

2020 ANNUAL REPORT

Translation from the Italian original which remains the definitive version

Posteitaliane

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REPORT ON OPERATIONS AT 31 DECEMBER 2020

1. INTRODUCTION

STATEMENT FROM THE CHAIRWOMAN AND THE CHIEF EXECUTIVE OFFICER

Shareholders,

following an intense and complex year that has affected our lives and the performance of world markets, it is a source of further pride to present to you Poste Italiane Group's third Integrated Report.

The health emergency has pushed the conditions of survival of businesses to the limit, having a significant impact on a large part of the national economy and causing great social hardship. This situation requires companies to act quickly, to rethink not only products and services, but also the business models themselves, capable of connecting people, technology, organisation and all other forms of capital within a flexible and interactive system, in which interaction itself generates value.

Companies that place sustainability at the heart of their strategies will be able to emerge better and faster from the Covid-19 crisis. This is particularly true for those companies that have always sought a balance between growth and respect for social and environmental balances in the past. Those who have integrated the creation of shared value with the territory into their business models will have a greater chance of recovery and success than those who have not.

In particular, innovation and digitisation will play a decisive role in the recovery of the economy and the social fabric. The pandemic has, in fact, accelerated the ongoing changes that characterise the so-called "fourth industrial revolution" with the rapid expansion of e-commerce, online education, digital health and remote work. The effects of these changes - which will persist for a long time, even after the pandemic has ended- are bringing great benefits to companies. However, they also risk creating or worsening inequalities, especially in situations of digital divide, which today represents one of the greatest risks at global level - along with environmental ones, as also highlighted at this year's World Economic Forum.

Sustainability and innovation become, therefore, the pillars from which to start the recovery. In fact, the Group's new Strategic Plan "2024 Sustain & Innovate" has been based on these pillars. In line with the previous one, whose objectives were successfully achieved, the new Plan aims to bring about responsible growth and drive Italy's sustainability and social integrity through innovation and digitisation by setting financial, operational and sustainability objectives. Among the latter, particular importance is attached to the Group's objectives in fighting climate change in the short, medium and long term, aiming at becoming carbon neutral by 2030, thus contributing in advance to European objectives in this area.

Compared to what happened in 2020, due to the Covid-19 pandemic, the country found itself facing completely unexpected situations and in this particularly challenging scenario, with flexibility, responsibility and resilience, the Group renewed its support for the territory and the community, guaranteeing continuity of services and making its logistics network available to the entire national fabric. Despite the health emergency, in 2020 Poste Italiane confirmed its leadership position in the financial, insurance and payment services sectors, as well as being the largest Italian company in the logistics sector.

Over the years, the Group has undertaken a path of constant growth that has made it stand out, above all, thanks to its ability to adapt its operating structures to the needs of the market, demonstrating, even in the most critical

phases, that it can count on a widespread presence throughout the territory and transversal skills capable of reaching the entire Community and intercepting the needs of stakeholders. The 2020 results highlight this ability to know how to manage risks and seize opportunities, generating value not only for the Company, but for all stakeholders, through a structured business model and a clear strategy.

Since its establishment, the Group has played an important role in the life of the country, positively influencing its economy in terms of Gross Domestic Product, tax revenue, employment and household income, generating revenue of approximately €10.5 billion in 2020.

The results achieved derive from the correct use of financial and non-financial capital enabling Poste Italiane to generate economic, environmental and social outcomes, thus contributing to the achievement of the United Nations Sustainable Development Goals (SDGs). The process of value creation goes through the adoption of a sustainable business model that allows the optimisation of all the above mentioned capital, integrating in a synergistic way the Business Plan with ESG objectives. In this way, the Company is able to be competitive in a constantly changing economic and social context.

In this respect, by giving social and environmental factors the same importance as business criteria, we are given a holistic view of the environment in which we operate. The requests of the various stakeholders in the communities where the Group operates allow for a more complete and better assessment of business risks, thanks to which companies are able to carry out more accurate planning and develop more far-reaching scenarios. For these reasons, the integration of extra-financial issues is more vital than ever to build strategies that enable the creation of economic value in the long term. Poste Italiane has for some time now been making every effort to enable the seamless integration of sustainability aspects into its business. This means adopting a process of value creation over time based on a business model, governance and strategic plan integrated with a sustainability perspective, offering the market innovative products and services and creating positive impacts on the economy, environment and society.

Stakeholder engagement is of the utmost importance to Poste Italiane, and represents a useful way of outlining the path to growth and consolidating solid bonds of trust and transparency among all stakeholders. For these reasons, the Company organises the annual Multi-stakeholder Forum, an institutional event that exhibits the highest expression of dialogue and sharing of ideas. Through the involvement of all categories of stakeholders, the Group identifies the material issues to be included in the above-mentioned Sustainability Strategy, which is based on eight Pillars: Integrity and transparency, People development, Diversity and inclusion, Support for local communities and the Country as a whole, Customer experience, Innovation, Decarbonisation of real estate facilities and logistics and Sustainable finance.

In addition, it is worth noting that the Group's success is also based on continuous investment in technology and expertise. Poste Italiane has in fact demonstrated a remarkable ability to innovate, reorganising its processes and operating structures and developing a progressively wider range of products and services in line with consumer needs. A high degree of innovation is also essential, not only to intercept and respond adequately to the needs of stakeholders, but also to effectively implement a strategy that involves all levels of the organisation.

The numerous national and international awards are evidence of the solid path undertaken by Poste Italiane towards the achievement of the full integration of sustainability within its organisation. In continuity with 2019, in 2020, Poste Italiane confirmed its presence within the Dow Jones Sustainability World Index, the most prestigious

sustainability index in which the companies considered best in the world in the sustainable management of their business are included, and within the more restrictive Europe segment. This was followed by other important confirmations in equally prestigious indices: Bloomberg Gender-Equality Index (GEI), Euronext Vigeo-Eiris World 120 and FTSE4GOOD. During the period, Poste Italiane was recognised by CDP (formerly Carbon Disclosure Project) as a leader in the fighting against climate change, appearing in the "Leadership" category with an A- rating. In addition, particular importance is attached to the Group's positioning within the "Silver Class" in S&P Global's Sustainability Yearbook 2021. It is worth highlighting that Poste Italiane is the only Italian company in the finance and insurance sector to have been awarded this recognition.

The results achieved allow us to look back with satisfaction at what has been achieved so far, and constitute a solid point of Poste Italiane's reputation in the eyes of society and markets. Our Sustainability journey continues, aware that only through a constant and concrete commitment to achieving common goals with our stakeholders, we can meet the new challenges of sustainable development and create shared value for the country.

PRESENTATION OF POSTE ITALIANE GROUP'S THIRD INTEGRATED REPORT

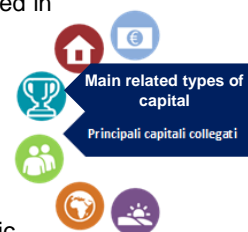
Poste Italiane's Integrated Report is now in its third edition, continuing its objective of sharing the Group's sustainability journey with stakeholders in a clear and comprehensive manner, highlighting all the activities undertaken to support the country's growth and the creation of shared value.

This document, for instance, represents a fundamental tool to illustrate the interaction between the external context, the strategy, the business model and the forms of financial and non-financial capital involved in the process of creating value and to account for the performance achieved in economic, environmental and social terms.

For Poste Italiane, the Integrated Report is not only a tool for effective reporting to stakeholders, but it is the result of adopting an integrated approach to business management, "integrated thinking" that sees the coexistence of financial assessments and sustainability impacts in business decisions. This approach is well represented by Poste Italiane's value creation process, which is underpinned by the business model.

At the basis of this path of integrating sustainability into the business there are a series of strategic choices, identified in the interest of both the Company and the various stakeholders, and which focus on investment in the main forms of capital, such as: financial, human, physical-structural, intellectual, social and natural. These capitals represent the assets on which the sustainable success of the Company is based, but also on which it impacts with its activities, contributing to the achievement of the UN Sustainable Development Goals.

For this reason, for the first time, the correlation between performance and capital is always represented in the document in order to clearly explain how the business model contributes to the creation of shared value. Accordingly with this aim, starting from this year, we wanted to represent the output of the shared value creation process, which made it possible to achieve many rewarding results that are illustrated in Chapter 2 "Highlights".



In this regard, emphasis was placed on the impact of the emergency generated by the Covid-19 pandemic, which has undoubtedly affected the Group's activities and operations. Poste Italiane was able to deal with this situation by implementing initiatives to manage the health emergency. In order to allow a more immediate visualisation of the activities carried out and their impacts, in Chapter 5 "Risks and Opportunities", a linking table that summarises all the measures carried out, the capital needed to carry them out and the pillars in which they are more extensively dealt with, has been included. Additionally, throughout this paper, content related to the

management of Covid-19 is highlighted by this infographic. 

In spite of the health emergency, Poste Italiane has continued along the path of gradually integrating the culture of sustainability within the strategies, actions and decisions taken by the Group. As evidence of the progress achieved and in order to highlight the commitment of all those involved in promoting change, a specific section showing the development of the Group's sustainability path and the awards and recognition obtained in the ESG area has been included in the Integrated Report.

On a methodological level, aware of its responsibility towards stakeholders for correct reporting, the Company has decided to go beyond the current regulatory framework and strengthen its reporting model by adhering to the most important international reference frameworks. This choice stems from the Group's desire for transparency and accountability, as well as the objective of promptly intercepting new trends in non-financial reporting.

Consistent with the previous year, the 2020 Integrated Report includes the Consolidated Non-Financial Statement (NFS) identified in chapter 9 of the Report on Operations. The NFS was prepared in accordance with the requirements of articles 3 and 4 of Legislative Decree 254/2016 and to the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI - Global Reporting Initiative (hereinafter "GRI Standards") according to the "in accordance - Core" option. In chapter 9, paragraph "Reporting standards and policies", a connecting table that indicates the information content required by the Decree and its positioning within the Integrated Report is included, with the aim of making it easier to find all non-financial information. In addition, such content is also noted, to make

it easily identifiable, by this infographic: **NFS** The Integrated Report has been prepared by applying the Integrated Reporting framework published by the International Integrated Reporting Council (IIRC). Also, the guidelines provided by ESMA¹ and CONSOB² on reporting for the year 2020 were fundamental to the preparation of the document, which indicated the priorities for non-financial reporting in a period characterised by a health emergency. In this regard, both institutions reiterated the need to continue actions to combat climate change and transparency on the approaches adopted on this front. In line with this, the Integrated Report, again this year, describes how risks and opportunities associated with the Group's activities are managed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) accounting for climate-related risks and opportunities. The reporting process therefore observes the requirements of compliance, external communication and positioning in the Sustainability Indexes in which Poste Italiane is involved.

The Group also proves itself to pay particular attention to the growing demand for information from investors regarding the assessment of companies according to ESG criteria. For this, the indicators in the 2020 Integrated Report are reclassified according to SASB (Sustainability Accounting Standards Board) standards. Poste Italiane is also committed to taking part in the creation of a shared and universal framework for non-financial reporting. To this end, the document also includes the indicators related to "material ESG metrics" presented at the World Economic Forum in January 2020 in the document "Towards Common Metrics and Consistent Reporting of Sustainable Value Creation" updated in September of the same year.

Moreover, in order to identify the contribution of Poste Italiane to achieving the 17 United Nations Sustainable Development Goals, a link with the targets established by the Group was made, the GRI Standards indicators and the SDGs, following the indications in the document "SDG Compass" developed 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.

In addition to the Integrated Report, the other documents that make up this Annual Report are: the consolidated financial statements of the Poste Italiane Group, Poste Italiane's separate financial statements, including Bancoposta RFC's Separate Report, the related attestations pursuant to art. 154 bis paragraph 5 of Legislative Decree no. 58/1998 and the reports of the Board of Statutory Auditors and the Independent Auditors, referring to the financial year ended 31 December 2020, and the Report on Corporate Governance and Ownership Structure published on the Company's website, in the Governance section, which is to be considered an integral part and to which reference should be made for further details on the Corporate Governance structure.

¹ ESMA document on European common supervisory priorities for 2020 "European common enforcement priorities for 2020 annual financial reports"

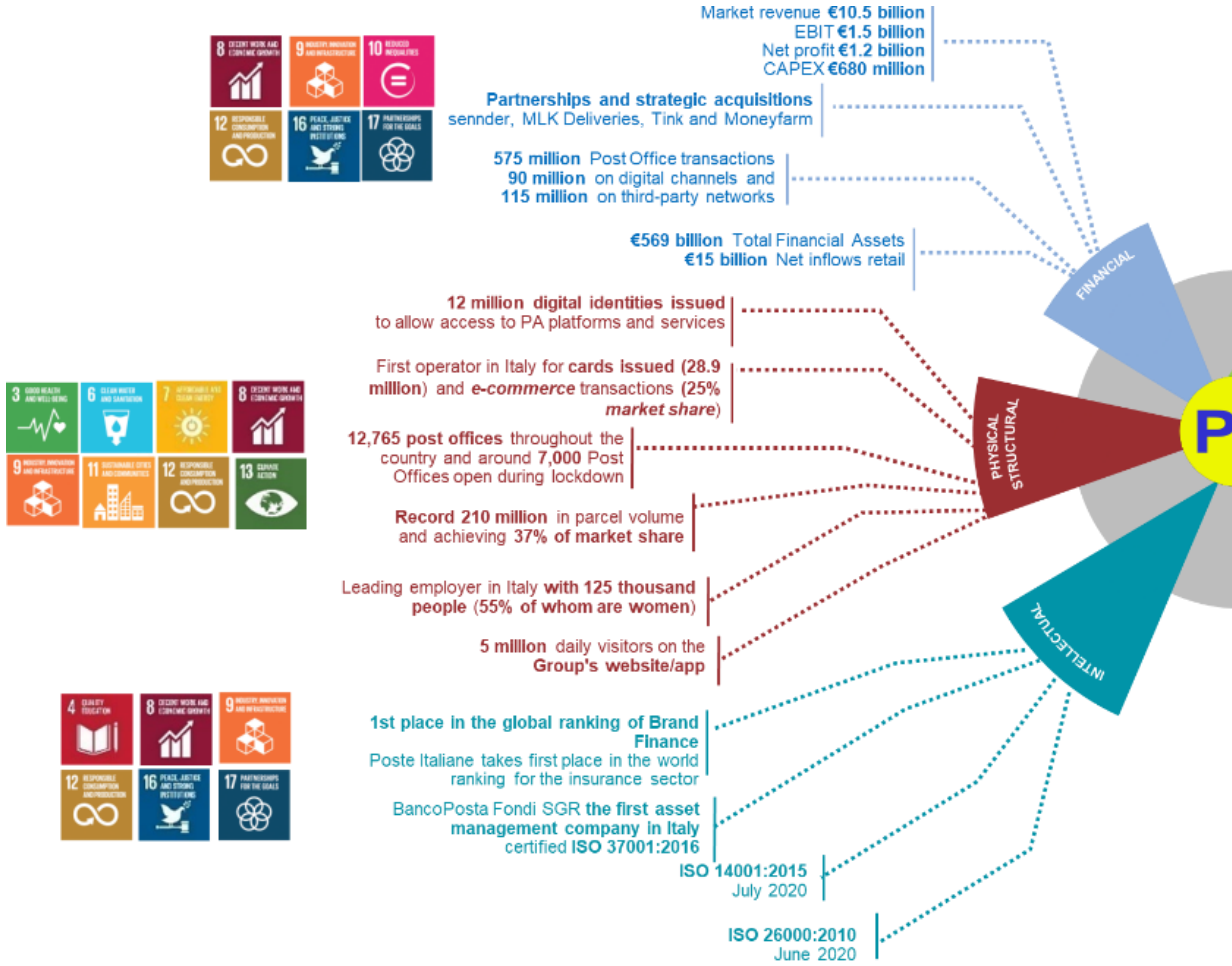
² CONSOB Attention Notice no. 1/21 of 16 February 2021.

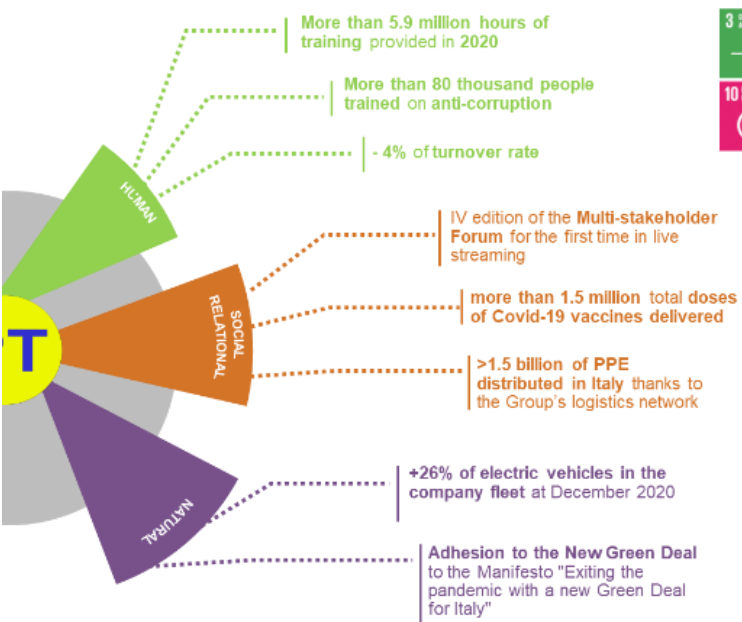
The current Annual Financial Report, approved by Poste Italiane SpA's Board of Directors on March 24th 2021, will be made available to the public, within the deadlines required pursuant to current laws and regulations (i.e. by 30 April 2021), on the following website: <https://www.posteitaliane.it/en/reports.html#/>.

2. HIGHLIGHTS

2020 OUTPUT OF POSTE ITALIANE'S VALUE CREATION PROCESS

NFS





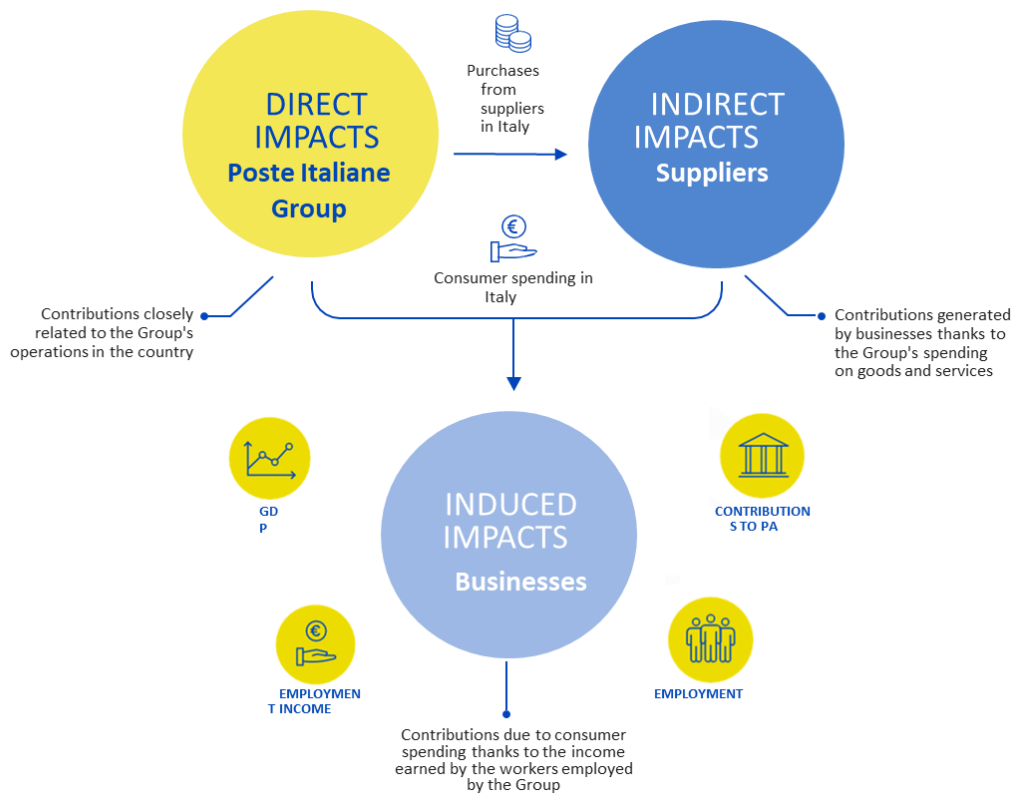
IMPACTS GENERATED BY POSTE ITALIANE

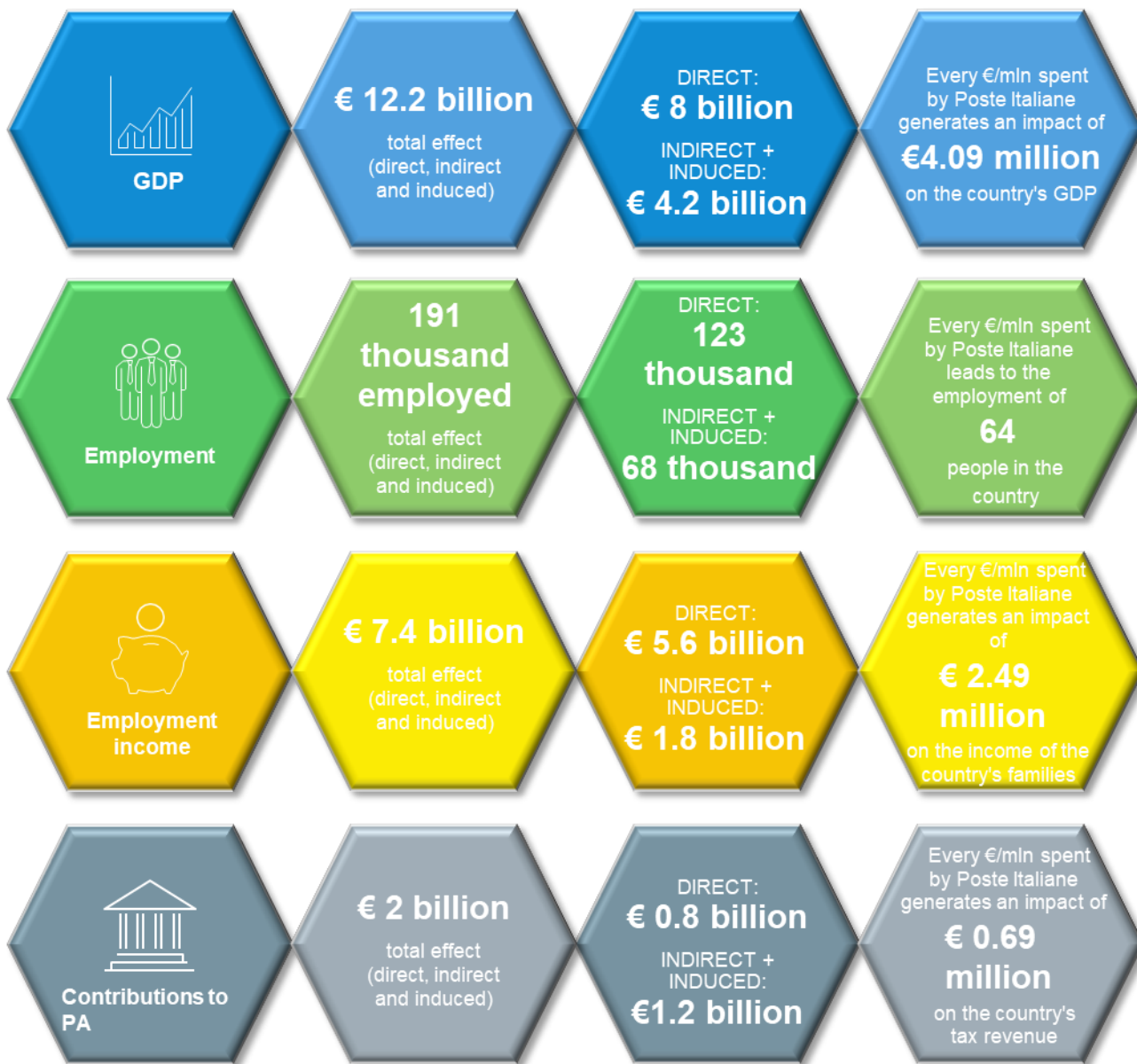
Through its leadership in the logistics, financial, insurance and payment services sectors, Poste Italiane plays a key role in the creation of economic value both for the stakeholders directly impacted by its business activities and for the country as a whole.

In particular, the activities carried out by Poste Italiane generate impacts on GDP, employment income, employment and contributions to PA. Impacts can be distinguished into:

- **Direct impacts:** impacts generated by the operating activities carried out directly by Poste Italiane;
- **Indirect impacts:** impacts generated along the supply chain as a result of Poste Italiane's spending on goods and services from Italian suppliers;
- **Induced impacts:** impacts generated by consumer spending that is realised through the income earned by workers employed directly and indirectly by the Group.

