most significant in the audit of the individual and consolidated financial statements for the year: (i) the recoverable amount of the Parent Company's "Mail, Parcels and Distribution" business segment, (ii) valuation of the provisions for insurance business; (iii) valuation of financial instruments not valued at fair value.

The Auditor does not express a separate opinion on these key issues, for which the Auditor's Reports explain in detail the relevant audit procedures adopted, since they have been addressed in the audit and in the preparation of an opinion on the financial statements as a whole. The above key aspects were the subject of detailed analysis and updating during the periodic meetings that the Board of Statutory Auditors held with the Independent Auditor.

The Board of Statutory Auditors also discussed these key issues with the Company's management in specific meetings.

The Board has recommended that the Board of Directors periodically monitor these aspects of the accounts, potentially on a six-monthly basis.

In addition, as mentioned above, the Board of Statutory Auditors, together with the Independent Auditor and the FTA function, examined in detail some additional aspects of relevance to the financial statements as at 31 December 2019, such as the valuation of the investment in FSIA, the write-off of receivables from current accounts closed with a debit balance and the recognition of income from postal current accounts for non-existent liabilities prescribed.

#### *17. Oversight of application of the Corporate Governance Code for listed companies*

Pursuant to art. 149, paragraph 1, letter c-bis of the Consolidated Law on Finance, the Board oversaw the procedures involved in effective implementation of the rules provided for in the Corporate Governance Code adopted by the Board of Directors.

- ✓ With regard to the activities provided for in the Corporate Governance Code, the Board of Statutory Auditors not only held 35 of its own meetings during the year, but also ensured its participation in the meetings of the Board of Directors and Board Committees, in addition to general meetings of shareholders, for a total of 68 meetings. Given the large number and the complexity of such meetings, the Board notes that Board Committee meetings, to the extent possible, should be scheduled so as to leave a longer period of time between them and Board of Directors' meetings and, despite the positive progress made, we reiterate our view that information should be provided further in advance of meetings to the participating members, above all when there is a particularly large volume of material to be examined.
- ✓ The Board of Statutory Auditors also recommends that, in view of the next meeting, all items on the agenda to be resolved by the meeting be examined by the Board of Directors, particularly the item regarding definition of the proposal to the General Meeting with regard to the total compensation to be awarded both to the members of the new Board of Directors and to the members of the Board Committees.
- ✓ The Board reiterates, also in light of the new Corporate Governance Code (January 2020) and aware of its future entry into force, the previous suggestion to proceed, before the end of the term of office of the Board of Directors (and therefore during the first few months of 2020), with a review of the "Guidelines on the application criteria and procedure for assessing the independence of directors of Poste Italiane S.p.A.",

concerning the threshold of significance of commercial, financial or professional relationships that may compromise the independence status, in order to verify any updates and additions that may be necessary and/or appropriate after approximately one and a half years from their adoption, a proposal also shared by the Chairman of the Appointments and Corporate Governance Committee.

- ✓ The Board of Statutory Auditors, given the complexity of the corporate transactions carried out, the number of related parties and their heterogeneity, welcomed the strengthening of the legal and corporate procedures and, in particular, a more structured process with a better representation of the transactions themselves in the Related Parties Committee. However, following the experience, the Board of Statutory Auditors, considering the need to update the guidelines concerning related party transactions in the near future in view of the forthcoming revision by CONSOB of the “Regulation on related party transactions”, following the consultation launched by the Supervisory Authority on 31 October 2019, recommends that the process of their detection be strengthened, improving their timeliness by defining the responsibilities of the internal functions more clearly, in terms of both proposing and coordination functions.
- ✓ The Board of Statutory Auditors, within the scope of our responsibilities, and in accordance with the Corporate Governance Code, verified the contents of the above “Report on Corporate Governance and the Ownership Structure”, prepared by the Directors in accordance with the instructions contained in Borsa Italiana SpA’s Market Regulations and in the Consolidated Law on Finance. The Board, within the scope of our responsibilities and in accordance with the Corporate Governance Code, also verified the contents of the “Remuneration Report” prepared by the Directors. Section I of the report, which is submitted for express approval by the Annual General Meeting of shareholders, has also been prepared in accordance with the instructions contained in Borsa Italiana S.p.A.’s Market Regulations and in the Consolidated Law on Finance. With regard to section II, the Board of Statutory Auditors, as per our previous reports, wishes to state that it is advisable to disclose Directors’ pay on an individual basis, showing the amounts received for different reasons regardless of their nature or origin.

In 2019 and in February 2020, the Board of Statutory Auditors verified correct application of the criteria and procedures used by the Board of Directors to assess the independence of Directors; the annual assessment was conducted on the basis of the “Guidelines for assessing the independence of members of Poste Italiane S.p.A.’s Board of Directors”, based on assurances provided by the Directors and information obtained directly from the Company on any economic or financial transactions and/or relationships between Poste

Italiane Group companies, Directors and their related parties, in accordance with the provisions relating to independence requirements set out in art. 3.C.1, letter c) of the Corporate Governance Code. The Board of Directors conducted an assessment of the functionality, size and composition of the Board itself and of Board Committees with the support of a leading consulting firm, reporting on its findings in the “Annual Report on Corporate Governance and the Ownership Structure”. With regard to assessment of the independence of the Board’s members, the Board of Statutory Auditors verified that all its members meet the related requirements provided for in both the Consolidated Law on Finance and the Corporate Governance Code. The process also took into account the outcome of checks conducted by the entity with regard to any outstanding economic or financial transactions and/or relationships with Poste Italiane Group Companies.

Pursuant to the Corporate Governance Code, the Board of Statutory Auditors was also consulted by the Control, Risk and Sustainability Committee in 2019 regarding the following:

- approval of the MBO plan for the Head of the Internal Auditing function;
- definition of the Audit Plan;
- assessment of the results described in the Independent Auditor’s letter of recommendations and the section of its report on key audit matters in the financial statements for 2019;
- assessment of the correct use of accounting standards and their consistency for the purposes of preparation of the consolidated financial statements;
- update of the Group’s Anti-Money Laundering Guidelines;
- update of the “Guidelines for the Management of Transactions with Related and Connected Parties of Poste Italiane S.p.A.”;
- Strategic Risk Assessment 2019;
- Group Risk Appetite Framework for 2019.

### **Self-assessment process for the Supervisory Body**

Lastly, in compliance with the Bank of Italy’s Supervisory Provisions and in light of the new rule Q.1.1. “Self-assessment of the Board of Statutory Auditors” included in May 2019 in the Code of Conduct for the Board of Statutory Auditors of Listed Companies, issued in April 2018 by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (national association of chartered accountants), in February and March 2020 the Board of Statutory Auditors carried out a self-assessment of its adequacy in terms of powers, functioning and composition with reference to the financial year 2019. The self-assessment

process was carried out with the assistance of a leading consulting firm, which was appointed by the Board of Directors on 12 December 2019.

The external consultant's self-assessment report gives a positive overall picture of Poste Italiane's Board of Statutory Auditors in terms of both its composition and its organisation and operation, except for one area for improvement concerning the timing of submission of the documentation for the Board of Statutory Auditors' meetings. The report also showed that the remuneration of the supervisory body was inadequate.

The results of the self-assessment conducted are submitted to the Board of Directors, which acknowledges them in the Corporate Governance Report.

The Board of Statutory Auditors also acknowledges that, at its meeting of 30 January 2020, it approved the "Regulations for the self-assessment process for the Board of Statutory Auditors of Poste Italiane S.p.A.", which governs the related process regarding its adequacy in terms of powers, functioning and composition, in accordance with the Bank of Italy's Supervisory Provisions on organisation and corporate governance that apply to Poste Italiane S.p.A. in the performance of BancoPosta's activities, as well as in compliance with the By-laws, with the principles indicated in the Corporate Governance Code for Listed Companies and according to the Code of Conduct for the Board of Statutory Auditors of Listed Companies, recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (national association of chartered accountants).

