

A network uniting the country

The Poste Italiane Group constitutes the largest service distribution network in Italy. Its activities range from letter and parcel delivery to financial and insurance services, payment systems and mobile telecommunications. With its 158-year history, a network of more than 12,800 post offices, a workforce of approximately 130 thousand, total financial assets of €536 billion and 35 million customers, Poste Italiane is an integral part of Italy's economic, social and productive fabric, occupying an unparalleled position in the country in terms of size, recognisability, reach and customer loyalty.

In February 2018, Poste Italiane launched its new five-year Strategic Plan, Deliver 2022, which aims to maximise the value of the distribution network and take advantage of the market opportunities offered by digital transformation. This will involve a reorganisation of the mail and parcels segment, the expansion of financial services, consolidation of our leadership in the insurance sector and the development of payment systems. The Plan envisages investment of €2.8 billion, focusing on innovation in order to assist citizens, businesses and the Public Administration through the transition to the digital economy and offering increasingly innovative services, in line with the highest market standards.

In 2019, the Group's activities involving the production and delivery of goods and services generated direct, indirect and induced impacts on the Italian economy amounting to approximately €12.5 billion in terms of GDP. An estimated total of 189 thousand workers were employed along the production chain, resulting in the distribution of income amounting to €7.5 billion to workers.

A significant indicator of the impact the Company has on Italy's economy is the so-called "multiplier", a factor that shows the "leverage effect" generated by spending on procurement from local suppliers. It is estimated that every €1 million spent by Poste Italiane generates impacts on the economy, including €5 million of GDP, €1 million of tax revenue, €3 million of earned income, and employment of more than 70 people in the production system. In 2019, the Group purchased goods and services from over 2,300 SMEs with a total value of €1.2 billion (48% of total procurement from Italian suppliers). In the same year, SMEs accounted for €1 billion of GDP, resulting in the employment of 17,000 people and income distribution of approximately €452 million; tax revenue of €300 million was also generated. These figures are considered as a total effect, thus including any direct, indirect or induced impact.

Listed on the Milan Stock Exchange since 2015, Poste Italiane's free float accounts for approximately 35% of its share capital, of which around 10% is held by retail shareholders, with the remainder held by some of the world's most important institutional funds. In addition, 65% of the Company's shares are held by the Ministry of the Economy, with a 29.26% stake, and Cassa Depositi e Prestiti, with a 35% interest.

Since April 2017, Maria Bianca Farina has been the Company's Chairwoman and Matteo del Fante its Chief Executive Officer and General Manager.

Poste Italiane - Financial results for 2019

The capacity to generate value

Poste Italiane continues to make solid progress in implementing its Deliver 2022 Business Plan, with the performance for 2019 providing confirmation of the highly positive effects of execution of the plan. Overall, our diversified businesses and flexible business model have enabled the Group to achieve the targets set for the year, with net profit doubling compared with 2016 and EBIT registering strong growth, bolstered by higher revenues and lower costs.

The results have confirmed the Group's ability to generate profits and provide quality services to customers, while also creating value for shareholders and employees. Revenue amounted to €11.038 billion (up 1.6% on 2018), whilst operating costs totalling €9.264 billion were down 1.1% on the previous year. Operating profit rose 18.4% to €1.774 billion compared with 2018 (above the €1.6 billion target set for 2019). Net profit fell by 4% to €1.342 billion.

Total financial assets amount to €536 billion, an increase of €22 billion compared with December 2018. Revenue of €5.213 billion from the Financial Services segment was substantially in line with the previous year, having declined 0.2%. Revenue generated by the Payments, Mobile and Digital segment amounted to €664 million, up 12.1% on 2018. The Insurance Services segment contributed revenue of €1.669 billion in 2019, an increase of 13.5% compared with the previous year. The Mail, Parcels and Distribution segment recorded revenue of €3.492 billion, a reduction of 2.5% compared with 2018, and in line with projections in the Strategic Plan for 2019. Parcel revenue grew 12% compared with 2018 to €852 million, driven by the robust performance of the business to consumer (B2C) segment, which recorded revenue growth of 27.4% compared with 2018.