The process of creating Poste Italiane's economic value





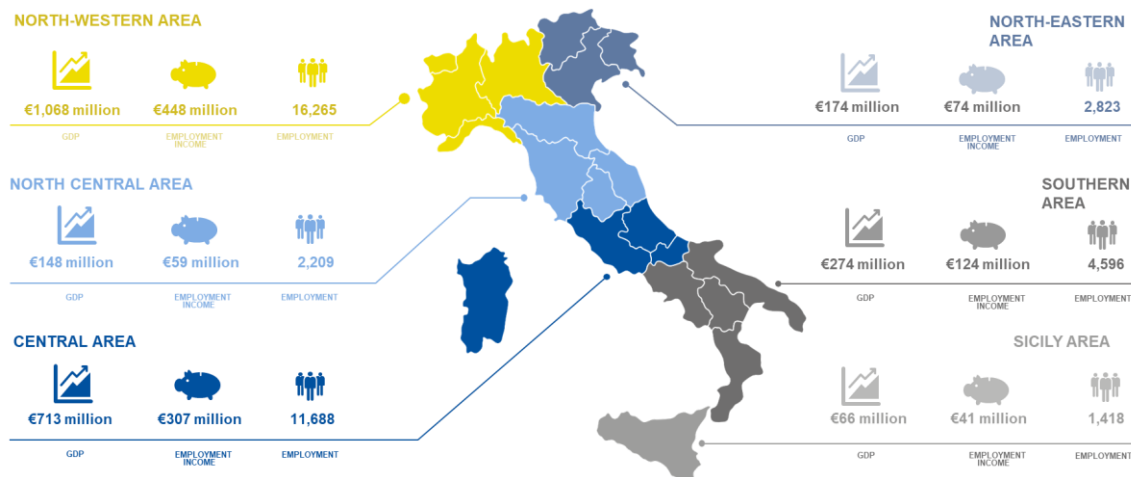
In 2020, Poste Italiane Group generated impacts on the country in terms of Gross Domestic Product (GDP) totalling €12.2 billion and in terms of employment totalling approximately 191 thousand jobs and €2 billion in terms of tax revenue. It may also be estimated that a total of 191 thousand workers have been involved along the production chain. The use of this workforce entails the distribution of income to workers, for a total of €7.4 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 €4.09 million in terms of GDP, €0.69 million in tax revenue and €2.49 million in employment income, creating over 64 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 Small and Medium Enterprises (SMEs) suppliers.

Impacts generated in individual Territorial Areas

Considering the region of the registered office of suppliers, the indirect impacts generated by them in each Territorial Area in 2020 have been identified.



With reference to the various areas examined, there are values of Gross Domestic Product between €60 million and €1 billion. This results in an employment level of no less than one thousand people and total employment income between €40 million and €450 million approximately.

Impacts of Italian SME suppliers

Considering the parameters defined by the European Commission, the Italian suppliers that are characterised as SMEs and the indirect impacts related to them have been identified.



In 2020, SMEs impacted on the level of Gross Domestic Product for a value of €1.2 billion, leading to the employment of 21,000 people and an income distribution of around €567 million. Lastly, more than €370 million have been created in terms of tax revenue.

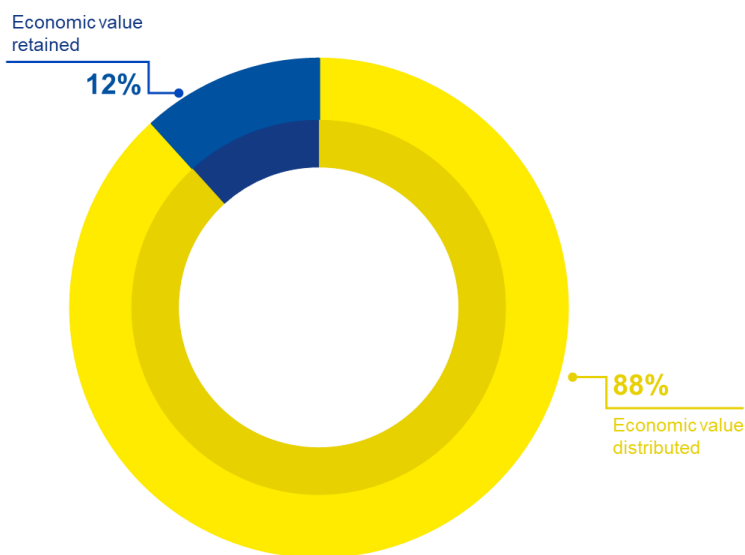
The economic value generated and distributed by Poste Italiane Group

Poste Italiane also provides an overview of the economic value generated and distributed by the Company to its stakeholders such as suppliers, employees, lenders, the community, public administration and shareholders. This value represents the wealth produced by the Company and its impact on key stakeholder categories, in accordance with the requirements of GRI Standards 201-1 reporting standard.

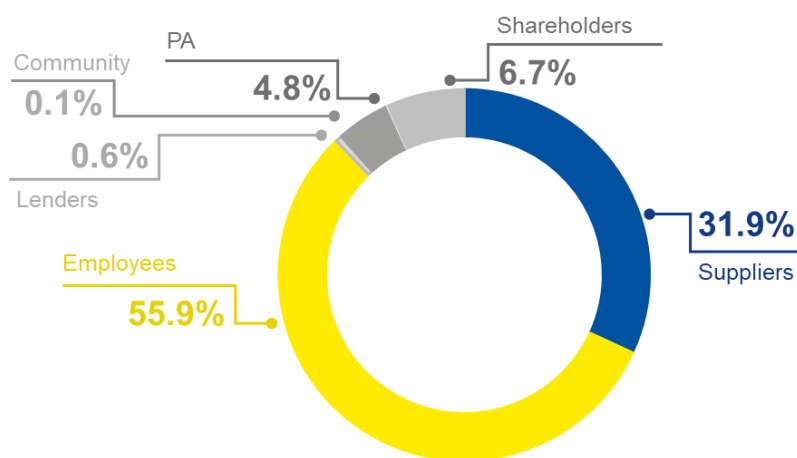
The economic value created in 2020 amounts to over **€10.6 billion**, of which the **88%** distributed to stakeholders

In 2020, more than 88% of the wealth produced by the Company was distributed to its stakeholders. In particular, employees and suppliers are among the stakeholder categories that benefit the most from the wealth produced by the Company, accounting respectively for 55.9% and 31.9% of the total value distributed.

Distribution of the economic value generated



Breakdown of the economic value distributed



3. BUSINESS MODEL

[POSTE ITALIANE'S OWNERSHIP AND ORGANISATIONAL STRUCTURE](#)

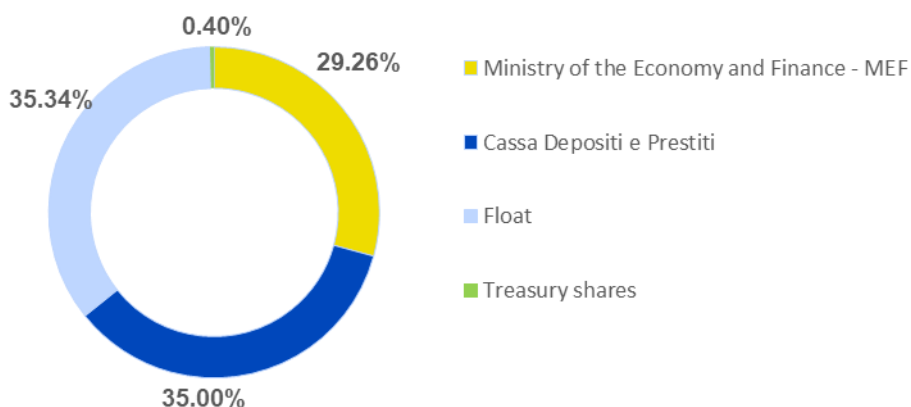
[POSTE ITALIANE'S BUSINESS MODEL](#)

[GROUP STRUCTURE AT 31 DECEMBER 2020](#)

[AREAS OF OPERATIONS AND ORGANISATION OF THE GROUP](#)

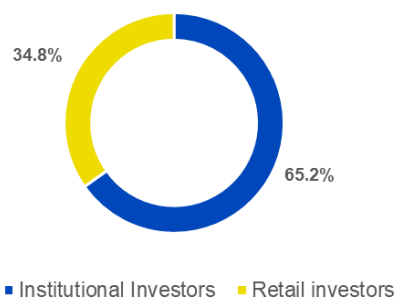


POSTE ITALIANE'S OWNERSHIP AND ORGANISATIONAL STRUCTURE

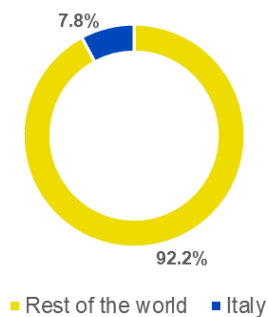


Poste Italiane has issued shares listed on the Mercato Telematico Azionario (the MTA, an electronic stock exchange) organised and managed by Borsa Italiana S.p.A. as of 27 October 2015. At 31 December 2020, the Company is 29.3% owned by the Ministry of the Economy and Finance (MEF) and 35% owned by Cassa Depositi e Prestiti SpA (CDP), also controlled by the MEF. The remaining shares are held by institutional and retail investors. As of October 2020, the proportion of institutional investors that have pursued their investment objectives by integrating ESG criteria³ was 27%.

Floating equity profile



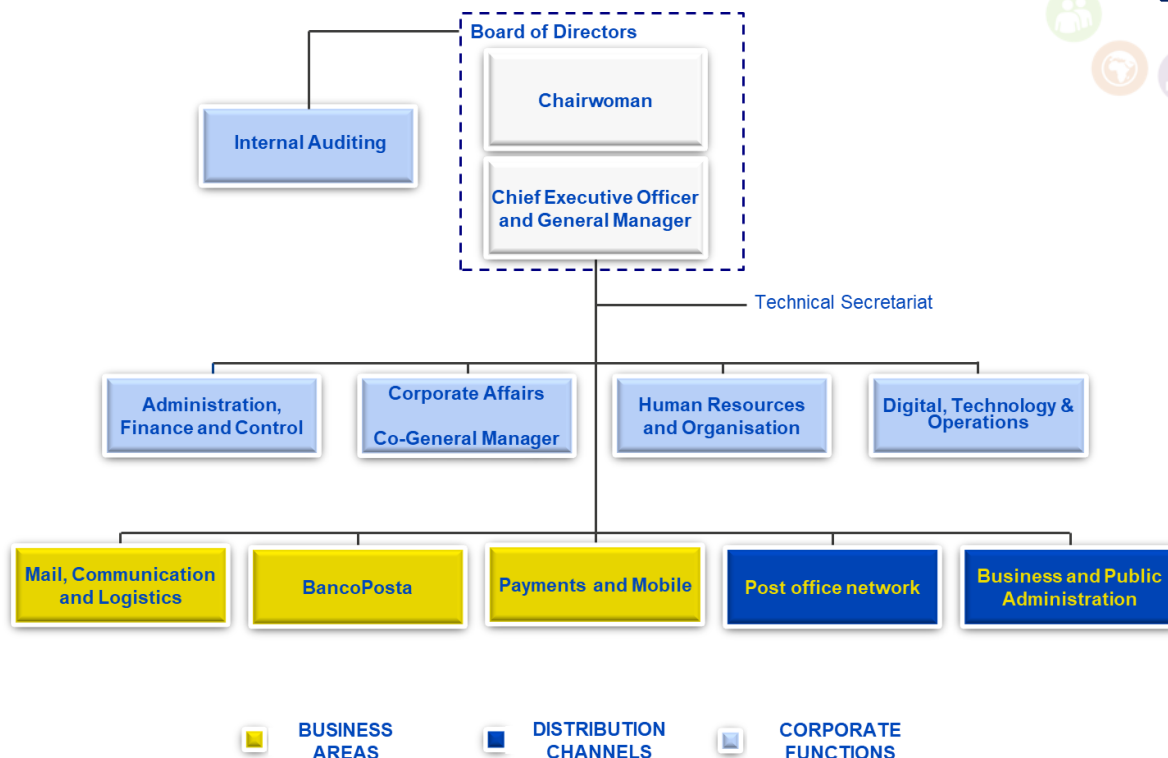
Geographical breakdown Institutional investors



³Institutional investors in Poste Italiane S.p.A. who take environmental, social and governance (ESG) issues into account in their investment activities.



Below is the organisational structure of Poste Italiane S.p.A.



The organisation of Poste Italiane S.p.A. envisages **business functions**⁴ specialising in the main areas of offer that cover the Group's 4 business sectors and **two commercial channels** responsible for sales of products/services, which are supported by **corporate functions** of guidance, governance, control and provision of services in support of **business processes**.

With particular reference to the latter, the **Corporate Affairs** function plays a fundamental role of guidance and cohesion of the corporate structure; moreover, in May 2020, the Head of Corporate Affairs was assigned the role and office of **Co-General Manager**.

During the first half of the year, the new **Digital, Technology & Operations** function was set up bringing together **Information Systems, Chief Operating Office** and the **Customer Experience Transformation** function and centralising the IT support activities and processes carried out at regional level by the Post Office Network and Mail, Communication and Logistics functions. For further details on the objectives of this reorganisation, please refer to as described in chapter 6 "Performance", in the "Quality and Customer Experience" section of the "Customer Experience" Sustainability Pillar.

⁴ These are the three functions of Poste Italiane: Mail, Communication and Logistics for mail and parcels, Payments and Mobile for payments and telephony, and BancoPosta as the placement agent for financial and insurance products. The fourth business area is covered by Poste Vita Insurance Group

The structure of the [Mail, Communication and Logistics](#) function has also been defined. It aims to maximise the integration between postal and express courier network, to develop partnerships for high value-added logistics and delivery services and to make operational processes more efficient by leveraging automation.

With reference to the commercial channels, in the period, the new commercial model was defined focusing the Post Office Network function on Retail customers centralising the commercial chain for the control of all Business customers as part of the Business and Public Administration function, as described in further detail in the paragraph "Commercial network - Business and Public Administration".

An additional organisational intervention concerned the establishment of the Post Offices Network Committee with the aim of ensuring utmost integration on issues related to the evolution of the Post Offices Plan.

During the first quarter of 2021, the [Human Resources and Organisation](#) functions previously operating at BancoPosta and Group companies were centralised at Poste Italiane, with the aim of recomposing the Human Resources professional family within a single organisational structure.



Main related types of capital

POSTE ITALIANE'S BUSINESS MODEL

NFS



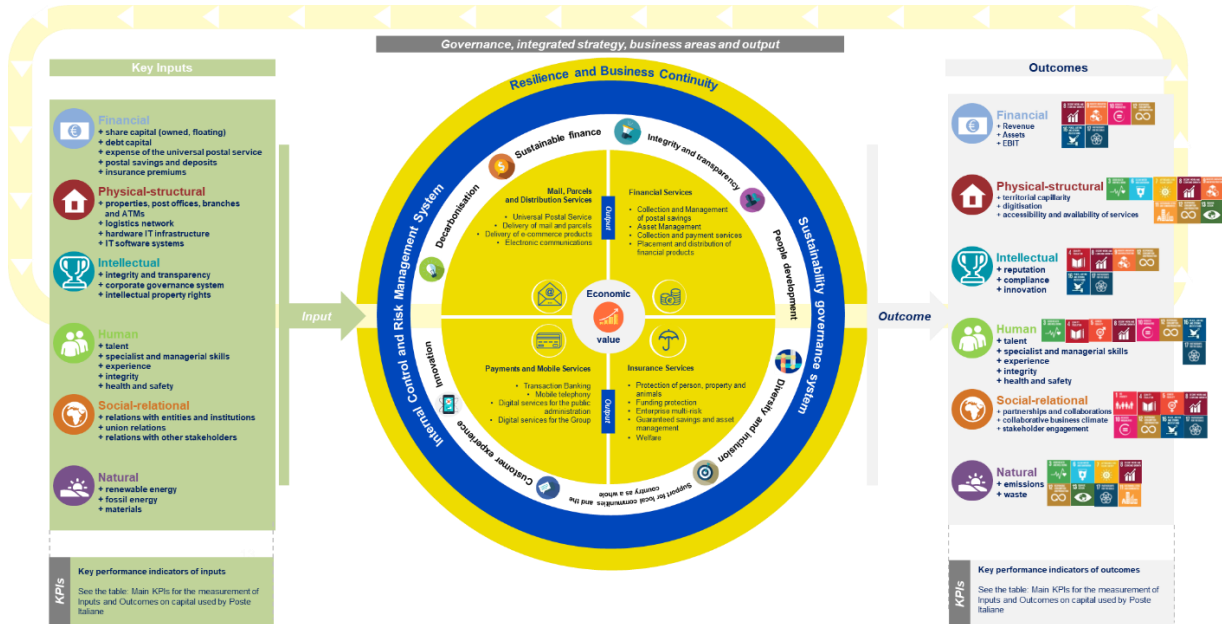
Grow responsibly thanks to the decisive contribution of its people to the sustainable success, innovation, digitisation and social cohesion of the country

The first half of 2020 was a defining moment in the history of the country and the Company. The benefits of business diversification and operational resilience were confirmed in the emergency of the environment created by the Covid-19 pandemic. Thanks to its business model, Poste Italiane has been able to guarantee operational continuity, ensuring an uninterrupted service to its stakeholders and showing a strong ability to adapt even in a critical and unfavourable scenario such as the current one. In this context, the extensive collaboration with national institutions continued, making the Company's operational know-how available to support the logistical activities of the Civil Protection, which are fundamental in the emergency scenario.



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

The value creation process in Poste Italiane








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 Inputs and Outcomes on capital used by Poste Italiane

CAPITAL	DESCRIPTION	MEASUREMENT INDICATORS	REFERENCE TO PARAGRAPHS OF THE REPORT
Financial	<ul style="list-style-type: none"> Sources of financing and ways of using financial resources 	<p>INPUT:</p> <ul style="list-style-type: none"> Business continuity plan resources Equity and liabilities <p>OUTCOME:</p> <ul style="list-style-type: none"> GRI 201-1 Economic value generated, distributed and retained FS 11 Percentage of assets subject to positive and negative environmental or social screening regarding social/environmental aspects 	<ul style="list-style-type: none"> Consolidated financial position and cash flow Integration of ESG factors into investment policies Integration of ESG factors into insurance policies Indicators tables






























 Physical-structural	<ul style="list-style-type: none"> Structures, equipment and infrastructure that have an impact on efficiency and effectiveness 	<p>INPUT:</p> <ul style="list-style-type: none"> Corporate fleet data Air transport fleet data GRI 102-7 Organisational scale of the organisation <p>OUTCOME:</p> <ul style="list-style-type: none"> Number of digital services offered Number of contacts handled GRI 305 Emissions GRI 306 Waste GRI 305-4 Intensity of GHG emissions related to real estate facilities Wastewater reporting Dematerialisation of procedures and corresponding transactions 	<ul style="list-style-type: none"> Environmental impacts of real estate facilities Environmental impacts of logistics Innovation and digitisation of products, services and processes Indicators tables
 Intellectual	<ul style="list-style-type: none"> Intellectual property, procedural/organisational system, reputation 	<p>INPUT:</p> <ul style="list-style-type: none"> Business continuity plan resources GRI 205-1 Companies assessed for risks related to corruption and percentage of operations audited for risks related to corruption Specific training on procedures and policies of anti-corruption 207-1 Approach to tax <p>OUTCOME:</p> <ul style="list-style-type: none"> GRI 205-3 Reports managed by the Whistleblowing Committee GRI 418 Customer Privacy IT security and cyber security breaches Number of customers involved in IT security breaches Cases of bribery and corruption and corrective actions Anti-competitive practices GRI 415-1 Political contributions 	<ul style="list-style-type: none"> Work with transparency and integrity Cyber Security, IT Security and Privacy Innovation and digitisation of products, services and processes Indicators tables
 Human	<ul style="list-style-type: none"> Personnel knowledge and skills 	<p>INPUT:</p> <ul style="list-style-type: none"> GRI 102-8 Number of personnel by contract type and gender GRI 401 Employment GRI 403-5 Occupational health and safety training for workers GRI 404 Training and Education GRI 405 Diversity and Equal Opportunity GRI 412 Human rights assessment Number of participants in development programmes Average hours of training for employees by gender and category Training programmes and career development <p>OUTCOME:</p> <ul style="list-style-type: none"> Workforce trends (employee turnover) 	<ul style="list-style-type: none"> Work with transparency and integrity Protection of human rights Equal career development opportunities Occupational health and safety Personnel training and development Personnel welfare and well-being Indicators tables

		<ul style="list-style-type: none"> • GRI 403-9 Work-related injuries • Diversity • Number of cases of non-compliance with labour standards • Number of disputes with employees 	
 Social-relational	<ul style="list-style-type: none"> • Partnerships and stakeholder relations 	<p>INPUT:</p> <ul style="list-style-type: none"> • Suppliers with an ISO 14001 or EMAS certified environmental management system • GRI 402 Labor/Management Relations • GRI 203-1 Corporate giving and/or corporate citizenship initiatives • Existing tenders that incorporate specific social criteria <p>OUTCOME:</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 process • Indicators tables
 Natural	<ul style="list-style-type: none"> • Natural resources and ecosystem services 	<p>INPUT:</p> <ul style="list-style-type: none"> • GRI 301 Materials • GRI 302 Energy • GRI 303 Water and Effluents • Total cost of energy purchased for real estate facilities • Existing tenders that incorporate specific environmental criteria <p>OUTCOME:</p> <ul style="list-style-type: none"> • GRI 305 Emissions • GRI 306 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 	<ul style="list-style-type: none"> • Legality and incorporation of ESG criteria within the procurement process • 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 related to the 18 material topics.

STRATEGIC PILLAR	RELEVANT TOPIC	SDG	KEY MEASUREMENT INDICATORS	CAPITALS IMPACTED
 INTEGRITY AND TRANSPARENCY	Work with transparency and integrity		<ul style="list-style-type: none"> GRI 205 Anti-corruption GRI 207 Tax GRI 415 Public Policy 	 Human  Intellectual  Financial
	Legality and incorporation of ESG criteria within procurement processes		<ul style="list-style-type: none"> Existing tenders that incorporate specific environmental criteria 	 Natural  Financial
			<ul style="list-style-type: none"> Existing tenders that incorporate specific social criteria 	 Human  Social-relational  Financial
		 	<ul style="list-style-type: none"> GRI 301 Materials 	 Natural  Financial
 PEOPLE DEVELOPMENT	Staff training and development		<ul style="list-style-type: none"> GRI 404 Training and Education 	 Intellectual  Human
	Staff welfare and well-being	 	<ul style="list-style-type: none"> GRI 102 General Disclosures GRI 401 Employment 	 Human
	Relations with social partners		<ul style="list-style-type: none"> GRI 402 Labor/Management Relations 	 Social-relational
	Occupational health and safety	 	<ul style="list-style-type: none"> GRI 403 Occupational Health and Safety 	 Human

STRATEGIC PILLAR	RELEVANT TOPIC	SDG	KEY MEASUREMENT INDICATORS	CAPITALS IMPACTED
 DIVERSITY AND INCLUSION	Protection of human rights	 	<ul style="list-style-type: none"> GRI 405 Diversity and Equal Opportunity GRI 412 Human rights assessment 	 Human  Social-relational
	Equal career development opportunities		<ul style="list-style-type: none"> GRI 404 Training and Education 	
 SUPPORTING LOCAL COMMUNITIES AND THE COUNTRY AS A WHOLE	Support for the socio-economic development of local communities	   	<ul style="list-style-type: none"> GRI 203 Indirect economic impacts 	 Social-relational
	Dialogue and transparency in relations with the authorities		<ul style="list-style-type: none"> Monetary contributions related to activities with the ability to influence public policies 	 Social-relational
	Financial inclusion		<ul style="list-style-type: none"> New customers in the categories most at risk of financial exclusion as a percentage of total new acquisitions 	 Social-relational  Financial
 CUSTOMER EXPERIENCE	Quality and Customer experience		<ul style="list-style-type: none"> Quality of universal service Customer experience in post offices Customer complaints by type Customer satisfaction Settlements 	 Social-relational  Intellectual  Financial
	Cybersecurity, IT Security and Privacy		<ul style="list-style-type: none"> GRI 418 Customer Privacy 	 Intellectual  Social-relational  Financial
 INNOVATION	Innovation and digitisation of products, services and processes	 	<ul style="list-style-type: none"> Number of digital services offered Number of digital transactions 	 Intellectual  Physical-structural  Financial