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### ***B) Oversight of BancoPosta RFC***

The Board of Statutory Auditors oversaw BancoPosta RFC in accordance with:

- Presidential Decree 144/2001 "Regulations governing the services provided by BancoPosta", the relevant regulations contained in the Consolidated Banking Law and in the Consolidated Law on Finance and the implementing regulations for banks, deemed applicable to BancoPosta by the relevant authorities, and in compliance with the BancoPosta RFC Regulation approved by the General Meeting of shareholders held on 14 April 2011 and amended by the Extraordinary General Meeting of 31 July 2015 and subsequently revised by the Board of Directors' resolution of 25 January 2018. As required by the above Regulation, the Board of Statutory Auditors examined the specific issues regarding BancoPosta RFC separately, reporting the results in the minutes of the Board meetings;



- the Supervisory Standards issued by the Bank of Italy on 27 May 2014 and, more generally, those in Circular 285 of 17 December 2013, as amended.

With reference to the assets allocated to IMEL (Istituto di Moneta Elettronica), the Board of Statutory Auditors monitored the progress of audit activities also through meetings with the Company's corporate and control functions. The Board of Statutory Auditors also received extensive information on PostePay during a meeting dedicated to the exchange of information with the Supervisory Body of PostePay, during which the Board of the Subsidiary illustrated the main elements concerning the functioning of the internal control and governance system, administration and organisation, the functioning of IMEL's RFC, as well as significant aspects of performance of operations. The outcome of the meeting with the Supervisory Body of PostePay highlighted: (i) positive performance of the economic-financial results, (ii) adequacy of the organisational, administrative and accounting structure, (iii) that the outsourced activities have been contracted out and the pricing methods have been checked for adequacy.

#### **Observations on BancoPosta's financial reporting process**

Based on the information received from the Manager responsible for financial reporting, the Independent Auditor, management of BancoPosta and the heads of BancoPosta's control functions, and the Board's examination of the annual report of the Manager responsible for the internal control system relating to financial reporting, it should be noted that BancoPosta RFC's organisation and accounts have been unbundled with respect to the Company's operations. In preparing the Separate Report for BancoPosta RFC, in compliance with the provisions of Law Decree 225/10, converted into Law 10/11, which introduced regulations applicable to BancoPosta RFC, requiring the accounting separation provided for in articles 2214 et seq. of the Italian Civil Code and preparation of a separate report, the Company introduced a specific dedicated system. During a specific meeting, the Board received information on the accounting system ("*Special Ledger*") aimed at ensuring that transactions relating to Bancoposta RFC are recognised separately from those relating to the Company's operations, for the purposes of application of the Bank of Italy's prudential supervisory authorities provided for by Law 10 of 26/02/2011.

Paragraph 2 of Bank of Italy Circular 285/2013 - part IV of the Standards for particular intermediaries of BancoPosta - Chapter 1 BancoPosta, section II - requires that, in addition to directly attributable revenues and costs, the charges incurred for the services provided by Poste Italiane in order to enable BancoPosta to operate should also be allocated to BancoPosta

RFC, and that the allocation of these charges should be based on criteria that reflect the real contribution of the various functions to BancoPosta RFC's results and to those of the Company as a whole.

The Board of Statutory Auditors verified, at least every six months, the adequacy of the criteria adopted and, within the scope of our responsibilities as an oversight body, without responsibility for accounting controls, compliance with the applicable statutory and regulatory requirements. Based on the available data and information, the Board of Statutory Auditors believes that the level of control over management of BancoPosta RFC's accounts is adequate;

With regard to the supervision of the financial reporting process of BancoPosta RFC, reference should be made to the observations and recommendations set out in paragraph 4 of this report to the extent that they relate to said separate capital.

#### **Supervisory activities of the supervisory body of BancoPosta and Inspections by the Supervisory Authorities**

During the year, the Board oversaw, partly with reference to compliance with the Supervisory Standards contained in Bank of Italy Circular 285/2013, and in close conjunction with the Remuneration Committee, correct application of the regulations governing the remuneration of the heads of the Company's control functions. In this regard, the Board of Statutory Auditors observed that the adequacy of this remuneration be subject to further analysis by the Human Resources Department, also after benchmarking with similar entities.

The Board of Statutory Auditors also periodically reviewed the structure of the Guidelines governing the relations concerning functions outsourced by BancoPosta to Poste Italiane in order to oversee the criteria applied for the allocation of costs associated with Poste's activities for the management of RFC, since such costs must be allocated in accordance with criteria that reflect the real contribution of the various management activities to BancoPosta RFC's results and to those of the company as a whole. In addition to the half-yearly audits, the Board of Statutory Auditors also carried out a further in-depth analysis in order to verify the validity of the methodological framework and the reasonableness of the remuneration criteria applied, also through a specific meeting with the external consultant appointed by the Company to prepare an analysis document of the new 2018-2019 Operating Guidelines.

With regard to control activities contracted out to Poste Italiane functions, the Board of Statutory Auditors, in line with the relevant Supervisory Standards applied to BancoPosta

RFC - Circular 285/2013, Chapter 1 BancoPosta, Section II, Par. 5, assessed the costs, risks and benefits of the contract on an annual basis.

On 1 January 2019, following the Board of Directors' resolution of 18 October 2018 and the authorisation issued by the Bank of Italy, the BancoPosta Financial Management mandate to the company BancoPosta Fondi SGR ("BP Fondi SGR"), specialised and regulated intermediary with specific expertise in asset management, set up to act as a *competence centre* for financial investment management activities, became effective. At the same time, again from 1 January 2019, BP Fondi SGR *outsourced* its Internal Audit and Risk Management functions to BancoPosta, designed to achieve an overall strengthening of the controls conducted by the control departments involved at Group level. The Board of Statutory Auditors has noted that the outsourcing of the *Risk Management* and *Internal Audit* functions of BP Fondi SGR to the corresponding functions of BancoPosta has been carried out in synergy with the outsourcing of financial management activities by BancoPosta to BP Fondi SGR, in order to ensure continuity of control activities in this relevant area. Moreover, the centralisation at Internal Audit guarantees the strengthening of information flows to the Parent Company's governance and control bodies, so that any significant deficiencies in the SGR's control system can be represented in the Financial and Insurance Services Committee chaired by the Head of BancoPosta.

The audit activities carried out by BancoPosta's Internal Audit during 2019, also taking into account the various strengthening initiatives taken during the year in terms of business, organisation and control mentioned above, confirmed an overall positive and progressively consolidated system of controls for BP Fondi SGR.

The Board of Statutory Auditors, in discussing with the Head of Internal Control the results of the audit activities issued during 2019, noted that the internal control system on BP Fondi SGR's *Business Continuity Management* (BCM) process for banking and financial services was positive overall. During 2019, as part of the organisational, operational and business actions implemented by BP Fondi SGR to implement the Poste Italiane Group's new mission of *competence centre* for finance and markets, the subsidiary, in terms of BCM, launched a project to evolve its operations and control system, linked to adaptation of the *Business Continuity Management* process to Group standards, with particular reference to impact assessments (BIA) and emergency plans.

In addition, in April 2019, the project for outsourcing to the Customer to Business Interaction ("CBI") Consortium the activities relating to access to BancoPosta payment accounts by

*Third Party Providers*, pursuant to the PSD2 Directive, was submitted to the Board of Statutory Auditors, as well as to the Control, Risk and Sustainability Committee (“CCRS”). At the end of the in-depth analysis of the CBI Globe platform and after discussions with the Bank of Italy, the related “Outsourcing Project” was prepared. The *testing* phase has given positive results but, at system level, delays have emerged from merchants in adopting the new security protocols. Updates on the subject were provided in the *BancoPosta Compliance Tableau de Bord*, which was presented to the Board and the CCRS in November 2019.

The *Compliance* and *Risk Management* functions have periodically prepared their respective reports on compliance risk and significant risk exposures for BancoPosta, and on the state of progress of the initiatives undertaken as a result of the commitments given to the Bank of Italy (following the inspection conducted in 2017 with the aim of assessing the governance, control and operational and IT risk management systems in relation to BancoPosta’s operations) and to the CONSOB (regarding the provision of investment services). In this regard, the Board of Statutory Auditors verified the state of progress of the corrective measures adopted following the Bank of Italy’s findings, ascertaining that at 31 December 2019 the programme defined following the Bankit 2017 inspection had reached a state of progress of 94%.