The results achieved enabled Poste Italiane to confirm the dividend policy set out in the Deliver 2022 Plan, which has targeted an annual 5% increase through to 2020 and a minimum 60% payout from 2021. The Annual General Meeting of shareholders approved payment of a dividend of €0.463 per share for 2019. For the first time, Poste Italiane also paid an interim dividend of €0.154 per share for 2019 during the year.

Mail, parcels and distribution *Delivering innovation*

These activities, which include mail delivery, logistics, parcels and express delivery, have always been a key part of Poste Italiane's identity and also include Italy's Universal Postal Service. We provide these services via a unique network, consisting of 27 thousand postmen and women and 1,543 distribution centres. In 2019, we handled approximately 2.7 billion items of mail and 148 million parcels, putting Poste Italiane in a particularly strong position to benefit from the opportunities linked to the growth in e-commerce, thanks also to our extensive payments and digital expertise.

In 2019, Poste Italiane continued with the progressive transformation of the logistics network, making considerable progress in the consolidation of Italy's most extensive distribution network and improving its efficiency. The innovative Bologna sorting centre is fully operational and the automated parcel distribution capacity has now risen to 620,000 parcels per day (up 55% on 2017). The Joint Delivery Model, the new service model that also provides for afternoon and weekends deliveries, has been fully rolled out and postmen and women delivered around 52 million parcels during the year (up 50% on 2017). PuntoPoste, the new readily accessible network that complements the network of post offices, was substantially enlarged. The network of approximately 8,000 delivery points consists of lockers, offering a non-stop 24-hour, 7-day service, and participating physical delivery points, such as retail outlets. These important achievements put Poste Italiane among the leading operators in the business to consumer (B2C) segment, with a market share of 35% in 2019.

In 2019, the Company also entered into important partnerships with specialist start-ups like sender, which uses technology to maximise long-distance road transport saturation and flexibility, and Milkman, a digital home delivery start-up, which has helped improve the e-commerce customer experience, thanks to new last-mile delivery solutions in Rome, Milan and Turin that will be extended to other cities in 2020. Finally, Poste Italiane has invested in the modernisation of our fleet, making it more environmentally friendly, with the introduction of 360 electric scooters, which have three wheels and a greater load capacity to facilitate the delivery of parcels in cities and improve occupational safety.

Payments, Mobile and Digital *Postepay SpA, the new digital ecosystem*

Poste Italiane is one of Italy's leading payment system providers, exploiting the Group's integrated multichannel distribution platform based on its physical post office network and latest-generation digital infrastructure. At 31 December 2019, Poste Italiane had

issued 28.7 payment cards, with the number of Postepay Evolution cards in circulation up 15% compared with 2018 to 7.2 million.

Postepay SpA, the Group company specialising in the development and processing of mobile and digital payments, is the leader in payment systems with 1.44 billion online transactions (up 30.7% on 2018), worth a total of €33.1 billion (up 22.3%), and over 5.4 million e-wallets enabled (up 91% on the previous year). In order to drive a successful and rapid transition from cash to digital payments in Italy, the company has invested in the development of innovative solutions that led to the launch of "Codice Postepay", the new QR Code digital payment service that allows shoppers to pay for goods and services using just their mobile phone, without the need for a POS terminal. 2019 also saw strong growth in the PostepayConnect service, which enables customers to manage their Postepay Evolution and PosteMobile SIM cards using the same App. Over 230 thousand people registered for the App, up 453% on 2018.

In 2019, 20.8 million customers were registered with digital channels (the website and Apps), whilst the number of Poste IDs created had reached 4.1 million at 31 December 2019 and Poste Italiane's Apps were downloaded more than 30.8 million times. 2 million people now visit the website or use our Apps each day.

Financial and insurance products

Credibility is our goal

Poste Italiane plays a leading role in the distribution of savings and loan products, thanks to our distribution network and the brand's long-standing reputation for dependability. We are the sole distributor on behalf of Cassa Depositi e Prestiti of postal savings products – Savings Books and Interest-bearing Postal Certificates – and offer our customers current account services, as well as asset management, insurance and third-party consumer credit products.