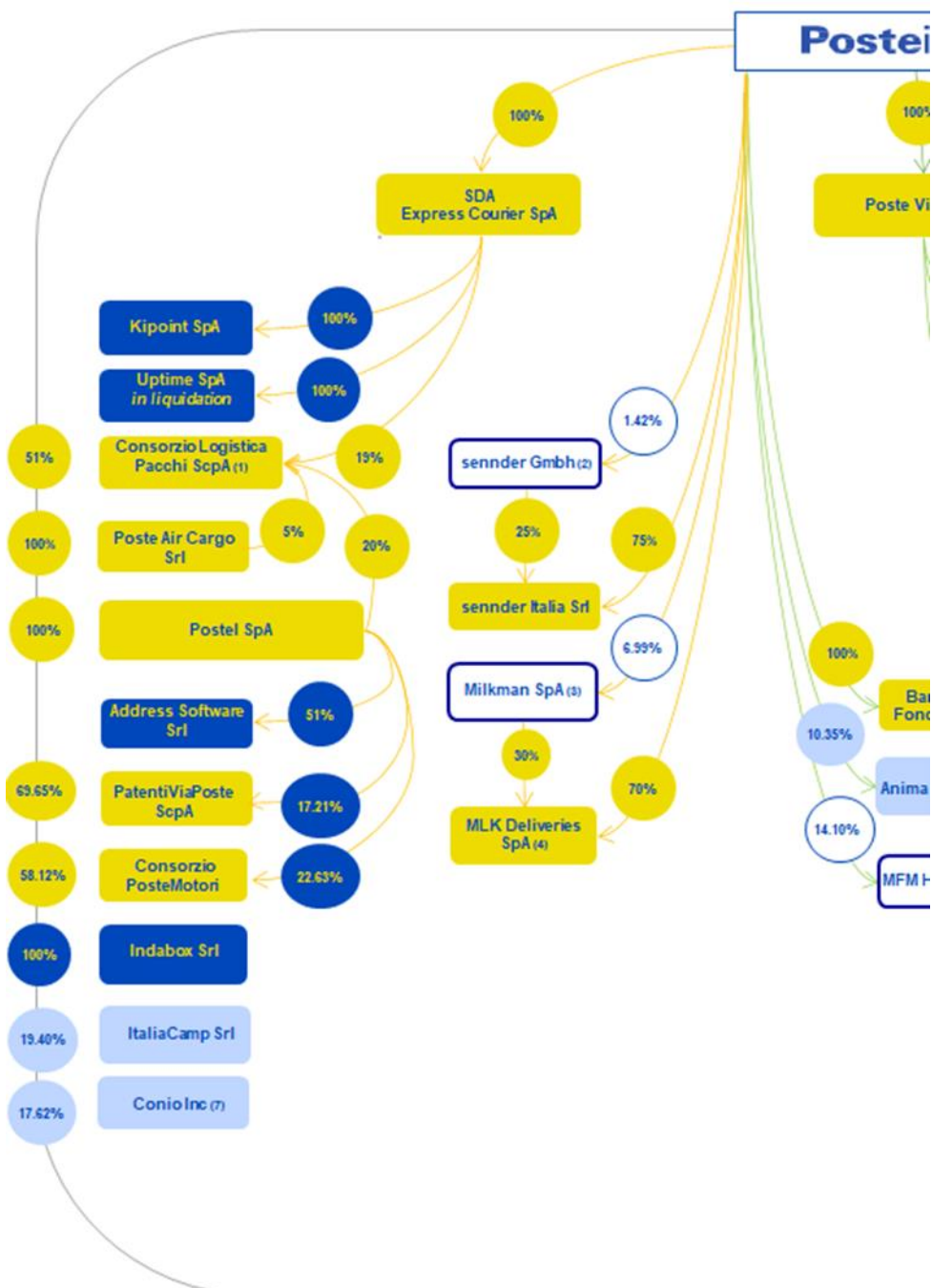
STRATEGIC PILLAR	RELEVANT TOPIC	SDG	KEY MEASUREMENT INDICATORS	CAPITALS IMPACTED
 DECARBONISATION OF REAL ESTATE FACILITIES AND LOGISTICS	Environmental impacts of logistics	    	<ul style="list-style-type: none"> GRI 302 Energy GRI 305 Emissions 	 Natural  Physical-structural
	Environmental impacts of real estate facilities	          	<ul style="list-style-type: none"> GRI 302 Energy GRI 303 Water and Effluents GRI 306 Waste GRI 305 Emissions 	 Natural  Physical-structural
 SUSTAINABLE FINANCE	Integration of ESG factors into investment policies Integration of ESG factors into insurance policies	 	<ul style="list-style-type: none"> FS 11 Percentage of assets subject to ESG valuation 	 Financial  Human  Social-relational  Intellectual  Natural

GROUP STRUCTURE AT 31 DECEMBER 2020

NFS

Poste Italiane's Business Model is implemented through the Group's organisational structure and its companies, which contribute to the creation of value over time through the activities and services they provide. At 31 December 2020, the Group held, directly and indirectly, investments in 30 companies and consortia,

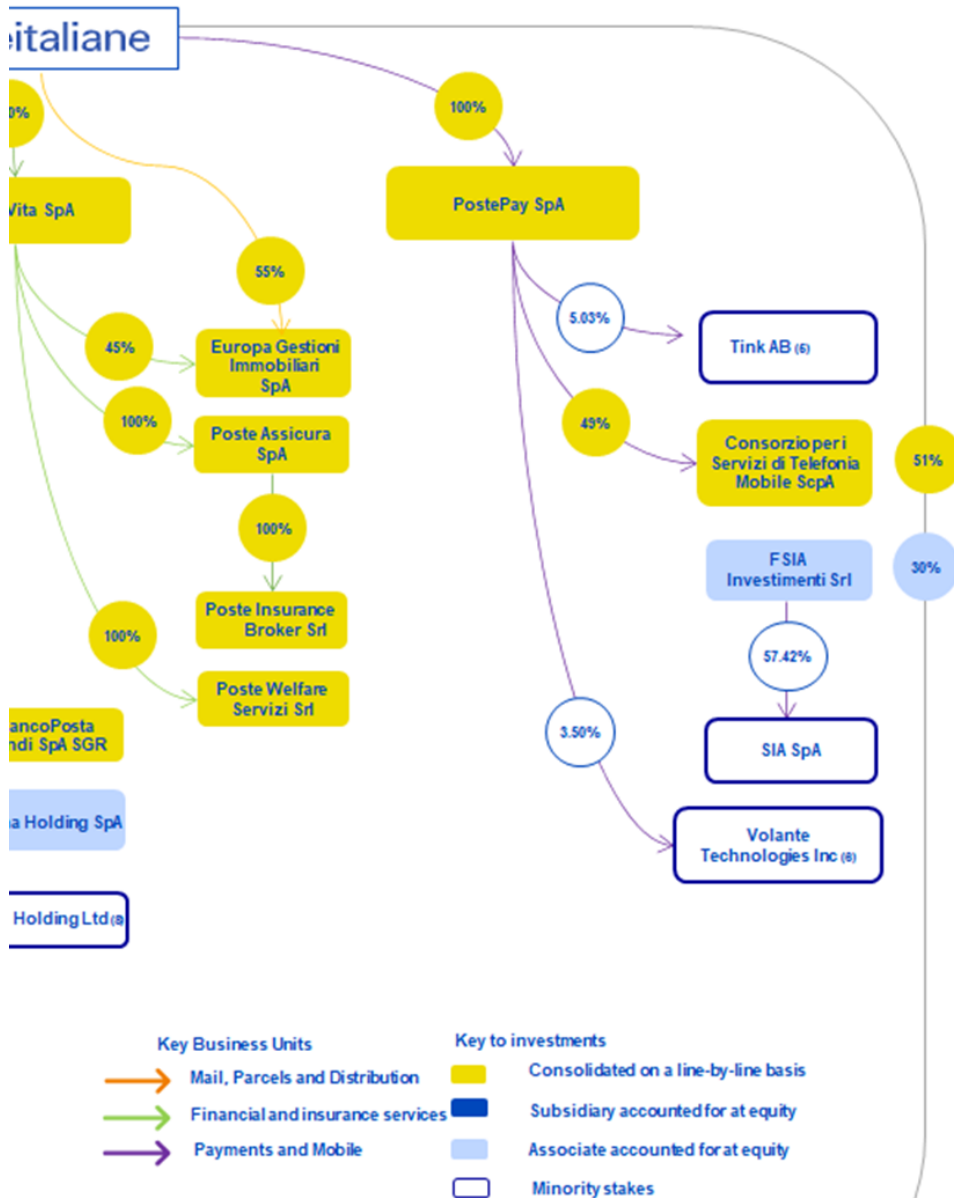
DIRECT AND INDIRECT INVESTMENTS OF I







1) The remaining 5% of the share capital of Consorzio Logistica Pacchi S.c.p.A. is held by Poste Assicura S.p.A.
 (2) The investment in sender GmbH fully diluted is equal to 1.31%
 (3) The investment in Milkman S.p.A. fully diluted is equal to 6.34%
 (4) The investment in MLK Deliveries S.p.A. fully diluted is equal to 68.49%
 (5) The investment in Tink AB fully diluted is equal to 4.73%
 (6) The investment in Volante Technologies Inc fully diluted is equal to 2.94%
 (7) The investment in Conio Inc fully diluted is equal to 14.50%
 (8) The investment in MFM Holding Ltd is equal to 14.10% of the shares with voting rights (15.16% of property rights).

of which 16 are consolidated on a line-by-line basis, 4 are subsidiaries and valued using the equity method, 4 are associates and valued using the equity method and 6 represent minority stakes.

POSTE ITALIANE SPA AT 31 DECEMBER 2020



The following table describes the activities of the Group companies, including them within the respective Business Units described in further detail in the paragraph "[Areas of operations and Organisation of the Group](#)" to which reference is made for further information.

 <p>MAIL, PARCELS AND DISTRIBUTION</p>	SDA Express Courier S.p.A.	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, providing customised solutions to handle any type of transport.
	Postel S.p.A.	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 website management (portals) for online payments.
	Poste Air Cargo S.r.l. (formerly Mistral Air S.r.l.)	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.
	Consorzio PosteMotori	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 of the Ministry of Infrastructure and Transport is competent (e.g. issue of "pink sheets", issue and renewal of copies of driving licences, registrations, MOTs, etc.).
	Consorzio Logistica Pacchi S.c.p.A.	This consortium coordinates the activities of the consortium members (Poste Italiane, SDA, Postel and Poste Air Cargo, Poste Assicura) in transport overland and by air of postal effects, integrated logistics, printing and envelope filling, electronic document management, e-commerce, marketing and telemarketing.
	PatentiViaPoste S.c.p.A.	Non-profit consortium that provides centralised printing services, the dispatch and delivery of new licences and copies of log books.
	Address Software S.r.l.	This company develops, mainly for Postel S.p.A., application software packages for the processing of personal and territorial data (normalisation of addresses, data cleaning and geomarketing).
	Europa Gestioni Immobiliari S.p.A.	This company manages and optimises Poste Italiane's real estate assets that are not instrumental; it carries out town planning and construction transformations, in order to assure the relative marketing (new leases and sales). It also operated on the electricity market as "wholesale" purchaser for the Poste Italiane Group until 31 December 2020.
	ItaliaCamp S.r.l.	Organisation that develops social innovation processes with a positive impact for the country, creating connections between institutions, companies, associations and universities.
	Indabox S.r.l.	This company develops IT and telematic systems offering logistics support to e-commerce, proposing to customers a collection service of parcels purchased online from authorised retailers.
	Kipoint S.p.A.	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.
	Conio Inc.	This US company based in San Francisco, California creates and offers innovative services in digital currencies. It controls 100% of Conio S.r.l., which is involved in the research, development and testing of results consisting of innovative electronic payment technological solutions (cryptocurrencies, bitcoins).
	sennder Italia S.r.l. (25% owned by sennder GmbH)	The Company carries out national and international long-distance road transport activities. The business model is based on highly digitised processes and proprietary IT platforms, creating optimised management of processes and distances covered.
MLK Deliveries S.p.A. (30% owned by Milkman S.p.A.)	Company that carries out home delivery activities for e-commerce through innovative and technologically advanced delivery services, such as Scheduled Delivery, which allows customers to customise deliveries by choosing the date and time of receipt and Same Day (the same day on which the purchase is made) and to have a detailed tracking service. The Company exclusively uses the technology of Milkman S.p.A.	
 <p>PAYMENTS AND MOBILE</p>	PostePay S.p.A.	A company that integrates electronic money and payment services, acting as an Electronic Money Institution (EMI) and Mobile Virtual Network Operator (MVNO) with the PosteMobile brand.
	Consorzio per i Servizi di Telefonia Mobile S.c.p.A.	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. As of 1 October 2020, the provision of services relating to the "Electronic Postman" platform has been transferred to Poste Italiane S.p.A.
	Fsia Investimenti S.r.l.	Holding company that holds 57.42% of SIA S.p.A., a company that manages infrastructures and provides technological services in the areas of payments, electronic money, network services and capital markets.
	Tink AB	Swedish company accredited as a PSD2 operator with the FSA (Financial Supervisory Authority) and present in more than 10 European countries (including Italy). It is one of the main open banking platforms and provides banks and financial institutions with technological solutions in a PSD2 perspective.
	Volante Technologies Inc.	American company specialising in the development of technological solutions underlying the payment and financial messaging processes on cloud and on-premise for the acceleration of digital transformation and the modernisation of financial services.
 <p>FINANCIAL SERVICES</p>	BancoPosta Fondi S.p.A. SGR	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.
	Anima Holding S.p.A.	Investment holding company in the asset management sector. It controls 100% of Anima SGR, which, in turn, controls 100% of Anima Asset Management Ltd.
	MFM Holding LTD	Digital asset management company, specialised in ETF (Exchange Traded Funds) portfolios.
 <p>INSURANCE SERVICES</p>	Poste Vita S.p.A.	Insurance company that provides insurance and reinsurance in Life classes.
	Poste Assicura S.p.A.	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).
	Poste Insurance Broker S.r.l.	Insurance broker for the distribution and brokerage of insurance and reinsurance.
	Poste Welfare Servizi S.r.l.	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

 <p>MAIL, PARCELS AND DISTRIBUTION</p>	<p>sennder GmbH</p> <p>sennder Italia</p>	<p>As part of the collaboration with the German digital carrier sennder GmbH, on 12 February 2020, Poste Italiane subscribed a capital increase of €255 thousand in the company sennder Italia S.r.l., acquiring 75% (25% is held by sennder GmbH). On 25 February 2020, on the basis of agreements between the parties to support business growth in the start-up phase, Poste Italiane made an additional capital contribution of €3 million.</p> <p>In January 2021, Poste Italiane took part in a new capital increase promoted by sennder GmbH, investing €7.5 million and increasing its holding in the German company to 2.0% (1.8% on a fully diluted basis).</p> <p>Lastly, it should be noted that, following the achievement by sennder Italia of all the financial and operating KPIs established in the agreements between Poste Italiane and sennder GmbH, following approval of the financial statements for the year ended 31 December 2020 by the Shareholders' Meeting, a capital increase will be carried out at nominal value reserved for sennder GmbH, which will increase the interest held in sennder Italia by 5% (from the current 25% to 30%). Following this increase, Poste Italiane's direct stake in sennder Italia will go from 75% to 70%.</p>
 <p>PAYMENTS AND MOBILE</p>	<p>Tink AB</p>	<p>During the first quarter of 2020, as part of the agreements signed in December 2019 with the Swedish company Tink AB, one of the leading Open Banking⁵ platforms in Europe, Poste Italiane Group, through its subsidiary PostePay S.p.A. and other investors, subscribed to a capital increase in Tink with an investment of approximately €20 million, acquiring an investment of 5.1% in the share capital issued, or 4.8% on a fully diluted basis in Tink capital. The subscription of the capital increase was completed on 10 March 2020. Subsequently, on 18 June 2020, PostePay participated in a new capital increase with an investment of €0.63 million, keeping the investment of 4.8% unchanged. This capital increase by Tink was carried out to partially finance the acquisition of the Spanish company Eurobits Technologies S.L, Tink competitor in the open banking technology solutions market, which includes among its customers the main financial institutions in its reference market. On 11 December 2020, PostePay took part in a new capital increase in Tink with an investment of €1.5 million, keeping its interest in the company's share capital virtually unchanged (4.7% on a fully diluted basis). The purpose of this capital increase is to acquire a stake in Eurazeo, a leading European investment company with a portfolio of assets under management of more than €18 billion.</p>

⁵ Open Banking is a collaborative model between several market players, banking and non-banking, introduced by PSD2 (the European directive on payment services effective from 14/09/2019), which, using open technology platforms, sharing knowledge, work environments, customer data and base, creates innovative services and products for the end customer and increases market competition.



MAIL, PARCELS AND DISTRIBUTION

MLK Deliveries S.p.A.

As part of its collaboration with technology start-up company Milkman S.p.A., which specialises in the management of "last mile" logistics for advanced delivery services in Italy, on 24 April 2020, Poste Italiane subscribed a capital increase of €15 million in MLK Deliveries S.p.A., acquiring 70%. The remaining 30% of MLK Deliveries is owned by Milkman S.p.A.

MLK Deliveries is responsible for providing Same Day and Scheduled Delivery services⁶ for Poste Italiane Group through the exclusive use of Milkman technology, which in turn repositioned itself as a pure technology provider. At the same time, Poste Italiane acquired about 7% in the share capital of Milkman by participating in a capital increase with an investment of €5 million. Lastly, there are purchase and sale options that will allow Poste Italiane, starting from the second quarter of 2023, to purchase 100% of MLK and ownership of the Milkman technology for e-commerce applications.

This operation is in line with the objectives of the Strategic Plan and is aimed at strengthening national e-commerce.



FINANCIAL SERVICES


MFM Holding Ltd
MFM Investments Ltd

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. 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 (£36 million) through the issue of convertible preference shares subscribed by Poste Italiane, as lead investor, and Allianz Asset Management GmbH (the minority shareholder of Moneyfarm Holding Ltd). The capital increase involved 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 property rights). In the second, additional MFM Holding shares were subscribed for a total value of approximately €9.6 million, with an increase in the investment of up to 14.10% of voting rights (15.16% of property rights). The latter was finalised on 13 May 2020 when the necessary authorisations were obtained by the supervisory authorities of Germany (Bafin) and the United Kingdom (FCA).

⁶ "Same day" and "Scheduled Delivery" services allow e-Shoppers to request delivery on the same day as the purchase or on a desired day and in a specific time slot among those available.

 <p>PAYMENTS AND MOBILE</p>	<p>Volante Technologies Inc.</p>	<p>On 26 June 2020, PostePay signed the agreements for the establishment of a strategic partnership with Volante Technologies Inc. ("Volante"), a US company specialising in the development of technological solutions underlying payment processes. In addition to the provision to Poste Italiane under perpetual license of the Volpay payment platform for enabling instant bank transfers (SEPA Credit Transfer Instant) and support services for the development of advanced payment systems based on QR Code technology, these agreements also provide for the launch of a long-term strategic collaboration aimed at developing new solutions in the world of payments to enrich Poste Italiane Group offer to customers.</p> <p>As part of these agreements, PostePay also adhered, with other investors, to a capital increase in Volante with an investment of approximately \$5 million. The operation will take effect on 2 July 2020.</p>
 <p>MAIL, PARCELS AND DISTRIBUTION</p>	<p>Nexive Group S.r.l.</p>	<p>On 16 November 2020, Poste Italiane signed a preliminary agreement with the Dutch company PostNL European Mail Holdings B.V. (hereinafter referred to as "PostNL") and the German company Mutares Holding - 32 GmbH (hereinafter referred to as "Mutares Holding"), for the purchase of the entire share capital of Nexive Group S.r.l. (hereinafter "Nexive").</p> <p>On 29 January 2021, the transaction was completed and Poste Italiane acquired the entire share capital of Nexive from PostNL and Mutares at a price of €34.4 million, based on an enterprise value of €50 million and net debt of €15.6 million.</p> <p>Nexive is a postal operator active in Italy with a market share of around 12% in mail, equal to around 350 million volumes per year (of which around 5% recorded mail), and a market share of around 1% in parcels, equal to around 8 million items delivered in 2019. In 2019, Nexive reported pro-forma sales of around €200 million and employs 1,300 people and more than 5,000 people in external partner companies.</p> <p>The acquisition will allow Poste Italiane to take advantage of potential economies of scale from the consolidation of Nexive operations, improving the level of service for customers of both companies.</p> <p>The transaction was carried out pursuant to article 75 of Law Decree no. 104 of 14 August 2020 (converted into Law no. 126 of 13 October 2020), which provides that certain concentration transactions shall be considered authorised upon indication to the Antitrust Authority (AGCM) of suitable measures to prevent the risk of imposition of prices or other contractual conditions that could be costly for the user as a result of the transaction. The acquisition was authorised by the AGCM, which prescribed a number of behavioural measures for Poste Italiane. The company will send a report, half-yearly for the first year after closing, and annually thereafter, on compliance with the prescribed measures.</p> <p><i>Continued</i></p>

 <p>MAIL, PARCELS AND DISTRIBUTION</p>	<p>Nexive Group S.r.l.</p>	<p><i>Continued</i></p> <p>From a strategic point of view, as has happened in other European countries, the structural contraction of the postal market, which has been exacerbated by the effects of the restrictions adopted in response to the health emergency, makes it urgent to consolidate the mail business and the related logistical infrastructure in order to safeguard its sustainability, employment levels and the availability of services to customers. The transaction will contribute to the sustainability of the postal sector to the benefit of shareholders, employees in the sector, citizens, businesses, the public administration and the country as a whole.</p>
 <p>MAIL, PARCELS AND DISTRIBUTION</p>	<p>Conio Inc.</p>	<p>On 7 December 2020, the Board of Directors of Conio Inc. approved a capital increase of approximately \$13.8 million aimed at supporting business growth and further technological developments. Following the subscription of the capital increase by a third party, Poste Italiane's investment at 31 December 2020 went from 19.7% to 17.6%, as it did not subscribe to the above capital increase.</p>
 <p>FINANCIAL SERVICES</p>	<p>BNL Finance</p>	<p>On 23 December 2020, Poste Italiane and BNL Gruppo BNP Paribas signed a binding framework agreement to strengthen their partnership in the sector of loans secured by the assignment of one-fifth of salary or pensions ("CQ Credits"). The framework agreement calls for Poste Italiane to acquire a 40% equity investment in BNL Finance, a BNL Gruppo BNP Paribas company that is a leader in the CQ Credits market.</p> <p>Under the terms of the transaction, Poste Italiane will acquire a stake in the capital of BNL Finance following the demerger by the same in favour of its parent, BNL S.p.A., of its non-perimeter assets, primarily consisting of around €2 billion in loans compared with a total loan portfolio of over €2.8 billion at the end of 2020.</p> <p>BNL Finance, as the product manufacturer, will distribute its CQ Credits through the post office network on the basis of a ten-year commercial agreement with Poste Italiane - BancoPosta RFC, in continuity with the existing commercial agreement.</p> <p>The transaction is subject to regulatory approval and closing is expected by the first half of 2021.</p>

 <p>MAIL, PARCELS AND DISTRIBUTION</p>	<p>Sengi Express Limited</p>	<p>On 19 January 2021, Poste Italiane and Cloud Seven Holding Limited signed a binding framework agreement aimed at strengthening the partnership in the e-commerce market between China and Italy. The framework agreement provides for the acquisition by Poste Italiane of 51% of the voting capital of Sengi Express Limited ("Sengi Express"), a company wholly owned by Cloud Seven Holding Limited based in Hong Kong. Sengi Express is a leading company in the creation and management of cross-border logistics solutions for Chinese e-commerce merchants active in the Italian market.</p> <p>Sengi Express first foreign consolidated company in the Poste Italiane Group</p> <p>The transaction is part of the development of the international B2C parcels business, a key element of the transformation strategy within Poste Italiane's Mail, Parcels and Distribution division, which exploits the exponential growth opportunities of e-commerce.</p> <p>The closing of the transaction was completed on 1 March 2021.</p>
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Other intra-group transactions

As part of the path of making the Poste Italiane Group's Information Communication Technology processes more efficient by centralising the management of its subsidiaries' information systems at the Parent Company, the following corporate transactions were completed during the period:

- sale of Poste Vita, Poste Assicura and Poste Welfare Servizi ICT management business units to Poste Italiane. The transaction, approved by Poste Italiane's Board of Directors on 12 December 2019, took effect from 1 March 2020;
- sale of PostePay's ICT business unit, dedicated to telecommunication services and Electronic Postman to Poste Italiane. The transaction, approved by PostePay's Board of Directors on 23 September 2020, took effect from 1 October 2020.

In addition, on 1 July 2020, the transaction took effect, as approved by the Board of Directors of Consorzio Logistica Pacchi S.c.p.A. on 25 May 2020, for the sale of the BU "CLP Mercato" in favour of Poste Italiane S.p.A., consisting of the following activities: 1) "Gamma BOX", i.e. national and international shipping services for mainly business customers, contracted through the (former) SDA sales network; 2) "IoInvio prepaid product", i.e. the online shipping platform for national and international EU mailings, open both to retail customers and business customers that require payment at the same time. The transaction aims to concentrate within the Parent Company the commercial offer "parcels and express courier", both business and retail, also allowing CLP to focus on the captive activities that represent its main mission.

By notarial deed dated 30 June 2020, SDA Express Courier S.p.A. sold 5% of the shares held in Consorzio Logistica e Pacchi S.c.p.A. to Poste Assicura S.p.A..

Lastly, on 27 January 2021 Poste Italiane's Board of Directors approved the removal of the restriction on the allocation of BancoPosta RFC regarding assets and legal relations constituting the "Debit Business". This transaction, which is to be submitted for final approval to the Extraordinary Shareholders' Meeting, after obtaining all the necessary regulatory authorisations, marks the completion of the process of centralising electronic money services at the EMI

PostePay S.p.A., via the transfer of the "Debit Business" to the latter. The purpose of the transaction is to make the debit cards linked to the BancoPosta account also a PostePay S.p.A. product. BancoPosta account holders will be able to access the full functionality of the Postepay payment/cash collection ecosystem, thanks to integration of the functions of the BancoPosta debit card, without this entailing any changes to the product's economic conditions for customers. On 4 February 2021, PostePay's Extraordinary Shareholders' Meeting approved, among other things, a divisible capital increase to be subscribed and paid up by 30 September 2021, via the contribution in kind of the Debit Business by Poste Italiane.

Other transactions

On 10 February 2021, Nexi S.p.A., SIA S.p.A. and their respective principal shareholders signed binding agreements relating to the potential merger by incorporation of SIA into Nexi. The signing of the binding agreements follows the signing of a memorandum of understanding announced on 5 October 2020.

In addition, on 15 November 2020, Nexi announced that it had entered into a binding agreement with Nets to merge the two groups. Upon completion of the two transactions, the new group formed by the combination of Nexi and Nets will be one of Europe's leading companies.

At 31 December 2020, Poste Italiane holds an indirect interest of 17.22% in SIA through its 30% interest in FSIA, the latter valued at equity in the Group's consolidated financial statements and recognised at approximately €402 million.

The agreements between the parties envisage that, prior to completion of the merger of SIA into Nexi, the demerger of the FSIA vehicle will be carried out, following which Poste Italiane will directly hold the investment in SIA.

Therefore, on completion of the demerger of FSIA and the above-mentioned mergers, Poste Italiane will hold a direct stake of 3.6% in the new group (5.2% in the case of completion of the merger of SIA into Nexi alone).