The Board also obtained information on the Bank of Italy’s inspection of specific Post Offices, launched in May 2019 and completed in July 2019, to verify fulfilment of the obligations in terms of banking transparency, with particular regard to assessment of the regulatory, procedural and control structure. The Board has noted that, while the investigations were of a territorial nature, they also covered areas related to the audits carried out by the Authority in 2015 at its headquarters with regard to: (i) the storage of contract documents; (ii) the handling of unilateral changes to the terms and conditions offered to customers; (iii) the handling of complaints and (iv) the application of financial conditions via the related system. The undersigned Body has also noted that the results of the activity will not be formalised in an inspection report but will be communicated to the “central” departments of the Bank of Italy for subsequent requests for clarifications/interventions. According to reports from BancoPosta’s control functions, the Supervisory Authority, in its communication with the Company, identified an improvement in the complaints management process, the sending of proposals to customers for unilateral amendments to contracts and the filing of contracts signed in electronic format, as well as an area of improvement in the procedures applicable to the quantification of costs associated with requests for documents other than statements of account. The *Compliance* function’s action plan includes specific measures in relation to the areas of improvement that have emerged.

In addition, with CONSOB letter dated 18 April 2019 requesting data and information pursuant to art. 6-bis, paragraph 4, letter a) of Legislative Decree 58/1998, the Board of Statutory Auditors was asked to provide its assessment of specific profiles under Investment Services and to submit updates on the actions taken by Poste Italiane. The Board, in light of the findings of various meetings held with the Head of the BancoPosta function and the heads of the BancoPosta control functions, after an extensive analysis of the Company's response note to CONSOB, which also contained the assessments of the BancoPosta Compliance function, carried out a review of the documentation acquired and on 27 May 2019 sent the Company the document with its own assessments for each of the profiles referred to by CONSOB, for subsequent submission to the Authority on 3 June 2019.

The Board is monitoring the audit launched by CONSOB in January 2020, aimed at ascertaining the state of compliance with MIFID 2 regulations, with particular reference to the following profiles: (i) procedural structures defined in terms of Product Governance, (ii) procedures for assessing the adequacy of transactions carried out on behalf of customers, (iii) description of commercial policies and incentive system, (iv) professional training of personnel and (v) 2019 operations. The Board of Statutory Auditors has noted that the audit is part of a "cycle" of inspections of the main players in the market and will last for a few months.

Again with reference to inspection activities, the Board was informed that BP Fondi SGR has recently been involved in the Bank of Italy's inspection activities, which should be reflected in the ordinary inspections of the Supervisory Authority.

### **Observations concerning BancoPosta's internal control system**

The system of internal controls at BancoPosta is based on:

- Control Bodies and Functions, involving, each for their respective competencies, the Board of Directors, the Control, Risk and Sustainability Committee, the Head of BancoPosta, the Board of Statutory Auditors, as well as the Company Functions with specific duties in this regard;
- information flows and coordination methods between the parties involved in the internal control and risk management system;
- governance mechanisms.

With regard to the Governance mechanisms, during 2019 and up to the current date, the Board of Directors has approved various regulations and guidelines designed to strengthen the nature and effective functionality of the overall system of internal controls over BancoPosta RFC:

- i) update of the “Guidelines for the definition of the Risk Appetite Framework and the evaluation of Most Significant Transactions”;
- ii) revision of the “Guidelines for the Management of Transactions with Related and Connected Parties of Poste Italiane S.p.A.”;
- iii) update of the “Guidelines on Conflict of Interest”;
- iv) update of the “Financial Management Guidelines of Poste Italiane”;
- v) the new “BancoPosta Organisational and Operating Regulations”;
- vi) the new “Regulation governing BancoPosta RFC’s Contracting out and Outsourcing Process” and the Product Governance Guidelines for investment, insurance and banking products;
- vii) the “Guidelines for the Identification of BancoPosta RFC’s Material Risk Takers”;
- viii) the *Share Ownership Guidelines (SOGs)*;
- ix) update of the “Self-Assessment Guidelines on Capital Adequacy and the Liquidity Risk Governance and Management System” and related update of the “Governance and Operational Risk Management Guidelines”;
- x) the “Guidelines on the Remuneration and Incentive Policies of BancoPosta RFC”;
- xi) the new “Guidelines on Complaints Management of Poste Italiane S.p.A. - BancoPosta RFC”;
- xii) update of the “BancoPosta Anti-Money Laundering Guidelines”;
- xiii) update of the “Guideline on Governance and Management of Counterparty Risk and Risk Concentration” and issue of the “Guidelines on Analysis and Validation of BancoPosta RFC’s Risk Management System”;
- xiv) the “ICT Strategy Paper” - “Vision 2022 IT Strategy”;
- xv) update of “Volume 1” of the *Business Continuity Plan* and disclosure on the new target model at Group level.

### **Adequacy of Control Functions and Activity Plans**

The Board of Statutory Auditors also received periodic information from BancoPosta’s control functions and periodically reviewed the quarterly *Tableau de Bord*, as well as an in-depth analysis of the results of the overall verification activities carried out in 2019.

The Board of Statutory Auditors met periodically and on a systematic basis with the internal control function (“**Internal Audit**”) of BancoPosta, which confirmed, most recently in March 2020, in summary, that “*the results of the verification activities carried out confirm an overall adequate and reliable internal control structure with some areas for improvement*”.

In particular, this summary shows that the process of strengthening the organisational structure and *governance* of BancoPosta RFC continued during 2019, in line with the strategic objectives outlined in the “Deliver 2022” business plan; the following are noted:

- gradual consolidation of the controls activated by BancoPosta’s Governance Outsourcing and Business Support function on BancoPosta’s contracting out and outsourcing processes, including through the establishment of operating committees dedicated to the Essential Operating Functions entrusted and the in-service contract with Poste Pay S.p.A.;
- strengthening of corporate policies through approval by the Board of Directors of the new Guidelines for the management of Transactions with Related and Connected Parties, Group Anti-Money Laundering and BancoPosta, and of the Organisational Model pursuant to Legislative Decree 231/01 of Poste;
- general reshaping of the organisational model of the marketing functions to consolidate BancoPosta’s role in steering and monitoring the territorial network;
- general overhaul of BancoPosta’s complex delegation and sub-delegation model, in line with the changes made to BancoPosta RFC and the new organisational structure.

Strengthening of the controls activated on the Essential Operating Functions, and the direction and monitoring of the territorial network and the corporate regulatory framework (BancoPosta’s Guidelines and the delegation and sub-delegation model) were also highlighted.

The Board of Statutory Auditors has noted that the audit activities carried out by the Internal Audit function on the basis of the “2019 Audit Plan”, approved by the Board of Directors on 28 February 2019, were promptly carried out and completed in compliance with the above Plan.

The Board of Statutory Auditors also took note of the corrective measures taken by BancoPosta following the Bank of Italy’s 2017 inspection, the CONSOB Plan and the various requests for data and news from CONSOB regarding investment services and real estate funds, as well as the measures to comply with the “MIFID II Directive” for investment services, the “IDD Directive” for insurance brokerage services and the “PSD2 Directive” for payment services. During meetings with the Internal Audit function, the latter presented the positive results of the audit of BancoPosta RFC’s Governance mechanisms, after which management had defined a number of improvement initiatives, mainly aimed at updating the reference regulatory framework (BancoPosta’s Organisational and Operating Regulations, the Guidelines for the management of Transactions with Related and Connected Parties and the Financial Management Guidelines of Poste Italiane), all of which have been implemented.

With regard to BancoPosta's *Anti-Money Laundering* function, recall that in 2018 the Company had adopted a centralised model for the coordination, control and management of risk and related requirements for the prevention of money laundering and terrorist financing at Group level and, subsequently, in November 2019, the updates to the "Group Anti-Money Laundering Guidelines" and the "BancoPosta Anti-Money Laundering Guidelines", which take account of the changes in organisational structure, in accordance with the provisions of the primary and secondary regulatory provisions of the sector that took place in 2019, were submitted to the Board of Statutory Auditors for examination, as well as to the Control, Risk and Sustainability Committee.