Poste Italiane has taken decisive steps to diversify its offering in order to maximise the value of our distribution network. In 2019, the Company continued to extend its range of products and services, focusing on our long-standing relationship with Cassa Depositi e Prestiti and distribution agreements with leading market players, as well as on the partnership agreement signed with Moneyfarm, an independent company specialising in digital wealth management. This solution has enabled Poste Italiane to continue investing in its innovative asset management business model, adding new services in order to expand its multi-channel offering.

This strategy for expanding and diversifying the offering, which envisages a gradual shift towards the provision of fully digital, multichannel financial services across a range of digital channels, has already borne fruit. The strategy aims to enable Poste Italiane to successfully respond to all the financial and insurance needs of the customers who use

our post offices every day, offering them the chance to access the best solutions available on the market. The results achieved in 2019 were made possible partly thanks to changes to the customer service model: the network of financial consultants was strengthened, with a special focus on creating roles with responsibility for several post offices.

Insurance services are provided by the Poste Vita group, which offers customers a range of solutions designed to meet demand for supplementary pensions, personal and property protection and asset management. The group is the leading Italian life insurance provider, generating revenue of €1.669 billion in 2019, a 13.5% increase on 2018, and having technical provisions in excess of €140 billion. In the life insurance segment, Poste Italiane has focused on diversification, encouraging the transition from capital protection to multiclass products, which now account for 35% of new policies written. Moreover, during the year the Company stepped up development of P&C products, which registered revenue of €158 million in 2019, marking an increase of 17.4%, in line with the process of diversifying the Group's insurance offering envisaged in the Deliver 2022 plan. At 31 December 2019, the Poste Vita group's solvency (Solvency II) ratio was 276%.

Poste Italiane's ESG Plan

Sustainability at the heart of the Company's strategy

Over the last three years, Poste Italiane has embarked on an important sustainability path, with a view to promoting the distinctive elements of its corporate strategy and turning market challenges into opportunities for the creation of shared value for the benefit of Italy's economic growth. The Company has set out its sustainability objectives in an ESG (Environmental, Social, Governance) plan, which is included in the Deliver 2022 Strategic Plan. We have also undertaken specific actions, such as joining the United Nations Global Compact (UNCG), with the aim of promoting a corporate culture geared towards sustainability along the entire value chain.

As a result of these actions, the Company has achieved several goals and gained various awards in a short period of time. First and foremost, the Company is now part of the "World" and "Europe" segment of the Dow Jones Sustainability Index, the most prestigious sustainability index that only includes companies deemed to be among the best in the world in terms of sustainable management of their business. This was followed by inclusion in other equally important indexes: the Bloomberg Gender-Equality Index (GEI), Euronext Vigeo-Eiris World 120, FTSE4GOOD, and the RobecoSAM Sustainability Yearbook 2020 as an "Industry Mover".

In 2019, Poste Italiane renewed and strengthened its ESG strategy by introducing two new pillars. "Innovation" and "Diversity and Inclusion" were added to the six previous

ones: "Integrity and Transparency", "People Development", "Support for Local Communities and the Country as a Whole", "Customer Experience", "Decarbonisation of Real Estate and Logistics" and "Sustainable Finance".

Innovation and digitalisation

For Poste Italiane, innovation and digitalisation are core drivers of change and vital tools for accompanying our customers through the digital transformation journey. As part of this process, the Company is committed to adopting a highly inclusive approach, aimed at facilitating access to new technological tools for all our customers.

In 2019, Poste Italiane inaugurated the country's largest hub in Bologna, which can sort 34 thousand parcels per hour. The facility also maximises the growth potential of e-commerce in the B2C parcel market in Italy, which is estimated to be worth €27.5 billion and is registering annual double-digit growth¹. It is Italy's most modern and largest facility, and one of the most advanced from an environmental point of view, with 5,500 square metres of photovoltaic panels installed on the roof.

The Company also invested in the development of innovative payment solutions that led to the launch of "Codice Postepay", the new QR Code digital payment service that allows shoppers to pay for goods and services using just their mobile phone, without the need for a POS terminal.