AREAS OF OPERATIONS AND ORGANISATION OF THE GROUP

- [OVERVIEW](#)
- [OMNI-CHANNEL COMMERCIAL STRATEGY](#)
- [ORGANISATION OF THE LOGISTICS NETWORK](#)
- [MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT](#)
- [PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT](#)
- [FINANCIAL SERVICES STRATEGIC BUSINESS UNIT](#)
- [INSURANCE SERVICES STRATEGIC BUSINESS UNIT](#)

[OVERVIEW](#)

The Group's business, in line with the strategic guidelines outlined in the "2024 Sustain & Innovate" Business Plan approved by the BoD on 18 March 2021 and presented to the financial community on 19 March 2021, is represented by four Strategic Business Units (SBUs - defined also operating segments within the financial statements of the Poste Italiane Group): Mail, Parcels and Distribution; Payments and Mobile; Financial Services; Insurance Services.

Strategic Business Units

Mail, Parcels and Distribution

In addition to its mail and parcel handling activities, the SBU also includes those relating to the sales network, post offices and the corporate functions of Poste Italiane SpA, which also support the other sectors of the Group.

Payments and Mobile

The SBU includes the activities of payment management, electronic money services and mobile and fixed-line telephone services by PostePay SpA. Starting in 2020, and in line with the organisational changes that in 2019 saw the transfer of the digital channel control activities within the Mail, Parcels and Distribution SBU, the name of the Payments, Mobile and Digital SBU has been updated to Payments and Mobile.

Financial Services

The SBU is engaged in the placement and distribution of financial and insurance services such as current accounts, postal savings products (on behalf of Cassa Depositi e Prestiti), mutual funds, loans provided by partner banks and policies.

Insurance Services

The SBU refers to activities involving the issuance of life and non-life insurance products and Welfare services.

OMNI-CHANNEL COMMERCIAL STRATEGY

NFS

The Group's integrated multi-channel platform provides for the monitoring of customers through 3 channels:

- the physical network of Post Offices flanked by a commercial network specialising in business customers;
- a digital infrastructure made up of all the Group's digital properties, capable of serving the entire national population;
- third-party networks, consisting of over 37 thousand retail outlets and the result of commercial partnership agreements for the marketing of Group products and services.

12,765 Post Offices throughout the country and around **7,000** Post Offices open during the lockdown

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](#). Additional organisational guidance is provided by Group companies to support commercial development.

COMMERCIAL NETWORK - POST OFFICE NETWORK

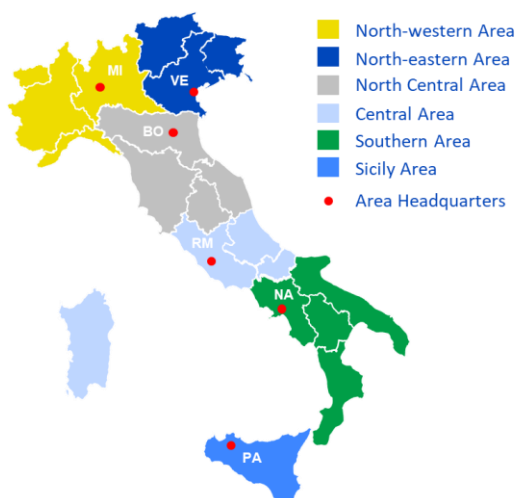
The Post Office Network function manages the commercial front end for the retail segment and is in charge of Macro Area offices, Branches and Post Offices covering the entire country.

575 million post office transactions in 2020

	31 December 2020		31 December 2019	
	Category	Personnel	Category	Personnel
Post Office Network macro areas	6	473	6	618
Branch offices	132	3,661	132	4,488
Post offices	12,765	51,217	12,809	52,947

The number of resources (permanent and flexible) is expressed as full time equivalent employees.

MACRO AREAS POST OFFICE NETWORK



GEOGRAPHICAL DISTRIBUTION OF POST OFFICES AND BRANCHES



In the course of 2020, the [new commercial model](#) was developed. It saw the overcoming of the organisation by channel/product in favour of a model that strengthens the presence on the territory and simplifies dialogue with the territorial structures. With the new structure, the geographical responsibilities of the commercial functions of the Macro Territorial areas, have been redefined, from 6 to 12.

New model Hub & Spoke to support smaller post offices

In order to best exploit the potential of the territory, a [new organisational model](#) of the post office network that maximises operating efficiency and further strengthens the monitoring of commercial, operational and management indicators. This new model is based on a "Hub & Spoke" logic⁷, which guarantees, especially for smaller post offices, efficiency and operational continuity in the event of a lack of resources, thanks to the creation of post office areas.

In order to generate greater value in customer relations, understanding their needs and improving the customer experience at post offices, during the last quarter of the year, a study was launched of architectural solutions that will make it possible to transform the current workstations into relational counters for a [new service model](#) that will involve around 500 post offices by 2021 with a high level of walkability. In addition, again with a view to enhancing customer relations by using new methods of interaction thanks to new technologies, an experiment has been launched that will give sales personnel the opportunity to interact with customers both in person and remotely, with expected benefits both in terms of customer experience and lower environmental impact.

With reference to the actions taken by the Company to protect its employees and customers from the current pandemic, reference should be made to chapter 5 "[Risks and opportunities](#)" and to the Group's 8 Sustainability Pillars, which are discussed in chapter 6 "[Performance](#)".

⁷ Network management and development system in which connections are made, using by analogy an expression referring to the bicycle wheel, from the spoke to the hub and vice versa. In this specific case, the Hub Office Manager is responsible for coordinating resources in terms of planning personnel attendance and managing replacements in the event of sudden absences, as well as providing commercial support, especially for products sold at the counter.

COMMERCIAL NETWORK - BUSINESS AND PUBLIC ADMINISTRATION

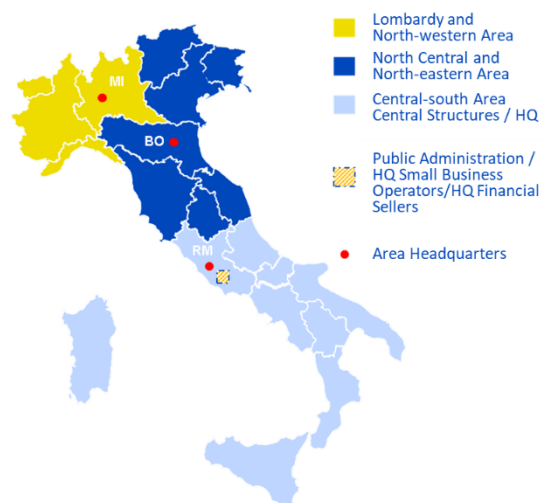
The Business and Public Administration function of Poste Italiane guarantees the commercial supervision and sale of the Group's products and services for businesses and the Central and Local Public Administration.

As of June 2020, commercial oversight of the entire business customer base was unified in the function called Business and Public Administration.

The reorganisation also marks a change in the model of market control, which moves to a substantial specialisation of the sales force by type of product and customer segment. The control is guaranteed by:

- 3 Sales Macro Areas (Lombardy North West, Central North and North East, Central South), with exclusive commercial responsibility for mail and communication revenue and commercial support for the specialist sales force;
- 2 Sales areas dedicated to the commercial management of products/services of logistics and parcels and specialised by industry (1. Health&Beauty, Electronics and Informatics, Other Sectors; 2. Food&Grocery&Pet, Homeliving&Fashion, Platform&Solution Players);
- 1 Commercial area specialising in the offer of financial and insurance products for large business customers and public administration;
- 1 Commercial area for Central and Local Public Administration related to Metropolitan Regions and Cities;
- 1 Commercial area POE (Small Business) that will ensure the integration of the sales force dedicated to the Small Business segment to enable the development of a new service model.

Macro Areas Business and Public Administration



DIGITAL WEB CHANNELS AND APPS

Outside post offices, the Group's services are provided via digital channels (poste.it website and APPs), which in the 2020, showed significant development, amplified by the Covid-19 emergency and related travel restrictions.



For more details on 2020 performance, please refer to the section "[Digital Properties, Third-Party Networks and Main KPIs](#)", in Chapter 6 "[Performance](#)".

THIRD-PARTY NETWORKS

A crucial role in the Group's omni-channel strategy is played by third-party networks and the development recorded in the year 2020. In the context of healthcare emergency, third-party networks have been a viable alternative to own networks for accessing transactional services.

Poste Italiane has signed agreements with a large network of retail outlets (over 37 thousand at 31 December 2020). The main types of agreements entered into are listed below.

- **Proximity networks:** partners that enable their local points of presence to offer Poste Italiane services to consumers (e.g.: tobacconists to pay slips, top up Postepay cards, accept/deliver parcels), ENI to pay slips, API to accept/deliver parcels, DO (organised distribution) and GDO (large organised distribution) to pay slips;
- **Placement Agents:** partners, authorised by the Bank of Italy, which sell Poste Italiane's financial products (e.g.: Lottomatica, which sells Poste Italiane's full acquiring to the tobacconist network);
- **Technology Enablers:** partners that enable Poste Italiane to sell its products to "third-party" customers via its own service platforms (iPratico, Team System for the sale of acquiring);
- **Partners:** legal entities that offer their associates/stores the purchase of products directly from Poste Italiane, through the stipulation of "framework agreements" (e.g.: ENI and its distributors for the purchase of acquiring).

Below are the products distributed through the third-party network:

- Phone top-ups
- Postepay top-ups
- Payment slips
- Acquiring
- Acceptance, delivery and return of parcels

ORGANISATION OF THE LOGISTICS NETWORK

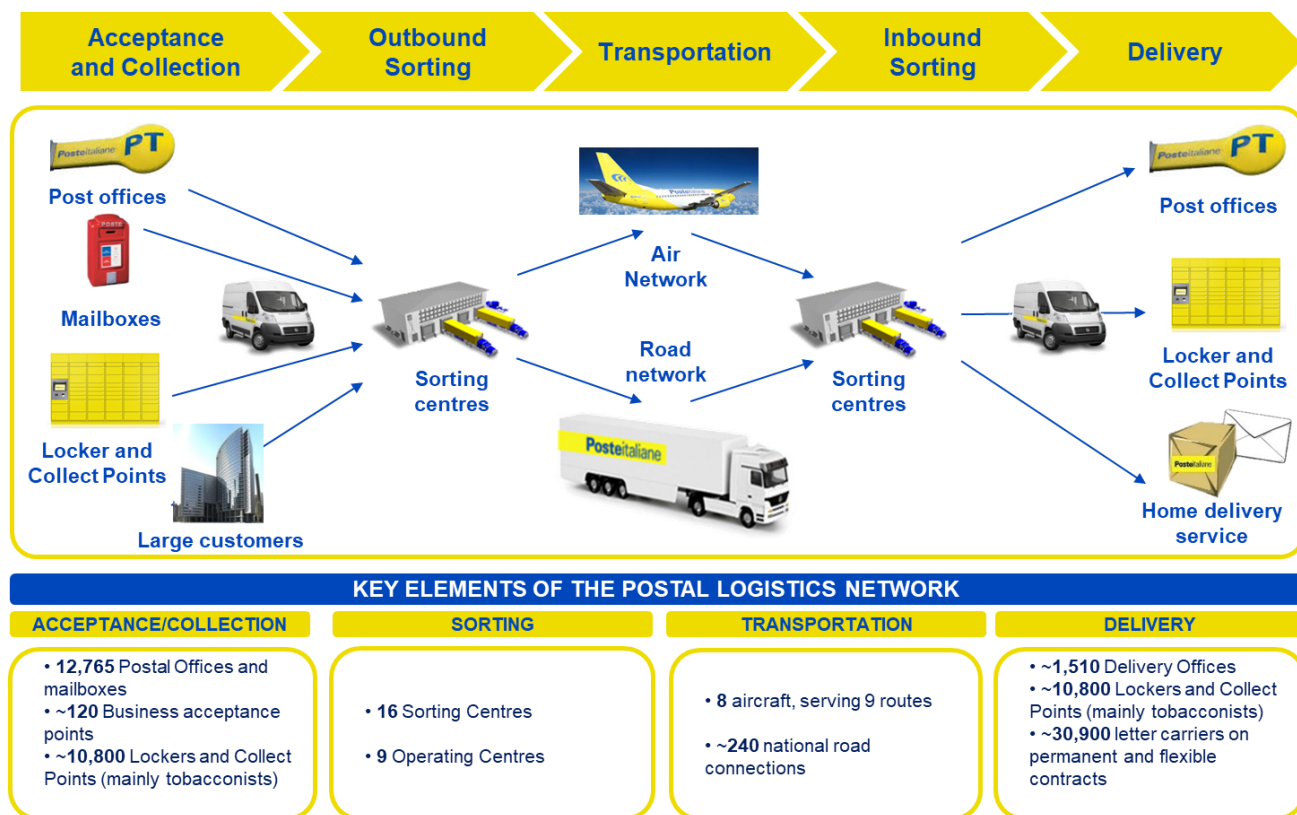
The Group's mail and parcel services are provided through 2 integrated and synergistic logistics networks: the **postal logistics network** for the management of mail, now evolved to allow the management of small parcels delivered by letter carriers and the **parcel logistics network** which, by taking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

The integration between the two networks was strengthened in 2020 by increasing the interchange of small parcel volumes between the two networks (carriable parcels, i.e. under 5 kilos) using cost-effectiveness as a criterion. The delivery of these products in Italy can be carried out indistinctly by the Postal and Parcel Logistics Network according to a dynamic approach, aimed at maximising efficiency for each area.

In addition, during 2020, the start-up of MLK Deliveries activities enabled the activation of a third "last mile" network, specialised in parcel delivery with value-added services ("Same Day" and "Scheduled Delivery").

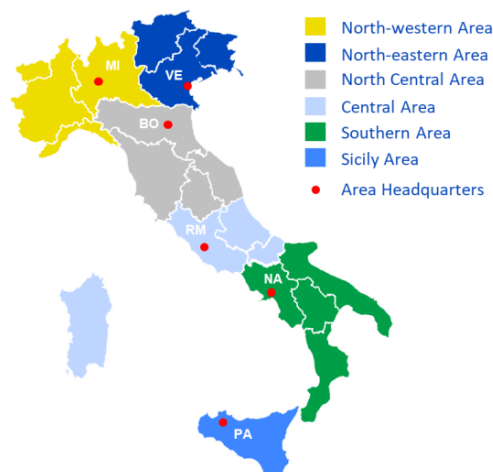
POSTAL LOGISTICS NETWORK ACTIVITIES

The postal logistics network accepts, sorts and delivers mail products and small parcels. The following chart provides an overview of the postal logistics network value chain and the main quantitative drivers.



The organisational model for the postal logistics network consists of 6 Logistics Macro Areas which, coordinated centrally, internally handle all stages of the value chain: acceptance and collection, outbound sorting, transport, inbound sorting and delivery. At the same time, this model makes it possible to have a single management system for the entire territory and to be able to adapt it to each specific situation with targeted interventions.

The territorial coverage model is shown below.



The evolution of the workforce in 2020, shown in the table below, reflects a decrease in all organisational areas, with the exception of deliveries, due to both the optimisation of processes and the exits favoured by the so-called "redundancy" legislation Quota 100⁸. There is a twofold effect on delivery, whereby the efficiencies are offset by an increased effort in handling parcel business.

During the year, IT resources were transferred to the Digital, Technology & Operations department, following the centralisation of the IT support activities and processes carried out at local level by the Post Office Network and Mail, Communication and Logistics functions.

	31 December 2020		31 December 2019	
	Category	Personnel	Category	Personnel
Macro Areas for Logistics ^(*)	6	933	6	962
Sorting Centres	16	7,337	16	8,079
Operating Centres	9	996	9	1,043
Delivery Centres ^(**)	1,510	40,402	1,543	40,306
Total	1,541	49,668	1,574	50,391

All workforce data (permanent and flexible) 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.

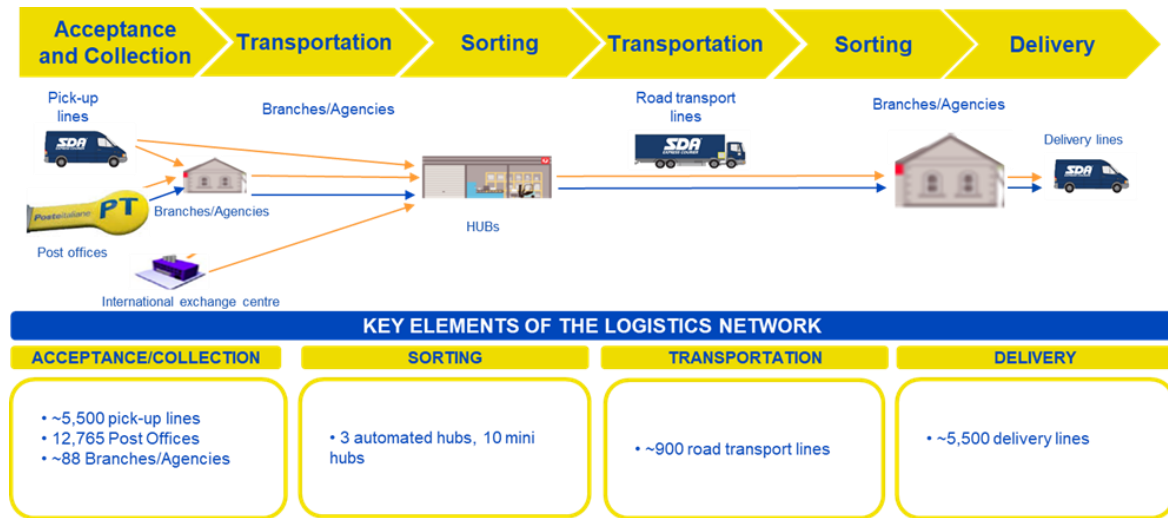
^(**) Delivery staff include 32,966 postmen and women and delivery supervisors (31,376 at 31 December 2019).

PARCEL LOGISTICS NETWORK ACTIVITIES

Large parcels and express courier products are delivered via the network of the subsidiaries, SDA Express Courier and sender.

⁸ Economic measures pursuant to Law Decree no. 4 of 28 January 2019, to support the pre-retirement of employees and self-employed workers who possess, in the period between 2019 and 2021, an age of not less than 62 years and a contribution period of not less than 38 years.

The logistics flow is shown below.



MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT

'2024 Sustain & Innovate' strategy



Mail, Parcels and Distribution

Key logistics player for a sustainable business, accelerating the transition to the growing parcel market

- Evolution of the logistics network
- B2C market leadership
- Growth in C2X and B2B markets

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 structural decline in traditional mail, replaced with digital forms of communication (e-mail, instant messaging, etc.) is accompanied by a significant increase in the volume of parcels delivered.

In addition to these trends, during the year, there was an even more significant decline in mail with historical trends due to the lockdown caused by the health emergency, which caused a general slowdown in the Italian economy.

With reference to the parcels sector, the pandemic, as a result of the change in buying habits of Italians, has generated an acceleration of the growth trends already foreseen in the 2018-2022 business plan.

E-Commerce confirmed as the key driver of growth in the parcels segment, mainly for light and low-value items⁹. Specifically, in Italy, there was a volume of parcels per capita of 6 units¹⁰ in the year 2020 compared to 4 units in 2019.

Moreover, the percentage of retail purchases made online went from 4% in 2015 to over 7% in 2019, reaching about 9%¹¹ in 2020), and growth remains compared with the double-digit growth rates registered in the main European countries. Poste Italiane is confirmed as one of the leading operators in the sector with a market share in the B2C segment from 30% in 2017 to 37%¹² in 2020.

⁹ Source: Report IPC and other postal/logistics operators.

¹⁰ Source: Internal processing, on Osservatorio eCommerce B2C - Politecnico Milano data.

¹¹ Source: Osservatorio eCommerce B2C - Politecnico Milano/Netcomm data.

¹² Source: Internal processing based on Cerved Databank, Netcomm data.

Regulatory context

Expense of the universal postal service

On 30 December 2019, the Parties signed the new **Contratto di Programma (Service Contract) for the years 2020-2024**, effective from 1 January 2020 to 31 December 2024.

On 1 December 2020, the European Commission approved the compensation, for the public service obligations envisaged by the 2020-2024 Service Contract, in the amount of **€262 million per year**. The system of compensation for the public service obligations undertaken by the Company was considered by the European Commission to be fully in line with the relevant EU rules on state aid.

During 2020, the procedure for verifying the net cost of the universal service for the year 2019 was launched. In particular, with a communication dated 8 July 2020, AGCom extended to 2019 the objective scope of the net cost verification procedure for the years 2017 and 2018, previously initiated with Resolution 215/19/CONS of 2 July 2019.

Publishing tariff subsidies

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

The 2021 Budget Law (Law no. 178 of 30 December 2020) provided an appropriation of **€52.5 million for 2023**.

Law Decree no. 162 of 30 December 2019 - as converted by Law no. 8 of 28 February 2020 - ordered that **reimbursements of publisher 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 August 2020, the **procedure was initiated for pre-notification of the Service of General Economic Interest (SGEI)** to the Commission for the period 2020-2026.

Notification of judicial documents and fines - new qualifications

On **5 February 2020**, the Ministry of Justice, in order to encourage the full development of the liberalisation process of the **notification services of judicial documents and violation of the Highway Code**, adopted the new **Guidelines for training courses for employees responsible for notification by mail**, enabling alternative operators with special licenses to actually enter the market.



Health emergency

As part of the measures adopted by the Government (**Law Decree no. 18 of 17 March 2020, Conversion Law no. 27 of 24 April 2020 and Law Decree no. 34 of 19 May 2020**), specific **urgent measures have been adopted for the performance of the postal service**. Specifically, the delivery of registered mail, insured mail, parcels and notifications by mail pursuant to Law 890/82 (judicial documents and fines) throughout the country and until 31 July 2020, was carried out, subject to verification of the presence of the recipient or the person authorised to collect the item, by placing the item in the home mailbox or other place indicated by the recipient at the same time.

Evolution of the Regulatory scenario

Competition in the parcel delivery market

Resolution 350/19/CONS of September 2019: public consultation of the draft measure concerning the analysis of the parcel delivery services market, aimed at monitoring the market in order to assess whether, and in what way, the current amendments have modified, or may modify, its competitive structure in the future.

Resolution AGCom 212/20/CONS of 1 July 2020: the Authority identifies the relevant markets for parcel delivery services and assesses the level of competitiveness in each of them. The resolution highlights a predominant role for Poste Italiane in the C2X* market, which nevertheless has a marginal impact on the overall parcel market. The analysis represents an intermediate step in the procedure, the final deadline of which, previously set at 31 December 2020, was extended with Resolution 703/20/CONS to 31 March 2021. In the next phase, further investigation will be carried out and possible regulatory remedies will be identified for operators with significant market power in one or more of the relevant markets identified.

On 18 September 2020, AGCom sent the Company a request for information, stating that all clarifications must be provided concerning postal items with a thickness of more than 20 mm and a weight of no more than 31.5 kg. Poste Italiane sent a notice on 22 October 2020 stating that the European Parcel Regulation applies only to international items.

* The C2X market identifies Consumer-to-Consumer/Business parcels i.e. parcels sent by consumers both to other consumers and to businesses.

Correspondence Identification of Relevant Markets

AGCom Resolution no. 330/20/CONS of 28 July 2020: AGCom launched a first phase of public consultation with particular regard to the identification of the relevant markets and in particular the following aspects: i) identification of the subjects active on the mail market on the demand and offer side; ii) analysis of the effects produced by the e-substitution on the mail market iii) identification of the relevant markets.

AGCom Resolution 589/20/CONS of 25 November 2020: the first phase of market analysis was concluded, AGCom approved the definition of the relevant markets for mail delivery services. In the subsequent procedural phase, the Authority, after further public consultation, will assess the degree of competitiveness of the identified markets and will define, if necessary, the appropriate regulatory interventions, including a possible reshaping of the maximum tariffs for universal services.

Replicability of offers (EU2 areas)

Resolution AGCom 294/20/CONS of 10 July 2020: simultaneously with the updating of the EU2 areas, it made transitional changes to the structure of the replicability test. With a notice dated 20 July 2020, the procedure was started for the revision of the criteria for defining the **EU2 areas**, in order to arrive at a more objective method of identifying these areas.

With a request dated 18 January 2021, the Authority expressed the need to acquire some useful elements to define new criteria and parameters for identifying the EU2 areas and asked Poste Italiane to send a series of information. Poste Italiane sent the requested information, where available. In this context, Poste Italiane has requested that the principles already established by the regulations in force remain valid with specific reference to the definition of the EU1/EU2 areas, to be integrated through objective criteria suitable for assessing whether the areas currently not covered can still be considered replicable.

Health emergency - AGCom

In view of the developments in the e-commerce segment caused by the health emergency, AGCom has also initiated proceedings to **promote the use of "Lockers"** (automated lockers for parcel collection and delivery) by online shoppers and to promote their dissemination. On 14 December 2020, with Resolution 629/20/CONS, AGCom started the public consultation, which ended on 28 January 2021; the Authority's decisions are pending.

Quality standard for the universal postal service

Resolution AGCom 331/20/CONS of 31 July 2020: defined the quality standards relating to the **continuity and reliability of the services provided in Post Offices**, i.e.: a) regular opening/closing at national and regional level, b) progressive removal of architectural barriers in Post Offices that can be adapted. In addition, average wait times for counter service provision have been defined, the principle of counter priority for vulnerable groups (the disabled, pregnant women, etc.) and the procedures for accepting complaints about the postal service made at the offices have been strengthened. These standards apply from 2021 onwards. In particular, with respect to the objectives under a), b), the Company will be measured on the basis of the results achieved annually against predefined objectives, rather than as part of individual sanction proceedings.

With respect to the other standards, the Company is required to ensure implementation thereof in the manner deemed appropriate.