The model adopted by BancoPosta to combat money laundering risk envisages a Head of Money Laundering Prevention under the *Risk Management* function and separate controls that:

- provide, in coordination with the Group's Anti-Money Laundering function, advice and assistance to the various business and operational functions, conducting ex ante assessments of the risks relating to money laundering and the financing of terrorism as part of the process of developing new products and services and/or modifying the processes involved in their distribution and provision;
- collaborate in continuous reviews of the organisational, procedural and IT-related aspects of efforts to combat money laundering and the financing of terrorism and the related operational restrictions, in cooperation with the Group's Anti-Money Laundering function and in keeping with this function's annual plan, contributing to the process of identifying the relevant requirements and the necessary compliance initiatives;
- ensure the fulfilment of specific analyses and controls in coordination with the Group's Anti-Money Laundering function;
- guarantee, with reference to the tasks assigned within the Group's money laundering risk control model and in line with the related Operating Guideline, the continuous monitoring of the levels of service rendered, proposing any identified changes. For this purpose, the Head of Money Laundering Prevention has access to all the databases used by the Group's Anti-Money Laundering function, containing information for use in carrying out his or her tasks and in verifying the correct operation of the IT platform.

Without prejudice to what has already been indicated in paragraph 4 with reference to Group anti-money laundering, the BancoPosta anti-money laundering report was not available as at the date of preparation of this report. However, note that, as described in the annual report prepared by the Group's relevant anti-money laundering function, despite the "medium to



low” degree of inherent risk exposure deriving primarily from qualitative and quantitative elements linked to the large size and complexity of BancoPosta’s operations, the vulnerability of BancoPosta’s organisational structure and business processes was judged by the function to be of “little significance”, thus resulting in a “low” level of residual risk. The Board of Statutory Auditors has taken note, at group anti-money laundering level, of a progressive increase in the sensitivity and quality of reports of suspicious transactions spontaneously submitted by the distribution network: in fact, with a lower number of reports submitted, there is a higher percentage of reports deemed to be justified by the Financial Information Units. The average time to submit reports was about 18 days, compared to an average of 37 days in the reference category. In addition, in terms of training, there is 96.3% average coverage of anti-money laundering courses in the target population and 95.6% average coverage of SOS courses in the target population. The Company has allocated approximately €4.0 million for the two-year period 2020-2021 for IT investments to strengthen controls and corrective measures, and 81.9 thousand requests for legal checks were recorded. The anti-money laundering complaints notified in 2019 by the Ministry of the Economy and Finance mainly concern violations of art. 51 of Legislative Decree. 231/2007 for omitted/late notification to the MEF - breaches on cheque trading - mainly related to the new cheque dematerialisation process (CIT procedure), which generated operational errors in the post office, and to a lesser extent related to breaches of art. 35 of Legislative Decree 231/2007 (omitted reporting of suspicious transactions) and are traceable to a single context. With reference to these data, the Board has requested an analysis of the historical trend during the year 2020, possibly accompanied by a benchmark for the period.

In addition, also in the anti-money laundering area, 52% of the interventions identified in the previous Annual Report were completed as at 31 December 2019, in line with the defined planning. The prevalence of re-planned interventions is due to implementation of the new Group infrastructure for management of the reinforced measures (electronic practice of adequate verification), which made it necessary to integrate subsequent business with the new solutions. In this respect, the Board recommends maximising efforts to have this project fully operational. New measures of strict compliance are also planned, aimed at adopting a single anti-money laundering platform (replacing the Poste Vita and BP Fondi SGR solutions).

With reference to the *follow-up* inspection of the 2015 anti-money laundering and terrorist financing inspection conducted by the Bank of Italy - pursuant to art. 53 of Legislative Decree 231/2007 - during the period October-December 2017 at 14 post offices throughout Italy, the Board of Statutory Auditors monitored the progress of activities and, during a meeting held

with the head of the Group Anti-Money Laundering function, noted that all of the intervention activities requested by the Supervisory Authority had been carried out and submitted for examination.

The BancoPosta Internal Audit function, with regard to money laundering risk, highlights the strengthening during 2019 of corporate policies through the approval of the Group and BancoPosta Anti-Money Laundering Guidelines and the start of strengthening of second-level controls through, among other things, the preparation of specific management reporting.

The BancoPosta *Compliance* function, in illustrating to the Board in March 2020 a summary of the results of activities, reported on the checks carried out, the results of the checks, any weaknesses identified and the corrective measures to be implemented in 2020 in order to address such weaknesses. The 2019 Plan, originally composed of 96 measures, was supplemented during the year with a further 6 measures in the Investment Services sector, which emerged following in-depth discussions with CONSOB. Approximately 2/3 of the interventions reported an assessment of full adequacy of the level of compliance with the regulatory data, while 1/3 of the interventions reported an assessment of partial adequacy. As at 31 December 2019, the Plan had reached 93% coverage. The Board of Statutory Auditors also took note of the 2020 Plan of Activities, which includes 67 planned actions, 29 of which are mainly focused on evolution of governance, ICT operational processes and information assets enabling the adoption of cloud computing.

In general, the *Compliance* function's overall assessment of the activities completed in 2019 was positive, net of the information system, for which the assessment of compliance with regulatory requirements has an overall judgement of partial adequacy. For the 2020 plan, the Board recommends giving maximum priority to strengthening of the existing measures and development of the consulting platform and the profiling questionnaire and functionalities envisaged on the digital channel. In particular, the Board of Statutory Auditors asks to be constantly updated with regard to:

- i) compliance activities related to customer profiling, especially for the review of the profiling questionnaire and related algorithms for defining customer profiles, as well as updating the logic underlying the controls with objective data;
- ii) planned interventions on investment services, especially with regard to strengthening and consolidating existing functions (divestments of insurance investment policies,

- HUBs for currency and cheque liquidity management, review of principles for substitute products and application flow to introduce the “arrangement” in the map);
- iii) continuous support for the verification of compliance of the solutions adopted for the design and implementation of the new consulting platform).
  - iv) the “Customer disclosure” on measures concerning the sending to customers of the annual report on adequacy, costs and returns, reorganised in terms of information presented.

In 2019, the *Compliance* function took part in the consolidation of Poste Italiane’s organisational structure (the transfer of the business unit to PostePay S.p.A., the centralisation of back-office activities, including complaints management, within the Chief Operating Office function, the creation of a Group anti-money laundering function within Corporate Affairs, the centralisation of BancoPosta Fondi SGR’s Risk Management and Internal Auditing functions within BancoPosta).

In order to ensure adequate management of situations of dissatisfaction or potential conflict with its customers, Poste Italiane has adopted a centralised organisational model for handling complaints and customer service, including those relating to BancoPosta’s operations. The objective of this model is to maximise attention on the needs of customers throughout the entire contractual relationship, ensuring adequate interactions, also depending on the level of experience and knowledge of the same and the complexity of the product. In implementation of this model, BancoPosta has outsourced the handling of complaints to the *Chief Operating Office* (COO) of Poste Italiane S.p.A. and to PostePay S.p.A. for disputes relating to the payment products/services entrusted to the latter. In particular, the related operational processes have been entrusted to the Financial Complaints Management function (hereinafter “Complaints Management”), under the COO’s Customer Support Service function (hereinafter the “Supplier”). According to what has been represented, the contracting/outsourcing model aims to ensure a clear identification of roles and responsibilities between the parties, as well as an adequate system of control and supervision by BancoPosta, also through the adoption of specific Performance Indicators updated periodically.

In this context, in September 2019, the “Poste Italiane S.p.A. - BancoPosta RFC Complaints Management Guidelines” were submitted to the Board of Statutory Auditors, as well as to the CCRS. In September 2019, the Board of Statutory Auditors received the new “PostePay - RFC Complaints Management Guidelines”, prepared on the basis of the Bank of Italy’s Provisions on Transparency of banking and financial transactions and services and the

guidelines on the organisation and functioning of the Complaints Offices issued by the same Authority.