In 2019, as part of our Open Innovation activities, Poste Italiane assessed over 700 start-ups, 80% of which set up by venture capital funds or under national and international Open Innovation programmes.

Diversity and inclusion

With women accounting for more than half of its workforce (69,000, or 55% of the workforce), Poste Italiane has a key role in supporting equal opportunities throughout the Italian economy. 59% of post offices are managed by a woman, and women make up 44% of the members of the Company's Board of Directors, as well as holding 34% of leadership positions and 22% of executive roles.

Poste Italiane has signed up to the Women's Empowerment Principles, an initiative promoted by UN Women and the United Nations Global Compact to support gender equality worldwide. As regards equal opportunities, Poste Italiane is one the highest ranked European companies in terms of its Gender Diversity Index score, compared with other major groups on the Stoxx Europe 600 Index, as pointed out in the European Women on Boards report. This important achievement was also highlighted by the 2020

¹ B2C e-commerce Observatory of the Polytechnic University of Milan

Bloomberg Gender-Equality Index, the main benchmark index for investors needing access to information on companies' gender equality performance. As further proof of this commitment to equal opportunities, the Group intends to offer all employees an online training course on human rights by 2020.

Among cross-cutting initiatives, as part of our welfare and social inclusion policies, Poste Italiane has established the People Care and Diversity Management function within the Human Resources and Organisation department, with the aim of identifying and resolving the issues that prevent people with any type of diversity or disability from accessing employment, whilst improving work placement processes and enhancing skills.

Integrity and transparency

Ethics and transparency represent the key values around which Poste Italiane has built its identity. These basic principles form the basis for the way we conduct our business which, by its nature, depends on creating trust and on the responsible management of relations with all our stakeholders. The Company therefore recognises the strategic importance of compliance with internal and external regulations and codes of conduct, as well as respect for rules and absolute fairness, avoiding conflicts between corporate and personal interests.

The Company confirmed its "legality rating" in 2019, with Poste Italiane being once again awarded the highest three-star rating by Italy's Antitrust Authority, putting us among the 6% of companies that have achieved this level of performance.

As part of the integrity and transparency process, marked by the achievement of ISO 37001 certification in 2018 (Poste Italiane was the first Italian company in the finance and communications sectors to obtain Anti-Corruption Certification), in 2019 the Company's certification was reconfirmed (275 sites certified, 25 sites audited and a favourable certification report, covering 14,000 employees). Certification was also extended to the other Group companies, Poste Vita and Postepay, in line with the objectives set out in the ESG Strategic Plan.

People development

Poste Italiane is the country's largest employer, with almost 130 thousand employees. During 2019, 98% of the workforce participated in training activities. The Company also undertook initiatives aimed at improving the situations of employees and their families. Poste Italiane has also set up its own national football team, aimed at using sport as a means for creating a sense of unity and belonging among employees. The plan is to extend this initiative to other forms of sport.

The latest employment contract for Poste Italiane's staff has established a free Health Care Fund for employees, marking a major step towards improving the protections available to staff and bringing Poste Italiane into line with best practices in the field of staff welfare.

In 2019, Poste Italiane obtained certification of its Occupational Health and Safety Management System, in compliance with the BS OHSAS 18001 standard, which has been adopted by its central departments and operational units at local level.

Support for local communities and the country as a whole

Poste Italiane intends to play a key role in the development of the Italian economy as a whole and seeks constant integration between community needs and our business objectives, identifying projects and initiatives that respond to shared interests and have a concrete, measurable impact on the community.

As part of the "Small Municipalities" project, which aims to enhance small local communities, the Company has made 17 commitments, the first of which is not to close any post office in communities with less than 5 thousand inhabitants. 759 Postamat ATMs were installed in 2019, whilst home delivery services and services provided by selected partners were rolled out in towns without a post office. In addition, 5,692 Wi-Fi hotspots were installed in post offices, 710 architectural barriers were removed in 681 towns, 219 post offices were upgraded in 211 tourist destinations, 6,211 new mailboxes and 4,011 video-surveillance systems were installed, treasury services have been rolled out in over 100 towns, 13 buildings were donated to town councils for community use and 22 wall paintings have been created to improve the appearance of post offices in suburban areas.