- Mailboxes**







In accordance with article 2, paragraph 7, of the 2020-2024 Contratto di Programma (Service Contract), on 24 June 2020, Poste Italiane submitted to AGCom a proposal to adjust the number of mailboxes to the changed size of the market and customer needs, taking into account the trend in postal volumes and actual use by users. With a **communication dated 21 January 2021**, AGCom initiated a procedure for the definition of the criteria for the reshaping of the distribution of default mailboxes in Italy. The deadline for concluding the procedure is 180 days, except for subsequent justified extensions.
- Digital notification of PA documents - new platform**








Law Decree no. 76 of 16 July 2020 (Simplifications), converted into Law no. 120 of 11 September 2020, by means of article 26 regulates the implementation of the **platform for the digital notification of public administration acts**. The operator of the platform will be the company PagoPA, which may entrust its implementation, in whole or in part, to Poste Italiane as Universal Service Provider. Subsequent implementing measures will define the technical and operational modes of operation of the platform.
- Guidelines for the award of public procurement of postal services**

With regard to the review process of the "Guidelines for the award of public procurement of postal services", which aims to favour the effective liberalisation of the postal services market, **the National Anti-Corruption Authority (ANAC) and AGCom**, following the work of a technical table on a draft document in which the Company also participated, **prepared the revision document of the aforementioned Guidelines which was subjected to public consultation until 31 December 2020** and in the context of which the Company submitted its comments on 30 December 2020. Publication of the final provision is awaited.

Operating review

The table below lists the main activities carried out by the SBU during the period and indicates the main pillar of the Group's sustainability strategy, which is discussed in the chapter Performance. Please refer to the corresponding paragraph for further details.

Segment	Operating review	Pillar
	Introduction of new aircraft and intensification of air connections to southern Italy	
	Acquisition of a shareholding in sennder Italia for the optimisation of road transport activities	
	Start of operations of new parcel sorting centres in central and northern Italy	
	Development of collaboration with Amazon	
	Development of collaboration with Zalando	
Parcels	Implementation of the new Punto Poste Da Te service, which, thanks to lockers installed in condominiums/company offices, makes it possible to collect, send and top up Postepay and SIM cards in complete autonomy	

	<p>Additions made to the Poste Delivery service: the parcel delivery service for private individuals and businesses</p>	
	<p>Implementation of the new Poste Delivery Web service: the online service that allows sending parcels, up to 30 kg, throughout Italy and the world</p>	
	<p>Acquisition of an investment in MLK Deliveries in order to provide customers with advanced delivery services (e.g. agreed-upon hours)</p>	
	<p>Development of a new collaboration with Pharmap for the home delivery of medicines</p>	
	<p>Implementation of the new Poste Delivery Business service, the complete offer that provides several services dedicated to the recipient for the development of e-commerce</p>	
	<p>Acquisition of an investment in Sengi Express Limited for the development of the parcel business from China</p>	
Mail	<p>Acquisition of the entire share capital of Nexive, for the rationalisation of the mail market value chain</p>	

PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT

'2024 Sustain & Innovate' strategy



Payments and Mobile

Innovative digital platform for an integrated payment, telephony and energy offering

- Strengthening leadership in digital payments
- New TLC offer, for both mobile and fixed lines
- Energy services from 2022, leveraging market liberalisation and customer confidence

Market context

The latest figures available¹³ on the Italian **payment card** market reflect the strong reduction in economic activity and consumption on physical channels resulting from the lockdown due to the global health emergency and show overall transactions of around €186 billion in September 2020 (-1.1% compared to September 2019).

Credit cards are the most affected type, with a decline in transactions of 13% compared to the same period last year. Prepaid cards continue to grow at a strong pace with transactions up 16% and transaction volume up 19% compared to the first nine months of 2019, partly due to cards issued for Citizenship Income, as well as total transactions and debit card transactions which grew 2% and 0.5% respectively compared to the first nine months of 2019.

The number of cards active on the market exceeded 91 million (+1% compared to 31 December 2019) of which: debit cards amounted to over 46 million (+1.2% compared to 31 December 2019), prepaid cards to over 29 million (+1% compared to 31 December 2019) and credit cards to over 15 million (+0.4% compared to 31 December 2019).

According to the latest available figures¹⁴, **Mobile telephony** market penetration, in terms of total mobile lines, stands at approximately 173% of the population, with MVNOs (Mobile Virtual Network Operator)¹⁵ accounting for 16.1%. The total number of lines at 30 September 2020 amounted to 104.1 million, including approximately 26.3 million Machine to Machine (M2M) SIM cards. PosteMobile, with a total market share of approximately 4.2%, accounts for around 45.0% of the total customers of mobile virtual network operators.

Regulatory Context

Monetics

Payment Services Directive (PSD2)

On **22 January 2020**, the European Banking Authority (EBA) published the document amending the guidelines of September 2018 on the obligation to report fraud for Payment Service Providers. This issue also has an impact on the activities of BancoPosta, to which reference should be made for further details.

Bank of Italy Notice of 30 April 2020

The provisions of article 22 of the Fiscal Decree 2020 have been implemented in relation to the **tax credit** available to merchants (with revenue not exceeding €400,000), equal to 30% of the commissions charged by intermediaries for the acceptance of **transactions made with electronic payment instruments traceable from 1 July 2020**. This measure is intended for all payment service providers - including PostePay S.p.A. - that have agreed with merchants resident in Italy to accept payment instruments at their physical or online points of sale (acquiring services).

¹³ Source: Internal processing and estimates on Bank of Italy data (supervisory reporting flows)

¹⁴ Source: AGCom Communications Observatory no. 4/2020, Operators Report

¹⁵ Source: Internal Estimate PostePay - Administration, Planning and Control

TLC
Code of
Electronic
Communications

On 18 December 2020, following the public consultation on the delegated act proposal open to all interested parties pursuant to article 75 of the new Code of Electronic Communications and which ended on 22 September 2020, the European Commission adopted a delegated act that supplements the directive that establishes the European Code of Electronic Communications, defining a **single maximum termination rate* for voice calls on mobile and fixed networks** in the European Union. The delegated act will not require transposition into national legislation but operators will have a few months, from the date of entry into force of the provision (expected in the third quarter of 2021), to implement the new termination values on the billing systems.

On 17 December 2018, the **new Code of Electronic Communications** voted by the Parliament on 4 December 2018 was published in the Official Journal of the European Union. The national implementation of the Code, initially expected by 21 December 2020**, has been postponed due to the ongoing epidemiological emergency. The new transposition deadline will be foreseen in the next European Delegation Law.

* 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.
** Only 4 Member States (Denmark, Finland, Greece and Hungary), in addition to UK, have implemented (by the date set by the European Directive: 21 December 2020) with national law, the European Code of Electronic Communications.






TLC - VoIP/IP
Technology












PostePay S.p.A. participated in the public consultation organised by AGCom which ended on 30 July 2020 concerning "the definition of the regulatory provisions regarding IP interconnection and interoperability for the provision of VoIP services on mobile networks". The purpose was to collect comments and observations from the Operators to define, in relation to the **interconnection between mobile networks or between fixed and mobile networks with reference to traffic terminated on the mobile network**, the measures necessary to regulate the migration process towards the IP interconnection for the exchange of voice traffic in VoIP/IP technology.

With Resolution 335/20/CIR of 19 November 2020, AGCom defined the regulatory provisions and the ST 770 technical specifications that operators (including Full MVNOs) must comply with for **migration to the IP interconnection**. The deadline for completing the migration is 31 December 2022.

Operating review

The table below lists the main activities carried out by the SBU during the period and indicates the main pillar of the Group's sustainability strategy, which is discussed in Chapter 6 "Performance". Please refer to the corresponding paragraph for further details.

Segment	Operating review	Pillar
	The marketing of Postepay Connect, the offer that combines the Postepay Evolution prepaid card and the PosteMobile SIM card in a single App, has continued	
	The new Postepay Connect Back offer has been developed: up to €4 per month in cashback will be credited to the Postepay Evolution card for any unused Giga	
	The new Postepay PA offer has been developed: the prepaid card that allows public bodies to offer citizens a payment card on which to credit funds provided by the PA	
	The new Postepay Digital offer has been developed: a digital prepaid card that can be requested in the app and activated immediately	
Monetics	Provided support for the Cashless Italy Plan to encourage electronic payments	

	The Codice Postepay offer has been further developed, allowing payments to be made directly from the app by framing the QR Code	
	Further implementation of the collaboration with Lottomatica	
	Acquiring services for Public Administration implemented	
	Continued partnership with ENI through the activation of Postepay acquiring services	
	Implemented acquiring services in the transport sector	
Collections and Payments	Consolidated the role of Poste Italiane in the PagoPA system	
	Implemented new funds transfer service in collaboration with Western Union	
Telecommunications	New PosteMobile Casa WEB service developed, the innovative internet connection solution with self-installing, portable modem and fast internet connection up to 300 Mbps	
	Continued development of the PosteMobile Casa Standard service, the voice traffic offer for the home	
	The marketing of PosteMobile Casa Internet, the voice and internet offer for the home, continued	
	Started collaborations with Open Fiber and TIM for the development of fiber optic services through ultra-broadband technologies	

FINANCIAL SERVICES STRATEGIC BUSINESS UNIT

'2024 Sustain & Innovate' strategy



Financial Services

Most trusted financial institution in Italy, benefiting from an omni-channel approach

- Promoting diversification in asset allocation
- Expansion of omni-channel for the Customer
- Integration of non-life coverage into the investment offering

Market context



Financial markets

The year 2020 ended with positive performance across many asset classes, both government and riskier securities. Monetary and fiscal intervention marked the reversal point of market performance in 2020 and will continue to dominate the scene this year at least until the real economy returns to a robust growth path. The spread of the Covid-19 pandemic resulted first, in a massive recomposition of investors' portfolios towards safer assets. In the financial markets of advanced countries, since the end of February 2020, severe turbulence has affected all sectors, in a context of high risk aversion, which then rose again significantly in the second quarter of 2020. The intervention of economic policy, with the coordinated action of central banks and governments, has favoured the fall in interest rates and credit spreads, as well as the rise in share prices.

In the summer months, the European stock markets remained stable, while in the American and Chinese markets, the recovery continued, leading the indices to exceed the values recorded at the beginning of the 2020. The third quarter of 2020 saw equity prices continuing to rise, albeit at a more moderate pace than the previous quarter, thanks to confirmation of signs of economic recovery. The trend in the markets changed last autumn due to fears of a second wave of contagion that was stronger than the first and ahead of expectations. The phase of risk aversion also involved the USA, mainly due to the lack of agreement on new measures to support the economy before the presidential elections, although prices nevertheless remained above the levels of the beginning of 2020, thanks to the strong rise in technology stocks recorded during the previous months.

In the last two months of 2020, the discovery of Covid-19 vaccines, the US presidential election and the Brexit deal supported share prices, which also rose thanks to continued improvement in short-term expectations. In the United States and Japan, prices exceeded pre-Covid-19 pandemic levels, while recoveries in the Eurozone are still incomplete. In the January-December 2020 period¹⁶, the S&P 500 and Nikkei 225 gained 15.86% and 16.01%, respectively, while the EuroStoxx 50 lost 4.72%.

The joint action of the central banks has drastically reduced volatility in the money market. The high levels of liquidity available on affordable terms and the removal from the market, through Quantitative Easing (QE)¹⁷, of large issues of

¹⁶ Period from 30/12/2019 to 30/12/2020

¹⁷ Quantitative easing is an unconventional monetary policy measure consisting of asset purchases to support economic growth and deflation.

short-term government bonds have created the conditions for a normalisation of the spread between market LIBOR rates¹⁸, OIS¹⁹ and the rates on FED Funds²⁰.

The decision of the Federal Reserve (FED) to proceed with massive purchases of short-term US securities and the subsequent extension of the purchase programmes also to bonds, issued by States and local authorities, reduced the pressure on intermediaries and markets, which did not seem able to cope with the significant increase in demand for liquidity. The ECB followed the FED and the use of the PEPP (Pandemic Emergency Purchase Programme) on securities with a maturity of even less than one year definitively stabilised the money market. The ECB strategy has also provided support for BTP; the yields on Italian government securities, after fluctuating at relatively high values, have in fact declined across all maturities since mid-May 2020. The 10-year spread between BTP and Bund at the end of December 2020 was thus slightly below the values at the beginning of the year (108 bps vs. 159 bps) and the yield on 10-year BTP fell from 1.41% to 0.54% in the twelve-month period.

The performance of the credit market, after the shock and sudden illiquidity caused by the pandemic, has been dominated by the progressive search for yield. The awareness that central banks will keep interest rates low in the medium to long term generated a lengthening of the maturities of securities issued and central bank purchases absorbed a significant portion of this, favouring a compression of yields between highly rated securities and those of lower quality.

The year 2020 was characterised by an almost general weakening of the dollar with the Euro-Dollar exchange rate pushing up to above 1.23 on the last trading day of the year from 1.11 at the end of 2019. The euro appreciated almost across the board, supported by the immediate response to the crisis by the EU (Recovery Plan) and the ECB.

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 swaps²¹.

	9M 2019	2019	1Q 2020	1H 2020	9M 2020	2020
BTP 10Y	0.82	1.41	1.52	1.26	0.87	0.54
SWAP 10Y	(0.15)	0.20	(0.02)	(0.17)	(0.23)	(0.26)
BTP 15Y	1.37	1.89	1.92	1.68	1.23	0.92
SWAP 15Y	0.07	0.46	0.16	0.00	-0.05	-0.08
BTP 30Y	1.91	2.47	2.44	2.22	1.75	1.42
SWAP 30Y	0.22	0.63	0.17	0.04	-0.01	-0.03

¹⁸ LIBOR (London Interbank Offered Rate) is the short-term interest rate for the major eurocurrencies on the London interbank market.

¹⁹ The Overnight Index Swap (OIS) is a swap, in which the buyer pays the pre-determined fixed rate and collects the weighted average variable rate E.O.N.I.A. (European Overnight Indexed Average) set daily during the reference period. The LIBOR-OIS differential (i.e. the spread between the two values) is an important market indicator, as it measures the risk and liquidity of the money market. If the spread is high (when LIBOR is high) it is an indication of little inclination to lend money, while a low spread indicates a high level of market liquidity.

²⁰ Very short-term interest rate, in the U.S. federal funds market, in which excess reserves held by credit companies at the Federal Reserve are exchanged.

²¹ Source: Bloomberg



Banking system

The banking sector recorded a positive performance overall in 2020. According to preliminary estimates from the Italian banking association (ABI²²), in December 2020, lending to the private sector, adjusted to take into account off-balance sheet securitised loans, was up 3.9% year on year (-0.4% compared to the previous year) at €1,721 billion. In December 2020, loans to households and businesses increased by 5.5% compared to a year ago. Credit flows, which mainly concerned medium and long-term maturities, reflect the greater demand associated with the increase in liquidity requirements; demand for mortgages by households in December 2020 was in line with the previous month (+2.3% the year-on-year change) while consumer credit showed a slight decline (-1.1% the year-on-year change). In December 2020, deposits of resident customers (current accounts, deposits redeemable with notice, deposits with agreed maturity and repurchase agreements) increased by 10.3% year-on-year (+€162 billion); bond deposits continued to decline, recording a drop of 8.6% in December 2020 (-1.9% in December 2019). Interest rates on the various forms of customer deposit were broadly unchanged. The overall average rate on deposits stabilised in December 2020 at around 0.33%, in line with the values of the previous months.

Asset Management

Assogestioni figures at 31 December 2020²³, showed total assets of €2,421 billion, compared to €2,307 billion at the end of December 2019 (+5.0%, as a result of the positive contribution of inflows of +0.6% and performance of +4.4%). With reference to portfolio management (Retail and Institutional), assets amounted to approximately €1,220 billion (€1,171 billion at the end of December 2019, +4.2%, as a result of the negative contribution from inflows of -1.3% and positive contribution from performance of +5.5%). With regard to collective asset management (open-end and closed-end mutual investment funds), customer assets went from about €1,136 billion at the end of December 2019 to about €1,201 billion at the end of December 2020 (+5.8%). With regard to open-ended mutual investment funds alone, customer assets at the end of December 2020 amounted to approximately €1,133 billion (approximately €1,072 billion at the end of December 2019), or +5.7%, as a result of the positive contribution of inflows of +2.2% and performance

²² ABI - Economy and Financial-Credit Markets - January 2021

²³ Monthly data (preliminary) with reference to December 2020; quarterly data (consolidated) with reference to 2019

of +3.5%. In terms of net inflows, the asset management industry recorded, in 2020, an overall positive balance of €14.6 billion, compared to €76.8 billion of the previous year (the 2019 result is largely attributable to intra-group transactions of Poste Italiane).











Regulatory Context










Circular no. 285 of 17 December 2013 - Bank of Italy	On 23 September 2020, the Bank of Italy published the 34th update of Circular no. 285 of 17/12/2013, which implements the EBA Guidelines on outsourcing (EBA/GL/2019/02) and the adaptation of the Company's awarding and outsourcing Regulation is already being updated.	
Corporate Governance - Bank of Italy	On 24 December 2020, the National Authority published a consultation document regarding a proposal to revise the provisions on corporate governance with a view to strengthening, in line with Directive (EU) 2019/878, the existing rules on organisation and corporate governance. The Company is evaluating the regulatory impacts for any actions to be taken.	
	Consob Resolution no. 21303 of 18 March 2020	In light of the severe turbulence triggered by the health emergency, Consob has temporarily introduced a ban on short selling and other bearish operations on all shares traded on the Italian regulated market , including through derivatives or other financial instruments. Said ban, subject to continuous monitoring by the Authority, was lifted in the second half of May 2020.
Consob Resolution no. 21314 of 25 March 2020	The deadline for sending the "Report on the methods of carrying out investment services" , initially scheduled for 31 March 2020, has been extended by 60 days. The Company submitted the Report on 24 April 2020.	
ESMA Notice of Attention of 6 May 2020	Taking into account the volatility of the markets resulting from the health emergency, and the consequent increase in market, credit and liquidity risks, ESMA issued a Notice of Attention on the importance of complying with the conduct obligations under MiFID II . In particular, the Notice focuses on: i) compliance with Product Governance requirements; ii) information obligations towards customers; iii) the assessment of the adequacy of the products offered.	
"Decreto Legge Rilancio" (Relaunch Law Decree) of 13 May 2020	Simplified procedures have been introduced for the remote conclusion of contracts relating to the provision of investment services, membership of Undertakings for Collective Investment in Transferable Securities (UCITS) and insurance contracts . The aforementioned provisions regulate the contracts stipulated between the date on which a state of emergency was declared in Italy and its termination.	
MiFID II - ESMA update on regulatory framework	ESMA has clarified the application of certain aspects relating to the organisational, ownership and specific skill requirements of the Compliance function . In detail, with the update of 5 June 2020 "Guidelines on certain aspects of the MiFID II compliance function requirements", ESMA aligned the 2012 Guidelines to the renewed regulatory framework dictated by the MiFID II Directive, without however modifying its substance.	
Letter from IVASS and Bank of Italy of 17 March 2020	The letter to the market reaffirms the importance of adopting the correct methods for the sale of products combined with loans , expressly referring to the collaboration with the Competition and Market Authority (AGCM). BancoPosta's overall assessment of compliance with the issues under consideration as well as the action plan were presented to the Board of Directors in September 2020.	
IVASS executive regulation of the SDR2 Directive	On 3 September 2020 was the entry into force of the Regulation that introduces the obligation for BancoPosta (as intermediary offering custody and administration services for shares or holding securities accounts on behalf of shareholders) to inform customers/shareholders of particular corporate events and to provide, at the request of the issuing company, specific information regarding the identification of customers/shareholders . The Company has defined the methods for managing the communications of meetings and other corporate events, as well as the methods for acquiring customer adhesions.	
Digital finance package	On 24 September 2020, the European Commission published the new digital finance package, containing a set of legislative proposals aimed at promoting the digital transformation of the financial sector by 2024 . The Company will evaluate the legislative proposals in question to identify business obligations or opportunities.	
Requirements for corporate officers of banks and financial intermediaries	On 30 December 2020, MEF Decree no. 169 of 23 November 2020 came into force, containing the Regulation on the requirements and eligibility criteria for the performance of the office of corporate officers of banks and financial intermediaries . It introduced new criteria of correctness, competence, independence and adequate collective composition of the corporate bodies. Poste Italiane has started a work table to identify the implementations to be made regarding the new criteria.	
POG Obligations and Adequacy	In the first half of 2021, the update will come into force of EU Regulation 2017/565 and EU Delegated Directive 2017/593 in order to implement the provisions on ESG issues in the ESMA Guidelines of February and November 2018 regarding Product Oversight Governance (POG) obligations and adequacy . The main changes will concern, with reference to ESG issues, the obligations of: i) updating policies and procedures; ii) evaluation of customer preferences in the assessment of adequacy and advice in the field of investment services; iii) information to the customer both in the consultancy report and in the annual report. In this regard, work tables have been launched to carry out the appropriate analyses and assessments on the activities to be carried out within the foreseen timeframes.	

Operating review

The table below lists the main activities carried out by the SBU during the period and indicates the main pillar of the Group's sustainability strategy, which is discussed in the chapter Performance. Please refer to the corresponding paragraph for further details.

Segment	Operating review	Pillar
	Developed new interest-bearing postal certificates	
	Continued marketing of Supersmart offers	
Postal Savings	New solution implemented to subscribe to Certificates dedicated to minors	
	Provided tax credit transfer service and implemented new promotions on the issue	
	Strengthened digital offer channel for retail current account products	
	Developed service model for Premium customers	
	Implemented promotions for Business and PA current accounts	
Current accounts	Developed new current account service for the Small Business segment	
	Developed new Mutual Investment Funds	
	Renewed and expanded the range of First and multi-class life policies	
Asset management		

	Renewed and concluded Obelisco Fund protection initiative	
Distribution of third-party products	 Evolution of Poste Italiane's offer to cope with the Covid-19 pandemic	
	Implementation of the product for the advance redundancy payments and special arrangements for BancoPosta and PostePay Evolution customers	
	Developed new initiatives for BancoPosta loan holders	
Other activities	Renewed three-year agreement with the Ministry of Economy and Finance (MEF) for the regulation of treasury services and the movement of funds on behalf of the State	
	Developed a new model of remote consulting for the placement of investment products	

Other information

Bank of Italy

On 26 February 2020, the Bank of Italy launched an ordinary and general inspection of BancoPosta Fondi S.p.A. SGR, in accordance with article 6-ter of Legislative Decree no. 58 of 24 February 1998. Subsequently, on 22 May 2020, the Authority communicated the interruption of the inspection, in relation to the impossibility - due to the health emergency in progress - to remotely complete some verification activities and that for the above reasons, the delivery of an ordinary inspection report is not expected.

On 5 May 2020, a communication from the Bank of Italy was received containing the results of the transparency audits it carried out from 22 May to 19 July 2019 at 24 Post Offices and headquarters, which concerned, among other things: the organisational structure of BancoPosta, the Group and the territorial network, the management of relations with external partners, and the management of payment not approved. In response to the feedback of the Bank of Italy, the Company has prepared a plan containing the corrective measures to be put in place with an indication of the implementation methods and timing, which was communicated to the Bank of Italy on 3 July 2020.

With reference to the Regulation implementing articles 4-undecies and 6, paragraph 1, letters b) and c-bis of Legislative Decree no. 58 of 24 February 1998, adopted by the Bank of Italy on 5 December 2019 pursuant to art. 23 paragraph 7, the Company appointed to perform the legal audit of Poste Italiane's financial statements for the year ended 31 December 2019 complied with the new regulatory requirements by sending the Annual Report on the deposit and sub-deposit of customer instruments to the Bank of Italy on 28 October 2020.

CONSOB

In January 2020, CONSOB launched an inspection of a general nature pursuant to article 6-ter, paragraph 1, of Legislative Decree no. 58 of 24 February 1998, aimed at ascertaining the state of adaptation to the new MiFID II legislation. The inspection was completed on 23 October 2020. The Company is awaiting feedback from the Authority.

In July 2020, CONSOB formalised a request concerning the checks carried out on the Transaction Reporting valuation criteria. The relevant feedback was provided on 24 August 2020.

In December 2020, CONSOB launched a thematic survey concerning the actions taken on Environmental, Social and Governance (ESG) issues. The relevant feedback was provided on 15 February 2021.

Autorità Garante della Concorrenza e del Mercato (AGCM - the Italian Antitrust Authority)

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.

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

In May and September 2020, IVASS requested specific in-depth analysis of Poste Italiane's third-party car liability offers, with particular reference to the business model, product and customer target. Feedback was provided on 19 May and 10 September 2020, respectively. Following the response note, a special meeting was held with the Authority on 18 September 2020.

On 9 October 2020, in view of the launch of the pilot project of proposing protection products through external call centres, the names of the managers were communicated to IVASS.

INSURANCE SERVICES STRATEGIC BUSINESS UNIT



Insurance Services

Market-leading insurance company with comprehensive and sustainable product portfolio

'2024 Sustain & Innovate' strategy

- Life products at the heart of the group's investment offering
- Profitable growth in the non-life market
- Full integration of ESG principles and reduction of under-insurance in Italy

MARKET CONTEXT

Life business

Based on official figures available at the end of December 2020²⁴, new individual and group Life business of €84.2 billion at the end of December 2020 declined by 6.5% compared to the same period in 2019. If new Life business reported by EU companies is also taken into account, the figure reached €96.2 billion, down 7.4% compared to 2019. Analysing the figures by class of insurance, Class I premiums amounted to €55.3 billion at the end of December 2020, down 11.6%, given the health emergency, compared to the previous year. However, the decline is smaller than that recorded in the first half of 2020 (-19.8% compared to the same period in 2019).

The performance of Class III products was up (+3.4%) compared to the 2019 figure, reflected in inflows of €24.5 billion at the end of 2020, whereas inflows of capitalisation products (€1.7 billion) recorded a significant decrease (-24.2%) at the end of 2020 compared to the previous year, due to the decline in both individual and collective policies. The trend in new premiums relating to long-term health policies (Class IV) continued to be limited (approximately €68 million), and slightly up (+0.2%) compared to 2019.