The Board, in recalling that in the prior year's report the supervisory body had recommended implementation, in 2019, of all the corrective measures identified in relation to the investment services covered by MIFID 2, to insurance brokerage in connection with the IDD Directive, to banking services and postal savings (above all with regard to efforts to strengthen and improve the management of complaints), to the payment services regulated by the PSD2 Directive, to action on cross-functional areas with an indirect impact, especially those aimed at strengthening the information system (with particular regard to the definition of Data Governance standards and the management of business continuity and the IT security aspects of financial services), cash management and occupational health and safety, acknowledged that:

- in the area of investment services (i) the fine-tuning interventions of the process of adaptation to the MIFID2 Directive were completed, the evolution of the platform's functionalities was completed (strengthening of controls for adequacy assessment and integration with the execution phase), and the client profiling controls were strengthened (verification of insurance requirements and reformulation of specific questions) and (ii) the training plan, *assessment* and updating test of the skills of the "MIFID" resources was implemented;
- in the insurance brokerage field, tools were implemented, in compliance with IDD forecasts, to support consultancy for the proposal of the new modular protection offer, off-site distribution of standard group policies and third-party liability policies (pilot distribution started);
- in the area of banking and postal savings services (i) application of the *product governance* process and formalisation of the single guidelines was completed, (ii) supervision of the complaints management process was strengthened and the BancoPosta Complaints Management Guidelines were issued in September 2019, with updates on disallowance of transactions and redemption of postal savings bonds, (iii) the PAD Directive (amendments to pre-contractual and periodic reporting documentation) was implemented;
- in the area of payment services (i) the IT, procedural and control measures relating to strong client authentication measures (from 12 September 2019) and open communication standards (questionnaires sent to the Bank of Italy) provided for by the PSD2 Directive have been implemented, (ii) the fraud monitoring process has been strengthened and, since

January 2020, the activities of prevention and monitoring of online fraud on third-party sites have been outsourced to SIA;

- in the transversal regulatory area (i) for ICT Compliance, the system of internal controls to govern operational and ICT security risks and the IT and cyber risk analysis methodology has been strengthened, (ii) for Privacy regulations, the evolution of internal processes and procedures has been implemented to integrate the principles of privacy by design/default and the rights of the data subject, as well as privacy impact assessments.

In last year's Report, the Board had recommended continuing to closely monitor the underlying causes of complaints and fraud, giving priority to completion of the initiatives being implemented in order to comply with EBA guidance on the security of payments in terms of mitigation measures and control mechanisms designed to manage operational and security risks, to monitor and report on frauds linked to the different forms of payment, and the reporting of serious operational or security incidents. In 2019, in line with the entry into force of the obligation deriving from the PSD2 directive, work continued on the introduction, from 14 September, of the "Strong Customer Authentication" process for transactions carried out through Poste Italiane's sites and Apps. At the same time, starting from January 2020, the fraud prevention and monitoring activities with regard to Poste Italiane payment card operations on third party circuits (*not-on-us*) were outsourced to the company SIA S.p.A. The extension of the current IT platform for monitoring and fraud prevention of "digital banking" operations on Poste Italiane circuits to the e-money sector, including operations on third-party sites, is to be completed in 2020. Further project initiatives were carried out to mitigate the illegal events committed by the sales network, which were further reduced compared to 2018. With regard to *Business Continuity Management*, in 2019, the Board checked on the progress made, in relation to the expected timing, in implementing the action plan drawn up following the Bank of Italy's inspection in the first half of 2017, regarding operational and IT risk. The same Supervisory Body that had noted that the Plan would continue in 2019, and in the prior year's report had recommended accelerating the realisation of implementation measures aimed at completing the *Data Centre Transformation*, which will upgrade the IT architecture used in Poste Italiane's operations and for *disaster recovery* purposes, acknowledged that completion of the *Data Centre Transformation* project is envisaged for the end of 2020.

In addition, in April 2019, the updated document "*Business Continuity Plan* for Financial Services and Payment Services Volume 1 - Strategy and Organisation" and the new target model for "*Business Continuity Management* at Group level" were submitted for review to the Board of Statutory Auditors and to the CCRS, as the modified regulatory environment and

organisational changes in the Poste Group have made it necessary to adapt the current document structure of the Business Continuity Plan for Financial Services and Payment Services and have required an amendment of the crisis management and business continuity model from a Group perspective. In particular, developments in the organisation and scope of financial services (establishment of PostePay, outsourcing of liquidity management to BP Fondi SGR and outsourcing to the *Chief Operating Office* of back-office activities and to the CA function of anti-fraud and anti-money laundering activities), together with developments in sector regulations (PSD2, EBA) and the issuance of the Operational and Security Incident Management Guidelines for Financial and Payment Services, were the reasons behind the update of the “*Business Continuity Plan Volume 1 - Strategy and Organisation*”, which was approved by the Board of Directors on 10 May 2016.

In view of the above, the Board has monitored the progress of activities for the implementation, from 2018, of the requirements contained in the new European directives regarding investment services (MIFID2), insurance brokerage (IDD) and security of payment services (PSD2).

In 2019, the Board of Statutory Auditors increased its focus on ICT *Risk* by meeting with the relevant structures at various times for in-depth analysis, including through *induction* sessions. The Board believes that it is of fundamental importance to ensure compliance with the commitments, time frames and planned investments, particularly in the ICT and *Security* areas, given the specific importance of the risks associated with *IT security* and *Cyber Risk*.

Lastly, the ***Risk Management*** function reported periodically to the Board of Statutory Auditors on its monitoring activities and developments affecting BancoPosta’s significant risk exposures. Consistently with the new money laundering risk management model adopted by the Group, as mentioned above, the Head of Risk Management has also taken on the role of BancoPosta’s Head of Anti-Money Laundering and, under the *Risk Management* function, established the BancoPosta Anti-Money Laundering function, which has been involved since the end of 2018 in the preliminary work for preparation of the risk self-assessment analysis and the Annual Anti-Money Laundering Report. Working groups have also been engaged in feasibility studies regarding the creation of specific money laundering controls for certain at-risk products (payment slips, money orders and cash).

The Board of Statutory Auditors has taken note of the activities carried out by BancoPosta’s *Risk Management* function during 2019 and the actions planned for the year 2020.

The Board of Statutory Auditors, in agreement with the relative function of BancoPosta, assessed the performance of the RAF indicators during 2019, on a quarterly basis through the *Tableau de Bord* of BancoPosta's *Risk Management* function.

On this subject, it should be noted that, also on the recommendation of the Board of Statutory Auditors, a number of new or rationalised monitoring indicators have been included in the 2019 RAF, following the 2019 risk assessment, making the information required from time to time systematic.

This Supervisory Body also verified the levels of materiality of the risks for BancoPosta with particular regard to:

- (i) the “financial leverage”, structurally higher than that of a bank because of the composition of BancoPosta's assets, which has fallen below the limit set by the RAF for growth in volumes and value of assets and has been reduced to 3% through the provision of BancoPosta's profits for €85 million;
- (ii) the “cost of operating risks”, the trend of which was down in 2019 compared to 2018, due to the significant reduction in operating losses and related capital absorption in 2019.

The most significant risks for BancoPosta this year, in addition to operational, leverage and *spread* risks, is interest rate risk (IRRBB); regulatory risk is included this year as a risk of medium materiality, since, having implemented the EBA IRRBB Guidelines, no other regulatory changes are expected in the near future.

As at 31 December 2019, considering the allocation of profits indicated above, all *Risk Appetite Framework* metrics are in line with the predetermined targets, thresholds and limits for the year, with the sole exception of the credit and counterparty risk capital requirement, which stands at 8.8%, above the *risk appetite* (8%) but well within the level of tolerance (10%), and the *leverage ratio*, within the limit of 3%.

At 31 December 2019, indicators of capital adequacy show a high *capital ratio* (CET1 of 18.3%) and a high level of own funds, which are double the Pillar 2 *free capital* requirement of 56.2%.

In the 2020 RAF, the new target level for the *leverage ratio* is 3%, given the reduced need to maintain a prudential capital buffer in relation to the decrease in regulatory risk associated with the new IRRBB regulations.

In this regard, the Board recommends continuous and close monitoring of the key indicators set out in the Company's *Risk Appetite Framework* (“RAF”) for 2020.

The losses for operating risks recorded in the income statement for the year are significantly lower than in 2018, mainly due to the overcoming of certain key phenomena such as the issue

of real estate funds, for which provisions have already been made in previous years, and the protection initiatives are completed net of the last phase for the Obelisk Fund; in addition, funds were released for cases no longer considered verifiable.