With a view to positively influencing and bringing benefits to the community, Poste Italiane promotes specific social inclusion initiatives in a systematic and widespread manner, via our extensive network of post offices and through corporate volunteering programmes. We also finance specific projects of value to the community through donations and sponsorships.

Customer experience

Poste Italiane is committed to ensuring the excellence of its products and services and to providing a simple and safe user experience, aspects that of great importance to customers. In 2019, customer satisfaction surveys resulted in a figure of 83% (an improvement of 2% on the previous year).

Decarbonisation of real estate and logistics

Poste Italiane's widespread presence and the related environmental impact of our activities requires the Company to adopt a responsible approach in order to reduce our environmental footprint and contribute to the low-carbon transition of the economy and the country as whole. The Company is aware of the risks that climate change may pose for our businesses, and we therefore deem it important to identify the potential economic impacts of climate change.

In line with the main regulatory trends and in response to growing demands from the financial community and key stakeholders, Poste Italiane reports information relating to climate change in accordance with the areas defined by the Task Force on Climate-related Financial Disclosures (TCFD) set up in 2015 by the Financial Stability Board (FSB). The Board has drawn up a set of recommendations aimed at guiding companies in transparently and comprehensively reporting information on the risks and opportunities that climate change may pose for business performance.

Poste Italiane considers energy efficiency to be one of the key elements for combining economic growth and sustainable development. The Group plans to expand the capacity to produce our own energy, with 600 new photovoltaic panel installations. In terms of electricity supply, more than 95% of Poste Italiane's requirements are met by renewable sources.

In 2019, 43 energy saving projects were coordinated across the country, with the focus on reducing both consumption (gas and electricity) and emissions. Also with a view to saving energy, 106,000 LED lighting fixtures were installed in 2019 in around 1,000 buildings, and an LED relamping initiative was implemented at five of the most energy-intensive sites. This is expected to save over 32 GWh per year, thanks to the replacement of over 250,000 old fixtures, and a reduction in CO₂ emissions of 11,000 tonnes per year.

In order to reduce the environmental impact of our activities, the vehicle fleet is also being replaced by electrically powered and hybrid delivery tricycles. In 2019, a framework agreement was signed regarding the rental of 850 electric tricycles and the procurement of 2,000 motorcycles.

Sustainable finance

The two Poste Italiane Group companies, Poste Vita and Bancoposta Fondi SGR, have signed up to the United Nations Principles for Responsible investments (PRI), designed to promote the integration of environmental, social and governance factors into investment processes. With a view to aligning business models with sustainable development objectives, Poste Vita has also subscribed to the Principles for Sustainable

Insurance (PSI), and also includes ESG principles in its insurance policies.

With the aim of positively influencing management of the investment portfolio and, at the same time, providing a response to the social and environmental needs of society, the policy has established a general principle requiring the systematic assessment of investment transactions that also takes into account the environmental, social and governance profiles of the corporate or government issuers of the assets included in portfolios and of the related managers. In addition, the policy specifies the sectors excluded from the range of potential investments because they violate the basis human rights defined in the United Nations Convention (anti-personnel mines, cluster bombs, spent uranium, biological weapons, chemical weapons, invisible fragmentation weapons, blinding laser weapons, incendiary devices and white phosphorus). The policy also envisages the establishment of structured processes for effectively managing and monitoring the approach adopted through specific roles, activities and instruments.

Poste Vita and Banco Posta Fondi SGR have continued to develop the Poste Italiane Group's responsible investment policies with specific 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, with recognition as a Green Fund and an overall score of 86 out of 100, ranking 12th among the 64 unlisted funds in the euro area in the Offices sector.

In line with the objectives set out in the ESG Strategic Plan, Poste Italiane has also devised *Poste Investo Sostenibile*, a new socially responsible mutual investment fund managed by BancoPosta Fondi SGR in partnership with Amundi. In addition to being the leading European asset manager in terms of managed assets and one of the top ten worldwide, Amundi has been active in the world of responsible investment for over 30 years.