New contributions relating to the management of pension funds at the end of December 2020 amounted to €2.7 billion, a significant increase (+72.4%) compared to 2019.

Single premiums continued to be the preferred form of payment for policyholders, representing 94.8% of total premiums written and 61.9% of policies by number.

With regard, finally, to distribution channel, around 64.7% of new business was obtained through banks and post offices, with premium revenue of €54.5 billion, down (-9%) compared to 2019. On the other hand, with regard to the entire agency channel, the volume of new business distributed reached €17 billion at the end of December 2020, substantially in line (+0.8%) compared to the figure for 2019 and with an incidence on total intermediated business of 20.1%.

The performance of new business obtained through qualified financial consultants was €11.3 billion, down (-7.3%) compared with the figure for the previous year and with an incidence compared to the total of intermediated premiums equal to 13.5%.

Finally, the broker and distance sales channel recorded growth at the end of 2020 of 20.3% compared to 2019, with a volume of premiums placed of €1.4 billion (or 1.7% of the total brokered).

²⁴ Source: Ania Trends, new Life business (December 2020).

New individual and collective Life business by class ^(*)

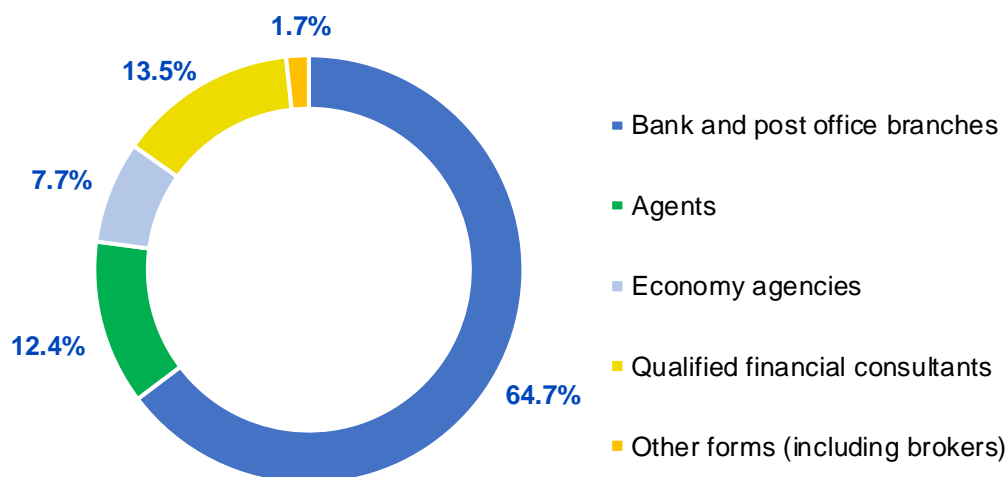
(data updated to December 2020 in €m)

Premiums by class/product	Premiums YTD	% change 2020 vs 2019
Life - class I	55,313	-11.6%
Unit - Linked - class III	24,544	3.4%
Capitalisations - class V	1,672	-24.2%
Class VI pension funds	2,622	72.4%
Illness class IV	68	0.2%
Italian insurers - non-EU	84,220	-6.5%
EU insurers ^(**)	12,004	-13.4%
Total	96,224	-7.4%

^(*) 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.

New Life individual and collective business by distribution channel



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) at the end of the third quarter of 2020, amounted to €26.5 billion, slightly down (-2.8%) compared to the same period in 2019, confirming the downward trend that began in March and attributable exclusively to the emergency situation linked to the spread of the Covid-19 virus that has heavily impacted the sales processes and operations of insurance companies.

This decline is due in particular to the sharp drop in the car sector (-4.3%). In particular, the car TPL and land vehicle hull classes reported a decrease in premium income of 5.0% and 1.2%, respectively.

The other P&C classes also experienced a sharp slowdown. While growth was 5.0% at the end of the third quarter of 2019, at the end of the third quarter of 2020, there was a decrease of 1.4%, mainly due to a decline in April (-10.0%).

The classes with the largest share of premiums written, which were affected by the negative change, were: accident insurance with premiums of €2.4 billion, down 2.8%; Illness insurance with premiums of €2.1 billion, down 5.2%;



general liability insurance with premiums of €2.9 billion, down 0.3%; and financial losses, down 25.0% compared to the same period last year.

On the other hand, a positive change was recorded by the Fire and Other damage to property (+1.3% and +2.1% respectively) and Legal protection (+7.7) classes.

In terms of **distribution channels**, agents continue to lead the way with a market share of 74.3%, slightly up on the figure for previous years (74.1 % in the third quarter of 2019). Brokers represent the second largest P&C premium distribution channel with a market share of 8.7% (8.3% in the same period of 2019), while bank and post offices recorded a market share of 7.3% (7.9% at the end of September 2019).

With regard to direct sales as a whole (including distance, telephone and internet sales), at the end of September 2020, it recorded an incidence of 9.4% (in line with the figure for the end of September 2019). The remaining 0.3% refers to premiums brokered by qualified financial consultants.

Direct P&C premiums by class ⁽¹⁾

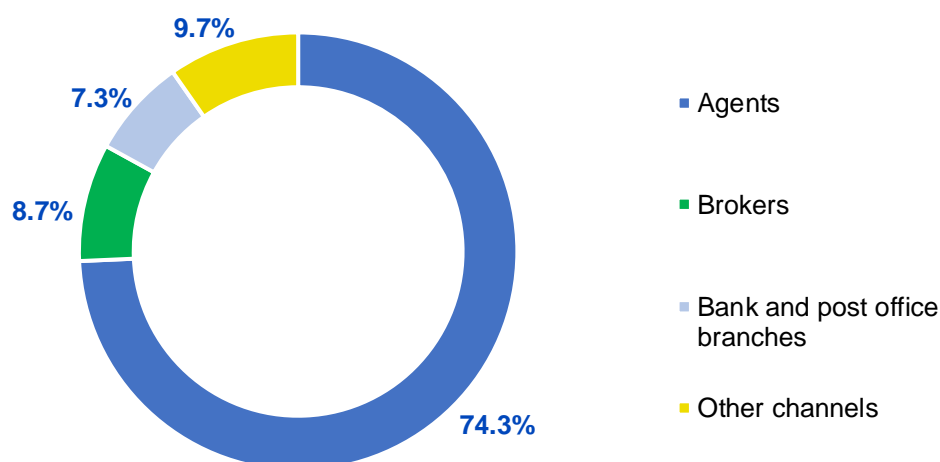
(data updated to September 2020 in €m)

Premiums by class ⁽²⁾	Premiums YTD	% change Q3 2020 vs Q3 2019
Total motor segment	12,083	-4.3%
Other P&C classes	14,393	-1.4%
Total P&C classes	26,476	-2.8%

⁽¹⁾ Source: ANIA

⁽²⁾ Premiums refer to Italian and non-EU undertakings and EU undertakings.

Distribution of direct P&C premiums by distribution channel ^(*)



Source: ANIA

^(*) Italian insurers and non-EU insurer representatives operating as an establishment.







(Data updated to September 2020)

Regulatory Context



Operating review

The table below lists the main activities carried out by the SBU during the period and indicates the main pillar of the Group's sustainability strategy, which is discussed in Chapter 6 Performance. Please refer to the corresponding paragraph for further details.

Segment	Operating review	Pillar
Insurance products	The Company's new product, Poste Nuovi Progetti Futuri, has been developed: a multi-class policy that provides access to the opportunities offered by financial markets through a gradual approach	
	Implemented the new product Poste Progetti Futuri Dinamica: the multi-class policy to seize the opportunities offered by the markets in a gradual way dedicated to Affluent customers	
	 Extended to all subscribers of a health policy the per diem and reimbursement of medical expenses for hospitalisation for Covid-19	
	Implemented the new Postefuturo Investimenti product, Poste Italiane's offer for investing savings online	
	Marketing of the Poste Guidare Sicuri offer, which completes the Group's P&C insurance offer with the launch of a "Motor" product	

OTHER INFORMATION

On 14 December 2020, IVASS launched an ordinary inspection of Poste Vita to assess the governance, management and control of investments and financial risks, which is still ongoing.

4. STRATEGY

[MACROECONOMIC CONTEXT](#)

[INTEGRATING SUSTAINABILITY WITHIN POSTE ITALIANE'S STRATEGY](#)

[POSTE ITALIANE'S SUSTAINABILITY STRATEGY](#)

[POSTE ITALIANE'S SUSTAINABILITY PATH](#)



MACROECONOMIC CONTEXT



In 2020, the international business cycle was dominated by the evolution of the pandemic from Covid-19. The virus has obliged many governments to implement restrictive measures to contain the spread of contagion (e.g.: lockdown), which have led to a rapid and sharp decline in economic activity. The recession was unprecedented in its geographical scope, affecting all continents, albeit with varying intensity. The OECD December 2020 forecasts show global 2020 GDP down by 4.2%²⁵.

Faced with this scenario, the reaction of governments, central banks and supervisory authorities has been swift and exceptional: large public transfers and tax cuts have been decided in almost all economies, while at the same time, central banks and supervisory authorities have introduced a wide range of measures to counter financial market tensions and support lending to households and businesses. After the collapse of economic activity in the first half of the year, the improvement in the contagion situation allowed for a gradual easing of restrictive measures and a significant recovery in production rates, with global GDP rebounding in the third quarter of 2020. The economic recovery, especially among advanced economies, was mainly driven by private consumption, aided by the generous support measures put in place at the height of the crisis. In view of the recovery in foreign demand, net exports from emerging economies also made a positive contribution. In the fourth quarter of 2020, the global recovery looked set to be confirmed, partly in the wake of China's rapid recovery. However, the worsening of the infection roster in most countries during the final weeks of 2020 necessitated new containment measures that put the brakes on the ongoing economic recovery. The lockdown has been partial in many cases, leading to heterogeneous effects across productive sectors. The start of vaccination campaigns and the persistence of several signs of recovery define a moderately favourable scenario. In November 2020, the volume of goods in world trade recovered to pre-Covid-19 levels, accelerating sharply compared to the previous month (+0.7%). The situation, however, remains dominated by great uncertainty, as signalled by the global Purchasing Managers' Index (PMI) on new export orders, which in December 2020, after three months of expansion, returned below the 50 mark.

The slump in economic activity and world trade generated a depressive effect on oil demand that, in the second half of 2020, was partly recovered by expectations of a recovery and dollar weakness: from the negative peak of \$20 per barrel in late April 2020, Brent prices recovered to around \$50 in December 2020, although still below pre-Covid-19 health emergency standards²⁶.

In the countries of the [Eurozone](#), after the first wave of contagions and the consequent decline in economic activity in the first (-3.7%) and second quarters of 2020 (-11.7%)²⁷, since August 2020, the contagion curve has slowly returned

²⁵ Mglobale.it - OECD December 2020 Forecasts

²⁶ Il Sole 24 Ore - Brent Oil Price - December 2020

²⁷ Eurostat - GDP up by 12.5% and employment up by 1.0% in the Eurozone

to growth, first in Spain, then in France and in some Central and Eastern European countries. By September 2020, the second pandemic wave was already in full swing across the continent, albeit with a different spread between countries. The restrictive measures put in place were relatively less severe than those adopted during the spring of 2020, which were followed by an impact on activity indices limited to services, which slowed sharply in many countries in the Area. Overall, GDP increased 12.5%²⁸ in the third quarter of 2020. For the fourth quarter, after the sharp decline in November, the December Eurozone Purchasing Managers' Index (PMI)²⁹ composite rose slightly from 45.3 to 49.8³⁰ and the ECB, in its latest Economic Bulletin, noted a significant decline in activity, albeit to a much lesser extent than that observed in the second quarter of 2020, due to the sharp resurgence of the pandemic and the necessary reintroduction, from mid-October 2020, of containment measures that mainly affected the services sector. The Eurostat preliminary estimate of Eurozone GDP for the fourth quarter of 2020 shows a decline of 0.7% in the economy, resulting in a drop for the whole year of 6.3%.

States were able to respond quickly to the crisis through appropriate economic policies. In addition to the counter-cyclical measures adopted, similar to those already experienced during past recessions, unprecedented action was taken at supranational level. The Next Generation EU (NGEU) by the European Union and the Pandemic Emergency Purchase Programme (PEPP) following ECB initiative, are new developments in common response capacity to a shock that has affected all Member States. The Next Generation EU is a €750 billion temporary recovery instrument that will enable funds to be raised on the capital markets. This instrument will help repair the immediate economic and social damage caused by the Covid-19 pandemic, to create a post-Covid-19 Europe that is greener, more digital, resilient and fit for present and future challenges. Instead, the PEPP represents an unconventional monetary policy measure launched in March 2020 to counter the serious risks posed by the Covid-19 pandemic to the monetary policy transmission mechanism and the Eurozone outlook. The PEPP had an initial budget of €750 billion, increased in June 2020 by €600 billion. In December 2020, concerns about the timing of achieving herd immunity through vaccine deployment and uncertainties about the prospects for easing restrictions led the European Central Bank to adopt an expansionary monetary policy by increasing the PEEP allocation by an additional €500 billion³¹, with which it will proceed with net purchases of public and private securities until March 2022, while reinvestment of purchases was extended to the end of 2023.

Improving the Eurozone's economic outlook was the agreement reached at the end of 2020 between the EU and the UK that will ensure duty-free trade in goods between the two areas to their mutual benefit, while negotiations are ongoing on some aspects of services, particularly financial services.

Italy was hit by the Covid-19 pandemic at the end of February 2020 in an overall stagnant cyclical phase that deteriorated rapidly. The measures introduced, which were essential to contain the contagion, limited economic activities and the freedom of movement of people and produced economic declines in both the first quarter of 2020 (-5.5%) and the second quarter (-13%)³².

Since May 2020, the easing of the Covid-19 pandemic has allowed economic activities to gradually reopen. The exceptional recovery in production rates in the third quarter of 2020 generated GDP growth of 15.9% on a cyclical basis³³; much of the decline in the first half of 2020 was recovered and there was an increase in household consumption

²⁸ Eurostat - GDP up by 12.5% and employment up by 1.0% in the Eurozone

²⁹ Purchasing Managers Index: macroeconomic indicator used in the analysis of the manufacturing, services and construction sectors and is the result of a survey conducted among the Purchasing Managers of the companies sampled through surveys on the various aspects that characterise the performance of the company (number of employees, production trends, orders received, prices, distribution and future expectations). The figure is used to check the economic condition of the industry and provides a forecast of future growth or decline in the industry.

³⁰ Mglobale.it - PMI Index Eurozone December 2020

³¹ European Central Bank - Pandemic Emergency Purchase Programme

³² ISTAT - 3rd quarter 2020 - Quarterly economic accounts - GDP, value added, consumption, investments, foreign demand

³³ ISTAT - 3rd quarter 2020 - Quarterly economic accounts - GDP, value added, consumption, investments, foreign demand

expenditure of 12.1%. As a result, the propensity to save stood at 14.6%, down 4.4 percentage points from the previous quarter but up 6.5 percentage points from the corresponding quarter of 2019³⁴.

The second pandemic wave, which began in October 2020, forced the government to impose new lockdown measures, albeit in different ways across regions. Despite the recovery of the industrial sector, the scenario remained weak in services, and especially in the sectors most exposed to the effects of the pandemic, such as retail trade and transport, accommodation and catering. In December 2020, the composite index of business confidence showed a more pronounced increase for market services and manufacturing, where the improvement affected all components and more strongly expectations of production and orders. Construction and especially retail trade, on the other hand, recorded a decline in the index³⁵. For the full year 2020, the OECD forecasts a decline of 8.9%³⁶ of the Italian economy and inflation, even with reference to the underlying component, remains very weak due to the sharp drop in energy commodity prices and the lack of aggregate demand: consumer prices fell on average by 0.1% compared to 2019³⁷.

In this difficult context, the effects of the pandemic on the economy and public finances have marked a break in the improvement of public accounts, strongly affecting their performance. According to official estimates, the General Government deficit, after being 1.6% of GDP in 2019, is expected to be around 10.8% in 2020, while debt is expected to be 158% of 2020 GDP, up from 134.7% in 2019. Since March 2020, there has been a series of anti-crisis legislative measures and revisions in the estimates of public finance aggregates; most of these have been of an emergency nature, offering temporary support to various economic subjects (workers, households and businesses), thanks to the implementation of a wide range of instruments, such as the creation of new funds and the availability of non-repayable contributions, tax credits, tax breaks and support to business liquidity. These measures were made possible by the application, at European level, of the general safeguard clause provided by the Stability and Growth Pact, which allows member countries, in view of the severe recession in the Eurozone and the entire European Union caused by the pandemic, to deviate temporarily from the adjustment path toward the medium-term budget objective, provided that budget sustainability is not compromised.

Expectations for the coming months retain a high degree of uncertainty, although growth estimates for 2021 reflect a resumption of economic activity on a global scale, in step with the progress of vaccinations and thanks to the support measures adopted in all the main countries, especially in the United States where an impressive fiscal support programme is expected. These reasons for optimism are contrasted by the uncertainties, which weigh above all on the Eurozone, linked to the effectiveness and speed of vaccination campaigns, new waves of infection and possible variants of Covid-19. Macroeconomic projections made in December 2020 by IMF experts³⁸ forecast global real GDP to increase by 5.5% in 2021, before settling at 4.2% in 2022. As economic activity picks up, it is hoped that commerce will also pick up, growing by an estimated 8% in 2021. Inflation will remain very low: below the targets set by central banks in advanced economies (around 1.5%) and below the historical average in emerging markets (just over 4%). China, the only major country not to show a recession in 2020, is expected to accelerate by 8.1% in 2021, while other economies will see a slower rebound. In particular, in the Eurozone, the recovery will be around 4.2% and will also depend on the success of the Next Generation EU programme.

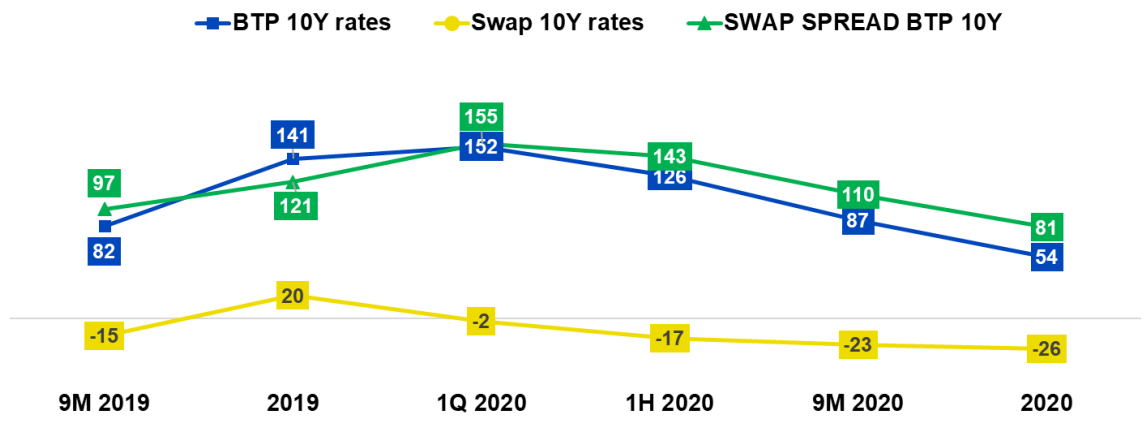
³⁴ ISTAT - 3rd Quarter 2020 - AP quarterly account of household income and savings and company profits

³⁵ ISTAT - Monthly report on the performance of the Italian economy - November/December 2020

³⁶ Mglobale.it - OECD December 2020 Forecasts

³⁷ ISTAT - Monthly report on the performance of the Italian economy - November/December 2020

³⁸ IMF outlook January 2021



INTEGRATING 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 "2024 Sustain & Innovate Plan"³⁹. Over the period of the plan, €3.1 billion of investment is envisaged in strategic assets, in order to achieve financial objectives.

NFS

"2024 Sustain & Innovate" Strategic Plan



The strategic objective of the Mail, Parcels and Distribution segment is to accelerate its transformation from a pure mail operator to a full logistics operator, ensuring the economic and environmental sustainability of its operations. Implementation of the strategy is based on streamlining of the distribution networks, including the integration of Nexive, acquired at the end of 2020, consolidation of leadership in the B2C market and growth in the C2X and B2B segments through the introduction of specific offers and initiatives aimed at improving the customer experience. Through the implementation of these strategic directions, the segment aims to achieve operational break-even by 2024 and an operating profit in 2025.

FINANCIAL OBJECTIVES	OPERATING OBJECTIVES
<ul style="list-style-type: none"> Revenue: €3.9 billion (2019: €3.5 billion), with an increase in revenue from the Parcels segment, and easing of the decline in the Mail segment. Parcels segment: €2.0 billion (2019: 0.85 billion). EBIT: expected operating break-even by 2024. 	<ul style="list-style-type: none"> Double the volume of automatically sorted parcels. B2C parcels market share: 38% by 2024. C2C market share: 57% by 2024 (2019: 41%).



The Payments and Mobile area aims to establish itself as a complete and omni-channel platform for its customers, flanking the traditional business lines of payments and telecommunications with an offer dedicated to Energy from 2022, a market which the company will enter by taking advantage of its liberalisation. The expansion of products, together with the ability to exploit physical and digital channels and third-party networks, will make it possible to fully exploit cross-selling opportunities for customers, thereby increasing value for Poste Italiane as a whole.

FINANCIAL OBJECTIVES	OPERATING OBJECTIVES
<ul style="list-style-type: none"> Revenue: €1.9 billion (2019: €0.7 billion). EBIT: €0.4 billion (2019: €0.2 billion), with CAGR of 1%. 	<ul style="list-style-type: none"> Expected PostePay Evolution portfolio of 11.6 million cards issued. Expected card transactions as CAGR up 14%, to reach €2.7 billion.

³⁹ The financial and operating objectives shown in the tables refer to 2024.



Financial Services aims to further evolve its service model by combining the traditional physical model with the opportunities provided by technological innovation. The priorities of the Strategic Plan include growth in wealth management, thanks to the diversification of customer portfolios to optimise their risk-return profile, the integration of non-life policies within the advisory model and a renewed focus on loans, with particular emphasis on the CQS segment, also thanks to partnerships signed with leading operators in the sector.

FINANCIAL OBJECTIVES	OPERATING OBJECTIVES
<ul style="list-style-type: none"> Revenue: €5.9 billion (2019: €5.8 billion). EBIT: €0.7 billion (2019: €0.9 billion). Common Equity Tier 1 Capital: 17%. 	<ul style="list-style-type: none"> Total financial assets: a rise to €615 billion from €569 billion in 2020, with increased penetration of life products.



In Insurance Services, Poste Italiane aims to establish itself as an insurance operator capable of serving all customers' investment and protection needs. Poste Vita aims to confirm its position as leader in the life insurance sector, continuing to offer customers safe products that are both more profitable and more capital efficient. Lastly, the non-life insurance strategy envisages an increase in profitability thanks to the modular offer, supplemented by car insurance, provided to customers without assuming risk thanks to distribution agreements signed with leading Italian insurance companies.

FINANCIAL OBJECTIVES	OPERATING OBJECTIVES
<ul style="list-style-type: none"> Revenue: €2.7 billion (2019: €1.7 billion). EBIT: €1.3 billion (2019: €0.8 billion). Net profit: 5% CAGR in the period 2019-2024. Solvency Ratio: >200%. 	<ul style="list-style-type: none"> Gross premium revenue: €26.5 billion (2020: €16.7 billion). Double the average premium of the modular offer. 8,000 post offices enabled to sell car policies by 2024.

POSTE ITALIANE'S SUSTAINABILITY STRATEGY

NFS

Poste Italiane has adopted a Sustainability Strategy consisting of a set of Sustainability Policies and an ESG Strategic Plan, which contributes to the achievement of national and supranational social and environmental development objectives. Within the broader strategic framework defined by the Group, this strategy is consistent with Poste Italiane's activities and business criteria.

The policies adopted incorporate all the principles, qualitative objectives and different management methods, regulating in a synergistic manner the various issues that emerged from the materiality analysis and the areas required by Legislative Decree no. 254/2016. The ESG Strategic Plan, on the other hand, includes all the specific quantitative and qualitative objectives and targets that the Group has set itself with a view to continually improving its sustainability performance.