As regards leverage risk, as mentioned above, the *leverage ratio* had fallen below the RAF limit in 2019, due to the growth in volumes and value of assets. Rebalancing of the RAF's *Risk Capacity* limit values (3.00%) was achieved by means of a provision of profits of €85 million by BancoPosta, approved by the Board of Directors on 5 March; the Board of Statutory Auditors has acknowledged the effectiveness of this measure.

As indicated above for the accounting effects, the Board of Statutory Auditors also considers it necessary to verify and constantly monitor the effects of the Covid-19 emergency in terms of prospective risk for an assessment in terms of possible impact on the RAF indicators.

BancoPosta's *Risk Management* function, as part of the 2020 budget process, estimated the impact of the scenarios on the risk profile ex ante, assessed the prospective adequacy of capital and identified the *Risk Appetite Framework* in accordance with the strategic objectives and guidelines at Group level.

The proposed *Risk Appetite Framework* for the year 2020:

- assumes the allocation of €85 million to the reserve for profits generated by BancoPosta in 2019, with a corresponding increase in equity;
- reflects, with regard to interest rate risk, adoption of the new measurement model in line with the new prudential regulations; in this regard, it should be noted that the BancoPosta *triggers* show a level of exposure that is structurally higher than the average level of banks for which the regulations set attention thresholds (*supervisory outlier test*) at 15% and 20%, due to the profound differences in business models and, therefore, in capital allocation between different risk categories;
- highlights, for the *Leverage Ratio*, thresholds revised downwards compared to previous years, due to the lower need to maintain a capital “*buffer*” in excess of Pillar 2, following the adoption of the new Interest Rate Risk Measurement Model, which reduces Regulatory Risk; the new target level of 3% coincides with the regulatory minimum for banks, due to differences in business models, which make this level less relevant for BancoPosta as a minimum reference threshold, and the new limit level of 2.6% is proposed; for the indicator, we also note a refinement of the calculation methods, aimed at making it more stable and more relevant (*netting* of the change in the valuation reserves for HTCS securities and consideration of the average INPS account balance to mitigate the volatility associated with pension payments);



- expands the set of metrics for which *Risk Appetite, tolerance* and *capacity triggers* are defined, including a new measure relating to the sensitivity of net interest income to movements in the Risk Free curve, an integration consistent with development of the relevant regulations and with forecasts by the Bank of Italy.

Finally, at the date of preparation of this report, the ICAAP-ILAAP/2019 report has not expired, due to the extension granted to the banking system by the Bank of Italy to 30 June 2020 and, therefore, this report will be prepared by BancoPosta's *Risk Management* function in the coming months.

In conclusion, the Board of Statutory Auditors did not identify any critical situations or facts that would lead to the conclusion that BancoPosta's internal control and risk management system as a whole is inadequate, although certain situations emerged that required the planning and management of specific corrective action. Finally, the Board of Statutory Auditors acknowledges Management's constant reactive and proactive behaviour with regard to the definition and operational implementation of improvement measures and remedies for any weaknesses and shortcomings found.

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*18. and 19. Final considerations on the audit procedures performed and indication of any proposals to be presented to the Annual General Meeting pursuant to art. 153, paragraph 2 of Legislative Decree 58/1998.*

In accordance with CONSOB requirements, we declare that in the performance of our duties we have not been made aware of omissions, instances of negligence, irregularities or evidence of inadequacies in the organisational structure, internal control system or administrative and accounting system considered relevant for the purposes of this report.

On the basis of the supervisory activities carried out during the year, the Board of Statutory Auditors, considering the content of the reports prepared by the Independent Auditor and having noted the attestations issued jointly by the Chief Executive Officer and the Manager responsible for financial reporting, is not aware, to the extent of the scope of its activities, of any reasons preventing the approval of the financial statements of Poste Italiane S.p.A. and the consolidated financial statements of the Poste Group for the year ended 31 December 2019, as well as the proposal for dividend distribution by the Board of Directors.

25 March 2020

for the Board of Statutory Auditors

Chairman

Mauro Lonardo

(This report has been translated from the original issued in accordance with Italian legislation)

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***Independent auditor's report***

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

***Poste Italiane SpA***

***Consolidated Financial Statements  
as of 31 December 2019***



## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the shareholders of  
Poste Italiane SpA

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### **Report on the Audit of the Consolidated Financial Statements**

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#### **Opinion**

We have audited the consolidated financial statements of the Poste Italiane Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2019, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Poste Italiane SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### **PricewaterhouseCoopers SpA**

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### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matters</b>	<b>Auditing procedures performed in response to key audit matters</b>
<p><b>Recoverable amount of the “Mail, Parcels and Distribution” business segment of the Parent Company</b></p> <p><i>Note 2.3 to the consolidated financial statements as of 31 December 2019 “Accounting policies adopted – Impairment of assets”</i></p> <p><i>Note 2.5 to the consolidated financial statements as of 31 December 2019 “Use of estimates”, paragraphs “Impairment test of goodwill, cash generating units and equity investments” and “Impairment test of the CGU Mail, Parcels and Distribution”</i></p> <p><i>Note C1 to the consolidated financial statements as of 31 December 2019 “Statement of profit or loss – Revenue from letter post, parcels and other”</i></p> <p>The persistent decline of the postal market in which the Poste Italiane Group operates, makes the ability to forecast future cash flows and the related prospective operating results of the “Mail, Parcels and Distribution” business segment of the Parent Company significantly complex. Within this context, based on the Group Business Plan for the period 2018 – 2022 (the “Business Plan”) and on the 2020 Budget approved by the Board of Directors on 5 March 2020 (the “Budget”), the Cash Generating Unit (“CGU”) represented by the “Mail, Parcels and Distribution” business segment of the Parent Company was subject to an impairment test, in compliance with IAS36 “Impairment of assets”. Such test was aimed at verifying that the book value of the assets allocated to the CGU, which also includes properties used as post offices and sorting centres, can be recovered through their use in operations. In this regard, the “value in use” of the CGU was calculated, which represented the</p>	<p>As part of our audit activities, also supported by experts within the PwC network, we carried out the following main activities in order to address this key audit matter:</p> <ul style="list-style-type: none"> <li>• in-depth technical analysis of the principal hypotheses and assumptions of the Business Plan and of the Budget with reference to the “Mail, Parcels and Distribution” business segment of the Parent Company, also through discussions with management of Poste Italiane SpA; analysis of the final results compared with the forecasts, verification of the events after the end of the reporting period and reading of the minutes of the corporate governance bodies’ meetings;</li> <li>• update of our understanding of the method to identify the CGU “Mail, Parcels and Distribution” at the level of the parent company Poste Italiane SpA and the method to determine the related recoverable amount in compliance with IAS36 “Impairment of assets” and valuation best practices, verifying that the criteria adopted in prior years have continued to be applied;</li> <li>• obtainment and critical analysis of the impairment test prepared by Poste Italiane SpA based on the aforementioned method, as well as verification of the consistency between the cash flows considered in the abovementioned test with the related book values and data in the Business Plan and in the Budget;</li> </ul>



estimate of the future cash flows expected from the use of the assets included in the CGU within the context of regular corporate operations and considering the Universal Postal Service obligation. Such cash flows were discounted at an appropriate rate and account was taken of the transfer prices by which BancoPosta's Ring-fenced Capital is expected to remunerate the services provided, through the sole and widespread network used by the Group and allocated to the CGU.

Therefore, as part of our audit for the financial year 2019, we focused on the determination of the recoverable amount of the "Mail, Parcels and Distribution" business segment of the Parent Company, as well as the reasonableness of the most significant underlying assumptions and hypotheses.

- verification of the logical and mathematical correctness of the determination of the cash flows in the context of the impairment test mentioned above, as well as of the overall reasonableness of the calculation of the weighted average cost of capital ("WACC") and of the consistency of the assumptions related to the "terminal value", that is the value that represents the ability of the company to generate cash flows, estimated beyond the explicit forecast period 2018 – 2022 in the Business Plan;
- verification of the sensitivity analyses prepared by Poste Italiane SpA vis-à-vis any change in key assumptions, comparing the reasonableness of the related results with those deriving from the sensitivity analyses performed by us independently;
- verification of disclosures provided in the consolidated financial statements as of 31 December 2019.

### Measurement of the technical provisions for insurance business

*Note 2.3 to the consolidated financial statements as of 31 December 2019 "Accounting policies adopted – Insurance contracts"*

*Note 2.5 to the consolidated financial statements as of 31 December 2019 "Use of estimates – Technical provisions for insurance business"*

*Note B5 to the consolidated financial statements as of 31 December 2019 "Liabilities – Technical provisions for insurance business"*

*Note C4 to the consolidated financial statements as of 31 December 2019 "Statement of profit or loss – Revenue from insurance services net of changes in technical provisions for insurance business and cost of claims"*

*Note 7 to the consolidated financial statements as of 31 December 2019 "Risk management – Other risks – Insurance risks"*

As part of our audit activities, also supported by experts within the PwC network, we carried out the following main activities in order to address this key audit matter:

- update of our understanding and of the walkthrough analysis of the insurance "provisioning" process, that is the corporate process aimed at determining the liabilities representing the contractual obligations undertaken at the reporting date and in relation to the issued premiums, on the part of an insurance company towards its policyholders;
- update of the analysis of the design and effectiveness, on a sample basis, of the key controls performed on said provisioning process, also with reference to the quality of the input data used and the consistency between information in the IT systems used by the Companies



The technical provisions for the insurance business represent the estimate at the reporting date of the obligations in relation to the issuance of premiums towards the holders of insurance policies entered into by the subsidiaries Poste Vita SpA and Poste Assicura SpA (hereinafter also the “Companies”).

The technical provisions for the insurance business, equal to about Euro 140,261 million, represent about 59% of total liabilities and equity of the Poste Italiane Group as of 31 December 2019. In particular, the mathematical provisions for life insurance amount approximately to Euro 123,820 million, thus constituting almost all of the abovementioned technical provisions for the insurance business recognised in the consolidated financial statements of the Poste Italiane Group as of 31 December 2019.

The technical provisions for the insurance business represent an item the estimate of which is predominant and requires a significant level of professional judgement, depending on diverse and significant assumptions of a technical, actuarial, demographic and financial nature, as well as on the forecasts of future cash flows deriving from the insurance contracts entered into by the Companies and existing at the reporting date.

Therefore, as part of our audit activity, we paid particular attention to the analysis of the measurement techniques and methods of the technical provisions for the insurance business in the consolidated financial statements as of 31 December 2019.

and the related supporting documentation obtained;

- performance of procedures aimed at verifying the agreement of the management information with the accounting information used by the Companies, for the purpose of estimating the technical provisions;
- critical analysis of the methods, hypotheses and assumptions adopted by the Companies for estimating the insurance technical provisions;
- comparison of the methods and assumptions mentioned above with the sector regulations and with valuation best practices, as well as verification of whether the criteria adopted in prior years have continued to be applied;
- obtainment and analysis of the documentation prepared by Poste Vita SpA to measure the ability of future cash flows, deriving from the assets in the investment portfolio, to cover obligations towards the policyholders as at 31 December 2019 and, therefore, to verify the adequacy of the measurement of the technical provisions recognised in the consolidated financial statements of the Poste Italiane Group at such date (the so-called: “Liability Adequacy Test”).

### Valuation of the unlisted financial instruments measured at fair value

*Note 7 to the consolidated financial statements as of 31 December 2019 “Risk management”*

*Note 8.1 to the consolidated financial statements as of 31 December 2019 “Determination of fair value”*

*Note 8.2 to the consolidated financial statements*

As part of our audit activities, also supported by experts within the PwC network, we carried out the following main activities in order to address this key audit matter:

- update of the analyses of the design and the effectiveness of the internal control system and the specific corporate





as of 31 December 2019 “Fair value hierarchy”

Note 15 to the consolidated financial statements as of 31 December 2019 “Other information – Use of estimates – Fair value of unquoted financial instruments”

Financial assets classified in levels 2 and 3 of the fair value hierarchy were recognised for an amount of approximately Euro 40,186 million and Euro 3,871 million respectively in the financial statements as of 31 December 2019; moreover, financial liabilities classified in levels 2 and 3 of the fair value hierarchy were recognised for an amount of approximately Euro 5,575 million and Euro 15 million respectively.

Level 2 of the fair value hierarchy comprises the measurement of financial instruments based on inputs other than quoted prices in organised and regulated markets (“level 1”), and directly and indirectly observable in the market with reference to the same instruments. On the contrary, level 3 of the fair value hierarchy includes the measurement of financial instruments based also on inputs that are not directly or indirectly observable in the market.

As part of our audit activity, we paid particular attention to the analysis of the measurement techniques and methods of financial instruments that are unquoted on regulated markets and measured at fair value in the financial statements as of 31 December 2019. In particular, the use of estimates mainly concerns specific types of structured securities and derivatives classified in levels 2 and 3 of the fair value hierarchy in compliance with IFRS9 “Financial instruments” and IFRS13 “Fair value measurement”.

guidelines governing IT systems and applications used by the Group for the calculation of the fair value under levels 2 and 3;

- verification, on a sample basis, of the reasonableness of the input assumptions and parameters underlying the valuation techniques used to determine level 2 and level 3 fair value of the financial instruments;
- autonomous recalculation of the fair value for a sample of instruments and comparison with the values determined by the Company;
- requests for confirmation and for information from external banks and financial counterparties about financial instrument transactions carried out in 2019;
- verification of disclosures provided in the consolidated financial statements as of 31 December 2019, in compliance with IFRS7 “Financial instruments: disclosures”.

### **Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements**

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No.38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Poste Italiane SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of



the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014***

On 14 April 2011, during the annual general meeting, the shareholders of Poste Italiane SpA appointed us to perform the statutory audit of the Company's consolidated and separate financial statements for the years ending 31 December 2011 to 31 December 2019.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as the audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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### ***Report on Compliance with other Laws and Regulations***

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#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No.39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998***

The directors of Poste Italiane SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Poste Italiane Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Poste Italiane Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.



In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Poste Italiane Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and the environment in which it operates obtained in the course of the audit, we have nothing to report.

***Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016***

The directors of Poste Italiane SpA are responsible for the preparation of the non-financial disclosure statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial disclosure statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial disclosure statement is the subject of a separate statement of compliance issued by us.

Rome, 25 March 2020

PricewaterhouseCoopers SpA

*Signed by*

Corrado Testori  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.*

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***Independent auditor's report***

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

***Poste Italiane SpA***

***Financial Statements as of 31 December 2019***



## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the shareholders of Poste Italiane SpA

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### **Report on the Audit of the Financial Statements**

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#### **Opinion**

We have audited the financial statements of Poste Italiane SpA (the Company), which comprise the statement of financial position as of 31 December 2019, the statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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#### **PricewaterhouseCoopers SpA**

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### Key Audit Matters

### Auditing procedures performed in response to key audit matters

#### Recoverable amount of the “Mail, Parcels and Distribution” business segment

*Note 2.3 to the financial statements as of 31 December 2019 “Accounting policies adopted – Impairment of assets”*

*Note 2.5 to the financial statements as of 31 December 2019 “Use of estimates”, paragraphs “Impairment test of goodwill, cash generating units and equity investments” and “Impairment test of the CGU Mail, Parcels and Distribution”*

*Note C1 to the financial statements as of 31 December 2019 “Statement of profit or loss – Revenue from sales and services – Revenue for postal services”*

The persistent decline of the postal market in which Poste Italiane operates, makes the ability to forecast future cash flows and the related prospective operating results of the “Mail, Parcels and Distribution” business segment significantly complex. Within this context, based on the Business Plan of the Poste Italiane Group for the period 2018 – 2022 (the “Business Plan”) and on the 2020 Budget approved by the Board of Directors on 5 March 2020 (the “Budget”), the Cash Generating Unit (“CGU”) represented by the “Mail, Parcels and Distribution” business segment was subject to an impairment test, in compliance with IAS36 “Impairment of assets”. Such test was aimed at verifying that the book value of the assets allocated to the CGU, which also includes properties used as post offices and sorting centres, can be recovered through their use in operations. In this regard, the “value in use” of the CGU was calculated, which represented the estimate of the future cash flows expected from the use of the assets included in the CGU within the context of regular corporate operations and considering the Universal Postal Service obligation. Such cash flows were discounted at an appropriate rate and account was taken of the transfer prices by which BancoPosta’s Ring-fenced Capital is expected to remunerate the services provided, through the sole and widespread network used by the Company