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

Tax Strategy	The strategy is arranged as a set of principles and rules aimed at promoting dissemination of the values of honesty, fairness and compliance with tax regulations, thereby encouraging the development of collaborative and transparent conduct towards the tax authorities and third parties, in order to minimise any substantial impact in terms of either tax or reputational risk.
Occupational Health and Safety Policy	The policy sets out the principles and methods implemented by the Group to protect and promote the physical and mental well-being of people through prevention, a culture of safety and implementation of management systems.
Integrated Policy	The policy contains a commitment to promptly comply with current regulations and general principles to be observed in the areas of quality management (UNI EN ISO 9001:2015), occupational health and safety (BS OHSAS 18001:2007), prevention of corruption (ISO 37001:2016), and management of data security and information systems (ISO/IEC 27001:2013 and ISO/IEC 20000:2011 respectively).
Policy on Community initiatives	The policy contains a commitment to respond to the social needs of local communities and the country as a whole with integrity and transparency, in accordance with procedures that aim to ensure the effectiveness of supported initiatives, while avoiding any potential conflict of interest.
Corporate personal data protection policy	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

Poste Italiane Group policies	Policy objectives
	the protection of personal data and the rights of data subjects through information and awareness campaigns and policies for data protection.
Group policy on Environmental Sustainability	The policy sets out the general principles, objectives and methods for managing the Group's environmental impact and confirms Poste Italiane's commitment to promoting efficient use of natural resources and focusing on seeking innovative solutions to protect the environment in its value chain.
Responsible investment policy of the Poste Vita Group	In its responsible investment policy, Poste Vita sets out principles that enable inclusion of ESG elements in the management of its investment activities, making a positive contribution to the impact issuers in its financial portfolios have on the community, and concrete adherence to principles and guidelines recognised at national and international level regarding the incorporation of sustainability criteria within traditional investment processes.
Responsible insurance policy of the Poste Vita Group	In its responsible insurance policy, Poste Vita defines principles that enable inclusion of ESG aspects in the management of its insurance activities, and concrete adherence to principles and guidelines recognised at national and international level regarding the incorporation of sustainability criteria within traditional insurance processes.
Responsible investment policy of BancoPosta Fondi SGR S.p.A.	In its responsible investment policy, BancoPosta Fondi SGR sets out principles that enable inclusion of ESG elements in the management of its investment activities, making a positive contribution to the impact counterparties in its financial portfolios have on the community, and concrete adherence to recognised principles and guidelines. The policy has been updated in January 2021.
Guideline for investment in sensitive sectors of BancoPosta Fondi SGR	The Guideline for investment in sensitive sectors of BancoPosta Fondi SGR 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.
Guideline on the exercise of voting rights and engagement activities of BancoPosta Fondi SGR	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.
Policy Guideline for Managing Dialogue with Poste Italiane S.p.A. shareholders – Engagement Policy	The objective of the Policy is to regulate the management of dialogue with investors and other market participants adopted by Poste Italiane, with reference to the many forms of engagement that the Company puts in place, whether these concern activities normally

Poste Italiane Group policies

Policy objectives

	<p>managed by the relevant corporate functions (e.g. website maintenance), or involve direct dialogue with members of the Board of Directors ("Shareholder-Director Engagement").</p>
<p>Guideline for investment in sensitive sectors of the Poste Vita Group</p>	<p>The Guideline for investment in sensitive sectors of Poste Vita S.p.A. 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.</p>
<p>Guideline on the exercise of voting rights and engagement activities of the Poste Vita Group</p>	<p>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.</p>
<p>Diversity Policy for administrative and auditing bodies of Poste Italiane</p>	<p>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.</p>
<p>Group Policy for the protection of Human Rights</p>	<p>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.</p>
<p>Policy Diversity and Inclusion</p>	<p>The policy indicates that 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.</p> <p>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.</p>
<p>Guideline on Competition and Consumer Protection Compliance</p>	<p>The Guideline aims to ensure compliance with competition and consumer protection rules, to reinforce awareness of the importance of the relevant regulations, to consolidate an operational and control environment aimed at mitigating the risk of antitrust and anti-competitive offences, to provide a guide to prevent actions, behaviours and omissions that violate competition and consumer protection regulations, and to outline monitoring tools to identify possible violations.</p>

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

Poste Italiane's ESG Strategic Plan is based on 8 pillars in the ESG areas relevant for the Group. Thanks to the materiality analysis carried out during the Multi-stakeholder Forum, it was possible to identify the issues that are relevant for management and stakeholders to include in the Group Sustainability Strategy. Each Pillar has specific objectives and targets that contribute to the achievement of the United Nations Sustainable Development Goals (SDGs). 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.

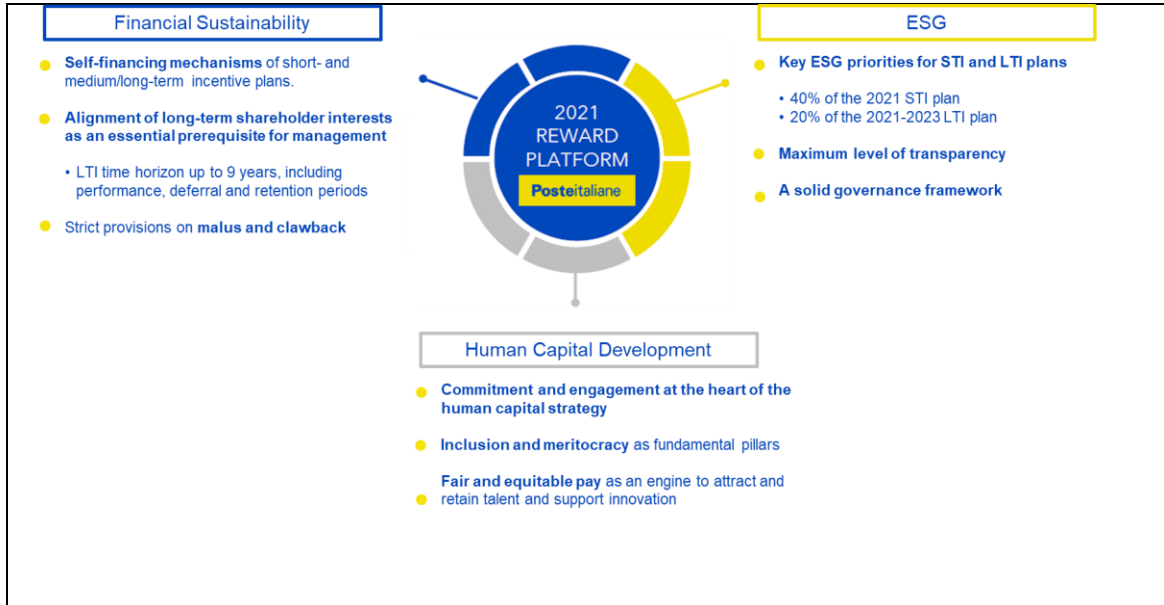
The 2024 Sustain & Innovate Plan aims to achieve responsible growth and accompany Italy's path to sustainability and social inclusion. In defining the **investment choices of the Strategic Plan**, the contribution of each intervention to the **Group's 8 Sustainability Pillars** was also assessed.

The pillars of Poste Italiane's ESG Strategic Plan that support the 2024 Sustain & Innovate Plan



BOX - Reward Platform ESG

With its new "2024 Sustain & Innovate" Plan, Poste Italiane has introduced a new flexible and innovative "Reward Platform" model, with an integrated approach that combines Human Capital Development, Environmental, Social & Governance (ESG) and Financial Sustainability strategies.



Poste Italiane is part of a network of national and international associations that aims to seek stimuli and opportunities for discussion on issues related to sustainability. In this way, the Group is able to propose a strategy that is consistent with the evolution of the global ESG context.

<p>THE GLOBAL COMPACT UNITED NATIONS GLOBAL COMPACT</p>	<p>UN Global Compact: 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>PRI Principles for Responsible Investment</p>	<p>Principles for Responsible Investment: 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>PSI Principles for Sustainable Insurance</p>	<p>Principles for Sustainable Insurance: 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>UN WOMEN United Nations Entity for Gender Equality and the Empowerment of Women</p>	<p>UN Women: 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>CSR Exhibition: 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.</p> <p>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>
	<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.</p>
	<p>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.</p>
	<p>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.</p>
	<p>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.</p>
	<p>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.</p>



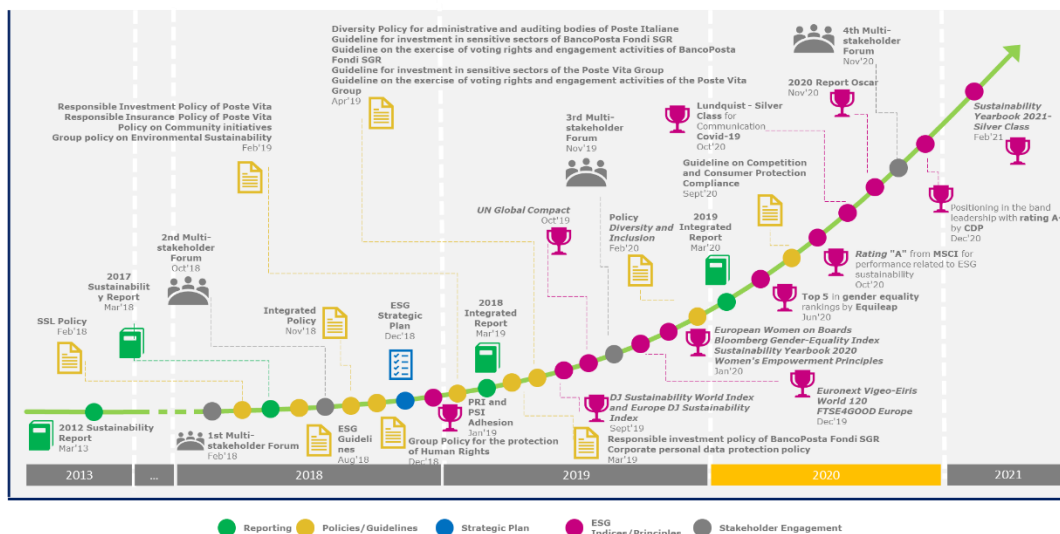
Main related types of capital

POSTE ITALIANE'S SUSTAINABILITY PATH

For Poste Italiane, sustainability is an integral component of its activities, processes and strategy and represents a fundamental driver in the Group's strategic and financial decisions.

In this regard, over the years, Poste Italiane has embarked on an important process of consolidating its sustainability strategy aimed at creating shared value for its stakeholders and developing its reputation.

At the same time, the Group is committed to disseminating a corporate culture oriented towards sustainability issues, which are put into practice through the implementation of three main guidelines - Reporting, Strategy and Governance. All this has allowed in a short time to lead to important evolutionary transformations and the achievement of numerous national and international goals and awards.








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

Aware that the value generated by a company is increasingly based on intangible capital, Poste Italiane sees reputation as a fundamental asset that can guide the choices of its stakeholders. The good rating that a company earns, in fact, increases the trust in it by raising its competitiveness. Even more so during the health emergency, in the most difficult period of the country's democratic history, the Company confirmed its traditional vocation of being close to the territory with a series of exceptional measures, such as the early payment of pensions with shifts in alphabetical order, the agreement with the Carabinieri for the home delivery of pensions to the over 75s and the collaboration with the institutions in the distribution of masks to the population. Monitoring by RepTrak, a platform that measures corporate reputation, in April 2020, found that the Group had made significant progress through improvements in the quality of its services and its focus on ESG issues.

Another important index 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 strategic choices made.

ESG Awards and Recognitions

<p>Top Manager Reputation</p> 	<p>In 2020, the CEO of Poste Italiane, Matteo Del Fante, was confirmed in the "Top 15" of the Top Manager Reputation ranking, drawn up by the Reputation Science Permanent Observatory on the online reputation of the top management of companies operating in Italy. The CEO took seventh place in the ranking.</p>
<p>Top Employer Italia 2021</p> 	<p>Poste Italiane is Top Employer Italia 2021, for the second consecutive year. The prestigious award was given to Poste Italiane by the Top Employers Institute, the global certification body for excellence in HR practices.</p>
<p>Best performance in the 500 Top Brand Finance</p> 	<p>Poste Italiane is ranked 39th in the Global 500, advancing 12 places on the previous year. The analysis, conducted by Brand Finance, identifies the strongest brands in influencing consumer choices and also takes into account marketing management and returns in business performance.</p>
<p>1st in the world's Top 100 insurance companies</p> 	<p>In 2020, Poste Italiane ranked first in the world ranking for brand reputation drawn up by Brand Finance for the insurance sector. The Brand Strength Index (BSI) indicator - which measures the effectiveness of image and reputation, analyses management and investments that influence the brand, customer proximity, employee satisfaction and economic return - assigns Poste Italiane the overall top spot, with a score of 85.5 and a corresponding rating of AAA.</p>
<p>SMAU Innovation Award</p> 	<p>Poste Italiane has been awarded in the financial and logistics sector for having identified, through an extensive process of scouting and analysis of companies and start-ups in Italy and abroad, some realities in which to invest, to integrate and develop its services.</p>
<p>Punto Poste da Te, Salvadanaio digitale and <i>PosteMobile Creami WeBack</i> products of the year</p>	<p>"Punto Poste Da Te", "Salvadanaio digitale" and "PosteMobile Creami WeBack" are the Poste Italiane solutions that 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>



Leader in media communication



Poste Italiane was awarded the special prize "Bic-Best in Media Communication" in the CSR (Corporate Social Responsibility) section, an integrated system for measuring the quality of media communication created by Eikon Strategic Consulting and Fortune Italia, for the communication effort during the health emergency.

Silver Class for communication



In light of the "trust" research conducted by Lundquist, Poste Italiane was recognised as an example of excellence for communication to stakeholders during the Covid-19 pandemic and for the information platforms Postenews.it and TG Poste, obtaining the "Silver Class" badge.



4th position



As part of the 19th Italian edition of the "Webanking" research, conducted by Lundquist in collaboration with Comprend, on the quality and transparency of companies' digital communication activities, Poste Italiane is placed in fourth position, advancing five steps compared to the 2019 ranking for the insurance sector, obtaining the "5 stars". In particular, the 2020 edition assessed the reaction of companies to the crisis, the importance of direct dialogue with stakeholders and the analysis of the impact on business and the future of the company.

Top 10 Socially Devoted



Poste Italiane was once again included in the Top 10 Italian companies in the services sector, drawn up by Social Bakers, a media marketing company that each year compiles a ranking of the best companies based on the degree of interaction with customers on social media, in particular: response times, percentage of posts that receive a response, number of responses given and the degree of satisfaction perceived by users.

Poste at the top for young people



Poste Italiane ranked first in the "Logistic & Supply Chain" sector and among the top 10 in the "Business" segment, within the classical Most Attractive Employers Italy, drawn up annually by Universum Global, a Swedish company leader in employer branding, which took into consideration the assessments of 11,736 young professionals and saw the participation of 145 companies.

With reference to professional figures, it ranked third for "Law Young Professional" and 21st for "Professional Stem".

Certificate of Excellence









In 2020, Poste Italiane received the Certificate of Excellence from Universal Postal Union (UPU) for the results achieved in the sustainable development strategy and the reduction of polluting emissions. In particular, the UPU certification was given to reward Poste Italiane's ability to provide complete and accurate data regarding the company's direct emissions.

Report Oscar



Poste Italiane was awarded the Report Oscar for standing out within the "Large FTSE MIB Companies" category, presenting an Integrated Report with a high degree of maturity in terms of disclosure, quality of information and clarity of presentation. A factor that has contributed to winning the award is having prepared an online Integrated Report, in which the Group's strategy is explained clearly and concisely through videos and highlights. The tool allows Poste Italiane to make its report available to all categories of stakeholders.

<p>Award "2020 CSR Coup de Coeur"</p> 	<p>In 2020, Poste Italiane received the "2020 CSR Coup de Coeur" award in the employee category from PostEurop, for its commitment in promoting employment inclusion programmes for women victims of violence.</p>
<p>Best fund in Italy</p> 	<p>FondoPoste was awarded as the best fund in Italy in 2020. The award was presented by IPE - Investment & Pensions Europe - an independent company and publisher of Europe's leading publication for institutional investors and pension fund managers for 20 years.</p>
<p>First Place in the Financial Innovation-Italian Award</p> 	<p>BancoPosta won first place in the "savings" category at the "Financial Innovation - Italian Award" promoted by the Italian Financial Innovation Association, thanks to the "Salvadanaio Digitale" (Digital Money Box) feature.</p>
<p>Poste Vita awarded at Milano Finanza Insurance Awards</p> 	<p>The Poste Vita Company was awarded in the "Value Companies" category at the Insurance Awards by Milano Finanza, for achieving the best premiums in the life insurance sector and for the largest investments made in 2019.</p>
<p>Awarded "Poste Vivere Protetti" by Poste Assicura</p> 	<p>In 2021, the Poste Vivere Protetti product of the Poste Assicura Group company was recognised with the "2021 Celent Model Insurer Award for Customer Experience Transformation" for its ability to offer customers a multi-channel offer that bundles all coverages in a single policy.</p>
<p>Poste Italiane Group among the best employers for Women</p> 	<p>Following the analysis conducted by the German Quality Institute ITQF in collaboration with the media partner La Repubblica Affari&Finanza, Poste Italiane Group has been awarded "Italy's Best Employers for Women 2021", ranking as one of the 200 best employers for women in Italy.</p>

In 2020, Poste Italiane confirmed its presence in important sustainability indices that represent useful parameters both for communicating the company's results to stakeholders and for assessing and improving the Group's internal performance.

On the one hand, in fact, sustainability indices are studied by shareholders and stakeholders in general, to compare the company's performance with regard to ESG issues compared to companies on the market; on the other hand, they are analysed internally by company management to develop sustainable investment plans for the Group.

Sustainability indices in which Poste Italiane is present

	<p>In 2020, Poste Italiane confirmed its presence in the Dow Jones Sustainability World Index (DJSI) and the more selective Dow Jones Sustainability Europe Index.</p>
	<p>Poste Italiane has been included for the second year running in the prestigious FTSE4Good sustainability indices. The FTSE4Good Europe and FTSE4Good Developed indices include companies that stand out for their transparent management and application of ESG criteria. The Company particularly distinguished itself in the categories: Human Rights & Community; Labour Standards; Corporate Governance and Anti-Corruption.</p>
	<p>The company was placed in the "Leadership" band with an A- rating in the annual classification drawn up by CDP (formerly Carbon Disclosure Project), distinguishing itself for its ability to report on emissions and initiatives introduced to reduce its environmental impact and to adopt appropriate strategic planning and management solutions for climate-related risks and opportunities, with reference to the entire value chain.</p>
	<p>Poste Italiane is confirmed in third place at European level in the assessment of its ESG performance in the "Transports and Logistics" sector and ranks 47th worldwide. The valuation reaffirms Poste Italiane's positioning in the Euronext Vigeo-Eiris World 120 index and the Euronext Vigeo Eurozone 120 and Europe 120 regional indices.</p>
	<p>For the second year running, Poste Italiane is included in the Bloomberg Gender Equality Index (GEI), the world's leading gender equality index. The Company entered the top five by scoring significantly higher than the average score of companies evaluated in the GEI, which considers 380 companies in 11 manufacturing sectors with a combined market capitalisation of \$14 trillion based in 44 countries and regions.</p>
	<p>In 2020 Poste Italiane entered the top five of the gender equality ranking of companies belonging to the FTSE MIB index of the Milan Stock Exchange, drawn up by Equileap. The Group was particularly recognised for its commitment to supporting paternity and maternity aspects and was rewarded for the transparency and quality of the information made public.</p>
	<p>Poste Italiane confirms its presence in the Sustainability Yearbook 2021, published by S&P Global, which assesses the sustainability performance of leading global companies. The Group was awarded Silver Class status for its excellent sustainability performance. The Company is the only Italian company in the financial and insurance sector to have obtained this recognition.</p>
	<p>Also in 2020, Poste Italiane entered the Integrated Governance Index, ranking first in the general top ten and in the top five in ESG matters.</p>
	<p>Poste Italiane Group confirmed its rating of 1, considered to be the highest possible, in the Environment and Social areas, assigned by Institutional Shareholder Services Inc. (ISS).</p>



Poste Italiane has been awarded an "A" rating by MSCI, one of the leading agencies assessing performance related to ESG sustainability.

The Group was awarded for its progress in the area of labour management, responsible management of its investments, its policies on privacy and information security and its climate strategy.

5. RISKS AND OPPORTUNITIES

[POSTE ITALIANE'S CORPORATE GOVERNANCE](#)

[POSTE ITALIANE'S INTEGRATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM](#)

[MANAGEMENT OF THE COVID-19 PANDEMIC](#)

[MATERIAL ISSUES, RISKS AND MANAGEMENT METHODS](#)

[OUTLOOK: EMERGING RISK MANAGEMENT](#)



POSTE ITALIANE'S CORPORATE GOVERNANCE

NFS

MANAGEMENT AND SUPERVISORY BODIES

Board of Directors ⁽¹⁾	
Chairwoman	Maria Bianca Farina
Chief Executive Officer and General Manager	Matteo Del Fante
Directors	Giovanni Azzone Bernardo De Stasio Daniela Favrin Davide Iacovoni Mimi Kung Elisabetta Lunati Roberto Rossi

Control and Risk Committee ⁽²⁾	Remuneration Committee ⁽²⁾	Appointments and Corporate Governance Committee ⁽²⁾	Related and Connected Parties Committee ⁽²⁾	Sustainability Committee ⁽²⁾
Bernardo De Stasio (Chair) Davide Iacovoni Roberto Rossi	Giovanni Azzone (Chair) Daniela Favrin Elisabetta Lunati	Bernardo De Stasio (Chair) Giovanni Azzone Mimi Kung	Elisabetta Lunati (Chair) Bernardo De Stasio Mimi Kung	Daniela Favrin (Chair) Davide Iacovoni Roberto Rossi

Board of Statutory Auditors ⁽³⁾	
Chairman	Mauro Lonardo
Statutory auditors	Luigi Borrè Anna Rosa Adutori
Alternate auditors	Alberto De Nigro Maria Francesca Talamonti Antonio Santi

Supervisory Board ⁽⁴⁾	
Chairman	Carlo Longari
Members	Paolo Casati ⁽⁵⁾ Massimo Lauro

Magistrate appointed by the Italian Court of Auditors to audit Poste Italiane	Piergiorgio Della Ventura ⁽⁶⁾
Independent auditors	Deloitte&Touche SpA ⁽⁷⁾

(1) The Board of Directors was elected by the Ordinary General Meeting held on 15 May 2020 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 2022. Following the Board of Directors' resolution of 10 June 2020, the Co-General Manager and Head of Corporate Affairs participates in Board meetings without voting rights.

(2) Committee members were appointed by the Board of Directors' meeting of 15 May 2020.

(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) Assigned by the Court of Auditors with effect from 1 January 2020.

(7) Company appointed to audit the accounts for the financial years 2020 - 2028 by resolution of the Ordinary General Meeting of 28 May 2019. Deloitte&Touche has been appointed for the entire Group.

Poste Italiane's 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 (Patrimonio destinato BancoPosta), and the recommendations of the Corporate Governance Code for listed companies endorsed by Borsa Italiana in force as of 31 December 2020.

As of 1 January 2021, the new Corporate Governance Code came into force, replacing the aforementioned Corporate Governance Code. In this regard, the Board of Directors, at its meeting held on 17 December 2020, approved certain measures to align the Company's governance structure with the new Corporate Governance Code.

Poste Italiane adheres to the new Corporate Governance Code and adopts a Policy Guideline for Managing Dialogue with Poste Italiane S.p.A. shareholders. – Engagement Policy

The various measures include the adoption of the "*Policy guideline for managing dialogue with Poste Italiane S.p.A. shareholders*". – *Engagement Policy*. Further details are provided in the "*Report on Corporate Governance and Ownership Structure - Year 2020*".

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 auditing firm.

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

The Board of Directors and Board of Statutory Auditors are elected and dismissed by the [Shareholders' Meeting](#), which is also responsible for engaging the independent auditor and determining the related fees. The Shareholders' 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 15 times in 2020. Of the nine members of the Board, six meet the independence requirements of the TUF, the By-laws and the new Corporate Governance Code.

In accordance with the provisions of the Italian Civil Code, the Board of Directors has delegated part of its management responsibilities to the Chief and has appointed from among its members, in line with the indications of the Corporate Governance Code (as well as the new Corporate Governance Code) and the Bank of Italy's supervisory provisions, five Committees (four until May 2020) with propositional and advisory functions: the Appointments and Corporate Governance Committee, the Remuneration Committee, the Control and Risk Committee (until May 2020 called the Control, Risk and Sustainability Committee), the Sustainability Committee (set up in May 2020) and the Related and Connected Parties Committee. In particular, the Sustainability Committee is tasked with assisting the Board of Directors with investigative, propositional and advisory functions, in pursuing sustainable success. The Committee provides input during all assessments and decisions relating to

On 15 May 2020, the Board of Directors establishes a Sustainability Committee within the Board of Directors

environmental, social, and governance issues, and strives to continually integrate national and international best practices into the company's sustainability strategy.

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 15 May 2020.

The [Chief Executive Officer and General Manager](#), to whom all first-level departments report (except for the Internal Audit 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. During the year, the Board of Statutory Auditors met 37 times, 12 of which jointly with the Control and Risk Committee.

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.

The [statutory audit of the accounts](#) is entrusted for the years 2020-2028 to the auditing firm Deloitte & Touche S.p.A. for the entire Group. The aforementioned appointment was made pursuant to Legislative Decree 39/2010 implementing Directive 2006/43/EC and European Regulation 537/2014 on public interest entities and the audit of public interest entities, in force since 17 June 2016.

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.

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

For further details on the corporate governance structure, reference is made to the document "*Report on Corporate Governance and Ownership Structure - Year 2020*"

INTERNAL AUDIT

Governance Aspects

The action of the Internal Audit function for the year 2020 continued in line with the approach adopted in the last two years and was inspired by the following strategic lines:

- support Group Governance;
- promote value creation and efficiency;
- safeguard the achievement of the objectives of the Business Plan and Sustainability.

The function has constantly endeavoured to enhance the effectiveness and efficiency of Internal Auditing activities, ensuring the objectivity of auditors and the compliance of their work with the International Standards for the Professional Practice of Internal Auditing (Standards), the Code of Ethics and Poste Italiane S.p.A.'s "Guideline on Internal Control and Risk Management System (SCIGR)"⁴⁰.

At its meeting of 5 March 2020, Poste Italiane's Board of Directors, having received the prior opinion of the Control, Risk and Sustainability Committee and the Board of Statutory Auditors, approved the 2020 Audit Plan of the Internal Audit function, which was prepared, on the basis of a consolidated methodological approach, according to a systemic assessment of the level of potential risk of the main processes (including risks pursuant to Legislative Decree no. 231/01) and in line with corporate objectives.

In addition, the activities of the function, which is geared towards supporting Governance throughout the entire organisational structure of the company and the Group, ensure an integrated independent assessment of processes characterised by significant regulatory restrictions (Legislative Decree no. 231/01, Law no. 262/05) and/or specific supervisory requirements (Bank of Italy, CONSOB, IVASS, COVIP, AGCom).