As part of our audit activities, also supported by experts within the PwC network, we carried out the following main activities in order to address this key audit matter:

- in-depth technical analysis of the principal hypotheses and assumptions of the Business Plan and of the Budget with reference to the “Mail, Parcels and Distribution” business segment, also through discussions with management of Poste Italiane SpA; analysis of the final results compared with the forecasts, verification of the events after the end of the reporting period and reading of the minutes of the corporate governance bodies’ meetings;
- update of our understanding of the method to identify the CGU “Mail, Parcels and Distribution” and to determine the related recoverable amount in compliance with IAS36 “Impairment of assets” and valuation best practices, verifying that the criteria adopted in prior years have continued to be applied;
- obtainment and critical analysis of the impairment test prepared by Poste Italiane SpA based on the aforementioned method, as well as verification of the consistency between the cash flows considered in the abovementioned test with the related book values and data in the Business Plan and in the Budget;
- verification of the logical and mathematical correctness of the determination of the cash flows in the context of the impairment test mentioned above, as well as of the overall reasonableness of the calculation of the weighted average cost of capital (“WACC”) and the consistency of the assumptions related to the “terminal value”, that is the value that represents the ability of the company to generate cash flows, estimated beyond the explicit forecast period 2018 – 2022 in the Business Plan;
- verification of the sensitivity analyses





and allocated to the CGU.

Therefore, as part of our audit for the financial year 2019, we focused on the determination of the recoverable amount of the “Mail, Parcels and Distribution” business segment, as well as of the reasonableness of the most significant underlying assumptions and hypotheses.

prepared by Poste Italiane SpA vis-à-vis any change in key assumptions, comparing the reasonableness of the related results with those deriving from the sensitivity analyses performed by us independently;

- verification of disclosures provided in the financial statements as of 31 December 2019.

### Valuation of the unlisted financial instruments measured at fair value

*Note A6 to the financial statements as of 31 December 2019 “Financial assets attributable to BancoPosta - Fair value hierarchy of financial assets attributable to BancoPosta”*

*Note B6 to the financial statements as of 31 December 2019 “Financial liabilities attributable to BancoPosta – Derivative financial instruments”*

*Note 7 to the financial statements as of 31 December 2019 “Risk management”*

*Note 8.1 to the financial statements as of 31 December 2019 “Determination of fair value”*

*Note 15 to the financial statements as of 31 December 2019 “Other information – Use of estimates – Fair value of unquoted financial instruments”*

Financial assets attributable to BancoPosta, classified in levels 2 and 3 of the fair value hierarchy were recognised for an amount of approximately Euro 366 million and Euro 71 million respectively in the financial statements as of 31 December 2019; moreover, financial liabilities attributable to BancoPosta, represented by derivative financial instruments, classified in level 2 of the fair value hierarchy were recognised for an amount of approximately Euro 5,567 million.

Level 2 of the fair value hierarchy comprises the measurement of financial instruments based on inputs other than quoted prices in organised and regulated markets (“level 1”), and directly and

As part of our audit activities, also supported by experts within the PwC network, we carried out the following main activities in order to address this key audit matter:

- update of the analyses of the design and the effectiveness of the internal control system and the specific corporate guidelines governing IT systems and applications used by the Company for the calculation of the fair value under levels 2 and 3;
- verification, on a sample basis, of the reasonableness of the input assumptions and parameters underlying the valuation techniques used to determine level 2 and level 3 fair value of the financial instruments;
- autonomous recalculation of the fair value for a sample of instruments and comparison with the values determined by the Company;
- requests for confirmation and for information from external banks and financial counterparties about the financial instrument transactions carried out in 2019;
- verification of disclosures provided in the financial statements as of 31 December 2019, in compliance with IFRS7 “*Financial instruments: disclosures*”.



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indirectly observable in the market, with reference to the same instruments. On the contrary, level 3 of the fair value hierarchy includes the measurement of financial instruments based also on inputs that are not directly or indirectly observable in the market.

As part of our audit activity, we paid particular attention to the analysis of the measurement techniques and methods of the financial instruments that are unquoted on regulated markets and measured at fair value in the financial statements as of 31 December 2019. In particular, the use of estimates mainly concerns specific types of structured securities and derivatives classified in levels 2 and 3 of the fair value hierarchy in compliance with IFRS 9 “*Financial instruments*” and IFRS13 “*Fair value measurement*”.

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### ***Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements***

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company’s ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company’s financial reporting process.

### ***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014***

On 14 April 2011, during the annual general meeting, the shareholders of Poste Italiane SpA appointed us to perform the statutory audit of the Company's consolidated and separate financial statements for the years ending 31 December 2011 to 31 December 2019.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No.537/2014 and that we remained independent of the Company in conducting the statutory audit.



We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as the audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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### ***Report on Compliance with other Laws and Regulations***

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#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998***

The directors of Poste Italiane SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Poste Italiane SpA as of 31 December 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of Poste Italiane SpA as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Poste Italiane SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and the environment in which it operates obtained in the course of the audit, we have nothing to report.

Rome, 25 March 2020

PricewaterhouseCoopers SpA

*Signed by*

Corrado Testori  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.*

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***Independent auditor's report***

*on the consolidated non-financial statement pursuant to article 3, paragraph 10, of Legislative Decree 254/2016 and article 5 of Consob Regulation adopted with resolution no. 20267 of January 2018*

***Poste Italiane SpA***

***Year ended 31 December 2019***



## **Independent auditor's report on the Consolidated Non-Financial Statement**

*pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 adopted with resolution no. 20267 of January 2018*

To the Board of Directors  
of Poste Italiane SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (hereafter, the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement (hereafter the "NFS") of Poste Italiane SpA and its subsidiaries (hereafter, the "Group" or the "Poste Italiane Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree, included in the report on operations to the consolidated financial statements of the Group and approved by the Board of Directors on 5 March 2020.

### **Responsibility of the Directors and the Board of Statutory Auditors for the NFS**

The directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (hereafter, the "GRI Standards"), identified by them as the reporting standards. The NFS is identified and refers to the Decree and the GRI Standards in chapter 7, "Consolidated non-financial statement" and the related contents can be identified also through the symbol:



The directors are responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

The directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

The directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

### **PricewaterhouseCoopers SpA**

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### ***Auditor's Independence and Quality Control***

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### ***Auditor's responsibilities***

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and the GRI Standards. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter “ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. Analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted;
2. Analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. Understanding of the following matters:
  - business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
  - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - main risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4, a) below;

4. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held





meetings and interviews with the personnel of the management units of Poste Italiane SpA and with the personnel of Postel SpA, Poste Vita SpA, BancoPosta Fondi SpA SGR and Poste Air Cargo Srl and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at the level of the parent company Poste Italiane SpA:
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the parent company and the following companies, Postel SpA, Poste Vita SpA, BancoPosta Fondi SpA SGR, Poste Air Cargo Srl, which were selected on the basis of their activities and their contribution to the performance indicators at a consolidated level, we held meetings during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

### **Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Poste Italiane Group for the year ended 31 December 2019, is not prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Rome, 25 March 2020

PricewaterhouseCoopers SpA

*Signed by*

Corrado Testori  
(Partner)

***This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the statement referred to in this report.***





# Poste Italiane SpA

Registered office: Viale Europa, 190 - Rome  
Fully paid-up share capital: €1,306,110,000.00  
Tax Code and Rome Companies' Register no. 97103880585/1996  
Business Registration Number in Rome: REA 842633  
VAT no. 01114601006

## Edited by

Corporate Affairs - Communication  
Poste Italiane SpA

May 2020

This document is available for inspection on the Company's website at  
[www.posteitaliane.it](http://www.posteitaliane.it)

## Design project

**centrale**  
COMUNICAZIONE

## Graphic layout

**gpt**  
network solutions

## Printed by

**Postel**

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