The 2020 Annual Audit Plan, which responds to the logic of Assurance towards the Governing and Control Bodies and of Support to Management on internal auditing issues, continued to guarantee high levels of "coverage" (above 20%) for over 75% of the processes of the Audit Universe during the three-year period, many of which with a view to continuous auditing.

The audit focused on the provision of insurance, financial and transactional products/services (involving around 1,350 POs), as well as postal and logistics processes. In addition, coverage of the main corporate resource management processes such as IT (with audits of 12 processes/applications), real estate and purchasing (7 structures), human resources (over 40 structures), administrative-accounting processes (17 structures) and various compliance areas (21 structures) was planned and implemented.

At the meeting of the Board of Directors on 2 April 2020, the Internal Audit Function presented the Assessment Report on the SCIGR (Internal Control and Risk Management System) which, following discussion and having heard the opinion of the Control, Risk and Sustainability Committee and the Board of Statutory Auditors, was approved. The Report, which has been prepared in accordance with the requirements of the Corporate Governance Code for listed companies and supervisory instructions, has taken account of the results of audits carried out on the basis of the Audit Plans of all the Audit functions involved and the general framework of the Poste Italiane Group's SCIGR, considering the impact of organisational changes adopted, developments and events during the year. The Report provides an overall assessment of the Poste Italiane Group's Internal Control and Risk Management System in terms of "Positive

⁴⁰ Approved by Poste Italiane's Board of Directors on 19 February 2018.

Assurance", noting that, on the basis of the findings at the date of the report and for the period covered by the report, the system is, on the whole, adequate to mitigate the risks that threaten the pursuit of the Group's objectives.

The Internal Audit function and third-level controls



During 2020, the function's activities were carried out while balancing the limitations imposed by the Covid-19 health emergency. In spite of this, by leveraging the supporting IT tools, the many audit activities envisaged in the Plan were almost completely carried out, favouring, where possible, the remote execution of a significant part of the checks and preliminary analyses and safeguarding operational continuity.

At 31 December, overall progress was slightly over 80% for the operational audit and 96% for the design audit. In particular, progress was about 85% for the processes of providing products/services at POs with assurance and on-demand activities and 100% for Branch processes, administrative-accounting processes at the Administrative Hubs, and the processes of managing real estate assets, maintenance and environmental hygiene at the Real Estate Areas.

However, given the impacts experienced due to the health emergency, the inevitable impacts on the implementation of the 2020 Audit Plan could not be fully recovered/contained. In this regard, a series of assessments were carried out considering, where possible, any changes in the risk profile of the business processes represented by the Audit Universe and the level of implementation of the activities envisaged in the Plan at 31 December 2020 was overall above 85%. Despite this, the company processes were guaranteed the levels of audit coverage necessary to express the Overall Assessment of the Internal Control System with a view to "Positive Assurance".

In order to ensure more effective monitoring of the Group's control system, Poste Italiane's Internal Audit function has planned and implemented an increase in the activities carried out in 2020 at Group companies that do not have an internal audit function.

In line with the previous year, for the most significant Group companies that do not have their own internal audit function, these activities are regulated by specific agreements with SDA Express Courier, PosteAirCargo S.r.l. and Postel S.p.A.

With regard to Postel S.p.A. and PosteAirCargo S.r.l., the activities carried out by the Internal Audit function were aimed at assessing the design and functioning of the auditing system in certain areas of the processes being audited. As regards the agreement with SDA, in addition to the above activities, checks on logistics processes at local offices and compliance activities pursuant to Law 262/05 were also carried out in 2020.

During the period, the exchange of information and interaction with all Group companies continued, also with the aim of making progress in aligning the main methodological references for carrying out audits and the related assessments of the internal control system, in order to provide the Governance and Control Bodies with an increasingly integrated and homogeneous representation of the Group.

Within the scope of the operating guidelines between BancoPosta and Poste Italiane's Internal Audit function (2019 - 2020 two-year period), audits were carried out at local network structures (with the exception of Territorial Service Centres), Poste Italiane's sales channels linked to financial and insurance areas, as well as specific IT audits relating to IT systems and processes supporting the provision of BancoPosta services and products. Also in relation to the above-mentioned Executive Regulations, periodic information flows were generated to the BancoPosta Internal Audit function regarding the progress of the planned activities and the related outcomes, as well as the monitoring of service levels (KPIs).

Finally, as in the previous two years, the operating guidelines also include audit requirements expressed to the BancoPosta Internal Audit function by the Poste Italiane Group's financial and insurance companies. In relation to the

impact of the health emergency, the plan for the activities assigned to network structures (post offices) was revised to around 85% of the initial plan and fully implemented.

POSTE ITALIANE'S INTEGRATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM



In a context characterised by a high level of operational and regulatory complexity and the need to compete more and more efficiently in the reference markets, risk management and the related control systems take on a central role in the decision-making processes, with a view to creating long-term value to the benefit not only of the shareholders, but also in consideration of the interests of the other stakeholders of relevance to the company.

Poste Italiane Internal Control and Risk Management System (SCIGR) is a combination of tools, procedures, rules and organisational structures, designed to ensure that the business is managed in a way that is sound, fair and consistent with the corporate objectives, and to pursue sustainable success, through an adequate definitions of players, duties and responsibilities of the various corporate bodies and control functions as well as through the identification, measurement, management and monitoring of the main risks, and through the structuring of adequate reporting lines to expedite the flow of information.

This system is a fundamental element of Poste Italiane's corporate governance system, as it enables the Board of Directors to guide the Company in its pursuit of long-term value creation, defining the nature and level of risk compatible with its strategic objectives, and including in its assessments all elements that may be relevant to sustainable success. In particular, in line with the main leading practices that place specific emphasis on the integration of sustainability into strategies, risk management and remuneration policies, Poste Italiane's SCIGR aims to contribute to the Company's sustainable success by defining ESG roles and responsibilities, information flows among the players involved in the internal control system and towards corporate bodies, and the methods of managing the related risks. Moreover, in order to achieve this objective, the Company has decided to promote dialogue with the relevant stakeholders ensuring a constant exchange of views on business strategies and their implementation.

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 company organisation. The second-level control units, whose role consists primarily of defining risk management models and carrying out monitoring activities, play a key role in the integration and overall functioning of the Internal Control and Risk Management System.

Risk management and risk assessment model

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 Sustainable Development, Risk and Compliance function (SSRCG), 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, 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 risks, in accordance with Legislative Decree no. 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. In addition, during 2020, the platform was further expanded through evolutionary implementations and migration of new risk areas (tax, physical security, Integrated Compliance, privacy, IT security, corruption). 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.

Strategic

This category of risk could influence achievement of the goals set out in the Strategic Plan and are identified, classified and monitored with the involvement of management from the SSRCG function. This process describes the key nature of the risks, the triggers and the potential consequences or effects, in both financial terms (e.g. losses, increased costs due to delays or the failure to implement restructuring plans and efficiencies, reduced revenue), and in other terms (e.g. customer satisfaction).



Operational

Operational risks refer to the risk of losses resulting from inadequate or failed internal processes, people and systems at Group level, or from external events. Management of operational risk takes place at both the level of specialist units within the Group (BancoPosta Risk Management, Poste Vita Group Risk Office and PostePay Risk Management and Compliance), in compliance with the respective supervisory standards, and at an integrated level, involving the SSRCG 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 operations (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 offices, etc.) due to industrial action or strikes.



Compliance

This refers to risks of breaches of existing laws and regulations, such as the risks connected with Legislative Decree no. 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 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).



Reputational

This category regards the risks connected with a negative perception among the Group's stakeholders, in response to which the Group has adopted a stakeholder engagement framework in order to identify and assess this type of risk at source. The main element of reputational risk to which the Group is, by its nature, exposed is linked to market performance and primarily associated with the placement of postal savings products and investment products issued by third-party entities (bonds, certificates and real estate funds) or by Group companies (insurance policies issued by the subsidiaries, Poste Vita and Poste Assicura, and mutual funds managed by BancoPosta Fondi SGR), and those linked to the perceived and effective quality of the services related to letter post and parcel delivery.



ESG

risks arising from factors related to environmental, social and governance issues (in particular, linked to human rights, climate change and sustainable finance).



Financial and insurance

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 Sustainable Development, Risk and Compliance 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 redemption, etc.). In technical terms, mortality is one of the main risk factors for Poste Vita, i.e. any risk associated with the uncertainty of a policyholder's life expectancy, alongside the risk associated with redemptions.



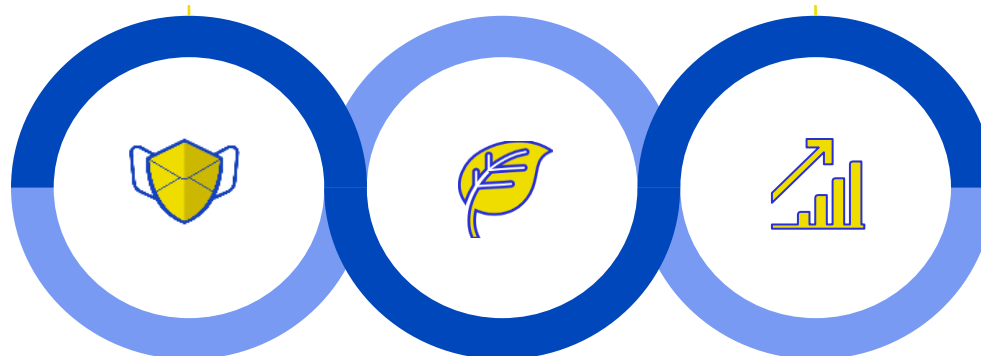
In addition to the usual analysis of the internal environment, this year Poste Italiane's assessment of the main risks focused particular attention on the external environment, partly in view of the country's general objectives for sustainable economic recovery, as defined in the guidelines of the Next Generation EU plan. In particular, the following were considered in the identification and assessment of risks:

Pandemic risk assessment

the potential **impact of the pandemic** on the effective achievement of the plan's objectives, also in consideration of the **actions implemented** by the Company in response to the health emergency (ref. MANAGEMENT OF THE COVID-19 PANDEMIC)

Emerging risks

emerging risks that have **potential impacts both on Poste Italiane's strategies** over a long time horizon (10-20 years) and on the **sectors** in which the Group operates (ref. OUTLOOK: EMERGING RISK MANAGEMENT)



Material topics

sustainability issues of importance to Poste Italiane through the materiality analysis process, as well as specific in-depth analyses of issues relating to the **protection of human rights** and **climate change** (ref. MATERIAL ISSUES, RISKS AND MANAGEMENT METHODS)

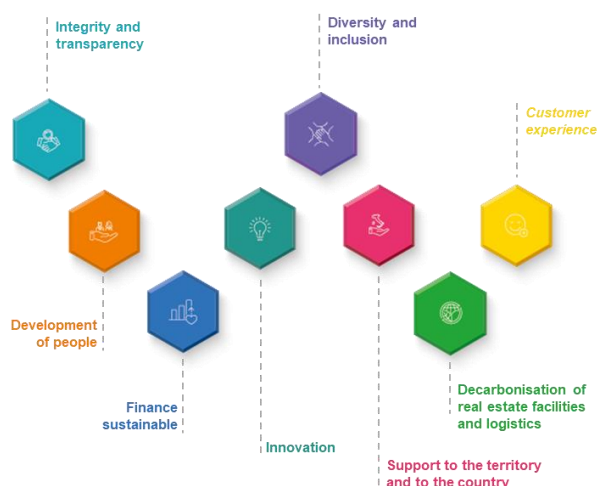
The analysis of Poste Italiane's principal risks was also conducted by adopting the common metrics defined by the WEF in consideration of their impact on the achievement of the SDGs. In particular, each risk was categorised on the basis of these metrics, also highlighting the correlation with Poste Italiane's Sustainability Pillars. An example of such assessment activity is given in the paragraph on [emerging risks](#).

MANAGEMENT OF THE COVID-19 PANDEMIC

Poste Italiane is unique in Italy in terms of its size, recognition, capillarity and customer trust, and is an integral part of the economic, social and productive fabric of the country. Its role in relation to the entire nation makes the Group responsible for the well-being of the communities in which it operates, in the conviction that in such a critical period of Italian history its contribution can represent a valuable tool at the service of citizens and institutions. The Covid-19 pandemic, which has been part of everyday life for a long time, has taken the whole world by surprise, requiring great efforts from all economic operators to identify solutions aimed at ensuring people's health and, at the same time, continuity of their business. Poste Italiane, in compliance with government measures on virus containment and interpersonal distancing, has implemented various initiatives and made them possible thanks to the commitment of the entire organisation, making its contribution to the entire country. The Group has reshaped the way in which it provides its services, constantly taking into account the evolution of the current epidemiological situation and the consequent Government measures on the subject. First of all, the Company has considered of fundamental importance to guarantee the protection of its employees' health, adopting flexible forms of work (remote working) and providing personnel with all the tools and equipment they need to work in complete safety (e.g. PPEs, plexiglass panels, etc.), in cases of activities that are incompatible with the remote working model, such as postal and logistics activities.

The actions undertaken by the Group are consistent with the values recognised by Poste Italiane in relation to the sustainability strategy, based on eight Pillars, and in line with the recommendations of the Global Compact Network Italy, the UN PRI (Principles for Responsible Investment) guidelines and the additional indications provided by the United Nations in relation to the impact of the Covid-19 emergency on SDGs⁴¹.

The initiatives implemented by the Group to mitigate the effects of the Covid-19 pandemic, mentioned below, are discussed in more detail within the relevant pillars indicated and are marked by this infographic:
































⁴¹ "Shared Responsibility, Global Solidarity: responding to the socio-economic impacts of Covid-19", March 2020

OUR POSTE ITALIANE PEOPLE



Input capital	Initiative	Pillar
	21 February 2020 Establishment of the Coronavirus Risk Management Committee, a body aimed at the unified and coordinated national governance of containment and prevention actions	
  	Introduction of measures to reduce the level of potential contagion (remote working, travel management, provision of training initiatives exclusively online) Constant distribution of PPEs to exposed personnel and cleaning and sanitising of workplaces and company fleet	 
 	26 March 2020 Extension of employee illness insurance policy	
 	23 July 2020 Signing of an annual agreement with the Labour Unions that calls for the payment of a performance bonus	
  	Establishment of a dual communication channel to facilitate the flow of information 18 December 2020 Signing of an Agreement with the Labour Unions to extend and regulate remote working activities	 
  	14 April 2020 Signing Agreement with Assidipost-Federmanager for solidarity initiatives for executives	

 	Guaranteed that employees will be able to undergo free swabs	
  	Installation of thermal cameras to detect body temperature	
CUSTOMERS		
Input capital	Initiative	Pillar
   	Continuity of Post Office openings	
	Suspension of mortgages and loans	
	Adoption of measures to ensure distancing in Post Offices	
   	Multi-channel approach, digital growth and adoption of tools to discourage cash use	
	Strengthening of Poste Digital Assistant	















	Communication activities to online and offline customers in order to make them adopt security measures to contain the spread of the virus	
	Simplification of succession claims in order to avoid customers having to go to the Post Office several times	
	New channels for reporting incidents in addition to the paper channel already available	
	Introduction of the possibility of opening a BancoPosta account via app as well	
 	Installation of approximately 27,000 sustainable plexiglass barriers	

INTERNATIONAL, NATIONAL AND LOCAL AUTHORITIES














Input capital	Initiative	Pillar
	<p>Opening of an interactive channel with all the institutions potentially affected by the phenomenon and interaction with the government bodies in charge of crisis management. Constant monitoring of regulatory provisions relating to measures adopted by the authorities</p>	
	<p>Arrangements for maintaining the guarantee of services</p>	
	<p>Close collaboration with Labour Unions and constant updating with respect to the strengthening of measures to limit contagions and measures aimed at ensuring service continuity</p>	
	<p>UNI ISO 26000 certification, international standard for the adoption of sustainable development strategies, issued by DNV GL- Business Assurance</p>	
	<p>Certification of its environmental management system according to the international standard UNI EN ISO 14001:2015, issued by IMQ-CSQ</p>	
	<p>Participation in the second edition of the IPC (International Post Corporation) initiative 'Green Postal Day'</p>	
	<p>Signing of a Memorandum of Understanding between Poste Italiane and ACI on safe driving and sustainable mobility</p>	
	<p>Agreement between Poste Italiane and the Carabinieri for the payment and home delivery of pensions to citizens and the identification of a method of paying pensions in staggered</p>	

	form; synergies for the management of possible crowds outside Post Offices	
	Agreements with Local Administrations for the delivery of masks to the population and listening and proximity to institutions to offer solutions to emerging criticalities	
	Collaboration with the Italian government on the disbursement of the Inps bonus and the advance payment of ordinary and special redundancy payments to BancoPosta and Postepay Evolution customers	
	Implementation of a platform to facilitate the vaccination campaign	
	Logistical support for vaccine delivery	
	Continuous communication activities to national and local institutions aimed at raising awareness	
	Creation of a cycle of meetings "Atlas of Territories", in order to discuss the aspirations and possibilities for change starting from the themes of health, solidarity, housing and territorial fragilities of the internal areas	
	Provision of financial, digital and postal education programmes	
	Implementation of TG Poste information channel with the aim of continuing the mission of presence and proximity to its employees	

	Introduction of solutions for the assignment of tax credits for companies and BancoPosta account holders (110% Superbonus and other tax bonuses)	
	Adherence to the initiatives "UNPRI engagement on Covid-19 response" and "European alliance for a green recovery"	
 	Signing of the Climate Action 100+ Engagement Green Recovery	
	Adherence to the Access to Nutrition Index initiative	
	Definition of initiatives against gender-based violence	
    	Positioning of Poste Italiane Group as one of the best employers for women in Italy, according to the research "Italy's Best Employers for Women 2021" carried out by the Istituto Tedesco Qualità (ITQF)	
	Launch of "Smart Screening", a service to help citizens with massive self-collection health screening programmes	

SUPPLIERS



Input capital	Initiative	Pillar
	Supplier assessment including Covid-19 risk analysis	
	Transparency in managing and maintaining relations with the supply chain	
	Respect for payment methods and times towards suppliers	
	Creation of a new logistics, ad hoc, supply network to import all the necessary safety devices	
	Hiring of specialised companies for the sanitation of the premises	
	Purchase and installation in every logistics site of chemical toilets for exclusive use of external couriers	

MATERIAL ISSUES, RISKS AND MANAGEMENT METHODS



SUSTAINABILITY THEMES RELEVANT TO POSTE ITALIANE

In order to gain a better understanding of non-financial issues that may entail risks and opportunities in the achievement of the Company's objectives, Poste Italiane has developed a materiality analysis process that is consistent with the provisions of Legislative Decree no. 254/16 and with the reporting standards. This process has led to the identification of the economic, social and environmental material issues that may have a substantial impact on the decision-making phases of the Group's stakeholders, which play a decisive role in defining the Group's strategy, taking into account its structure, the extension of the network served and the diversification of the market sectors it operates in.

Specifically, the process of defining Poste Italiane's material issues was structured into three main phases and conducted in accordance with the **Global Reporting Initiative** (GRI Standards):



In order to confirm the universe of potentially relevant issues for the sector and to guide Poste Italiane in its materiality analysis, an **internal** and **external analysis** was carried out that took into account input from a number of sources. In particular, the scope of the internal analysis involved the Strategic Plan and the Group's risk management model, the results that emerged from the materiality analysis carried out for the purposes of the 2019 Integrated Financial Statements and the stakeholder engagement activities conducted in 2020; the external analysis, on the other hand, took into consideration the provisions from regulatory sources and the main sustainability guidelines on the international scene, the requests from the main questionnaires drawn up by sustainability rating agencies and the analyses of current trends in the Group's various operating sectors.

The relevance of the topics identified was defined thanks to the direct involvement of internal and external stakeholders in specific listening and engagement initiatives.

Stakeholder engagement

Poste Italiane has always been careful to take into consideration the changing perspectives and priorities of its stakeholders, making them an integral part of the process of defining and managing its sustainability strategy, in order to build solid bonds of trust and transparency with them. This contributes to the creation of value for all those directly and indirectly involved in Poste Italiane, enabling the Group to develop a good reputation in the social context in which it operates.

In accordance with the indications of the International AA1000-Stakeholder Engagement Standard (SES), the Company has carried out an accurate analysis of the categories of stakeholders with whom it relates in the course of its activities, in particular identifying those who most influence or are in turn influenced by the process of achieving the Group's strategic objectives.

As a result of the above analysis, it was possible to identify seven macro-categories of stakeholders: Shareholders and Investors, Local communities (trade associations, media, academia), Customers (consumer associations), Entities and Institutions (regulators, Fondimpresa), Suppliers (Business partners), Personnel (Poste Italiane people, Labour Unions) and the Environment.

The macro-categories of stakeholders identified are listed below, indicating the specific methods of engagement and communication for each of them.

Poste Italiane's stakeholder engagement methods

Stakeholder category	Principal engagement methods
Shareholders and Investors	<ul style="list-style-type: none"> Shareholders' meetings; Corporate Governance Report; financial relations and periodic presentations; road shows and dedicated meetings; the Company's corporate website; press releases.
Customers	<ul style="list-style-type: none"> Customer experience systems; periodic customer satisfaction surveys.
Personnel	<ul style="list-style-type: none"> Internal communication tools (intranet, newsletters, mailshots, Postenews, etc.); internal and external events for personnel; periodic meetings; first- and second-level bargaining; periodic personnel satisfaction surveys.
Suppliers and Business partners	<ul style="list-style-type: none"> Dedicated meetings.
Entities and Institutions	<ul style="list-style-type: none"> Conferences; dedicated meetings; corporate communication; periodic communications; organisation of events.
Local communities	<ul style="list-style-type: none"> Community projects; partnerships; press releases; sponsorships; donations; dialogue with local authorities; contacts during the launch of relevant projects, publication of documents, interviews, events.
Environment	<ul style="list-style-type: none"> Press releases; dedicated events; partnerships; collaborations; conferences.

The 2020 Multi-stakeholder Forum

Among the stakeholder dialogue tools implemented by Poste Italiane, one of the most useful in terms of communication and strategic discussion of sustainability issues relevant to the sector is the Multi-stakeholder Forum, which is held annually.



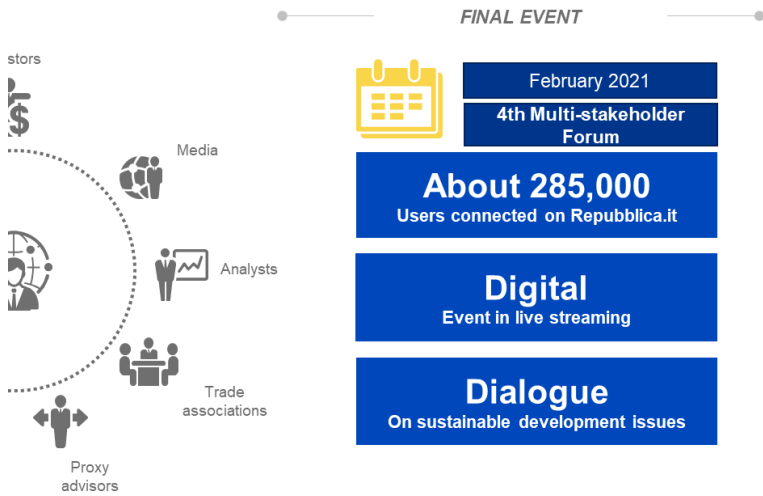
Despite the limitations dictated by the Covid-19 pandemic, the fourth edition of the Forum, held in digital mode, involved more than 400 participants and created an opportunity for reflection and the sharing of ideas and projects useful for the creation of shared value with the main stakeholders with whom Poste Italiane interacts in carrying out its activities, enabling the achievement of the Group's strategic objectives.

As part of the initiative, stakeholders according to the material issues of their interest, identified by the fundamental Sustainability Pillars defined in previous years, took part in three different Focus Groups. Specifically, the first two sessions focused on material issues related to the Integrity and transparency, Decarbonisation of real estate facilities and logistics, Customer experience, Innovation, People development, Support for local communities and the Country as a whole and Diversity and inclusion Pillars. The third Focus Group was entirely dedicated to the Sustainable Finance pillar with the aim of sharing with stakeholders the theme of integrating environmental, social and governance factors within the Group's investment and insurance policies.

Participants were called to express their assessment on material issues potentially relevant to the Company through a digital tool accessible from smartphones and PCs that favoured an instant and dynamic display of the results.

Following the process of involving the Group's main social stakeholders, it was possible to detect, compared to 2019, an increasing importance attributed to issues relating to the health and safety of employees in the workplace, equal opportunities in career paths and the need to pursue an increasingly consistent integration of ESG issues within Poste Italiane's investment and insurance policies.





FINAL EVENT

February 2021
4th Multi-stakeholder Forum

About 285,000
Users connected on Repubblica.it

Digital
Event in live streaming

Dialogue
On sustainable development issues



Box - Multi-stakeholder Forum: Sustainability and combating Covid-19

At the end of the fourth Multi-stakeholder Forum held in November 2020, a final public event was held in February 2021, live streaming on Repubblica.it, featuring the Top Management and a debate with relevant representatives from the world of institutions, businesses, academia and associations, on some of the main topics discussed in the preparatory focus groups. The event was also attended by Maurizio Molinari, Director of Repubblica, and Fabio Bogo, Director of Green & Blue, the latter as moderator. The initiative represented a useful opportunity to talk about the role of sustainability and its centrality, in its environmental, social and governance aspects, within Poste Italiane's strategy, and to discuss the fundamental role that the Group has played and continues to play in the combat against Covid-19, opening the debate to the various stakeholders.

Materiality matrix

The materiality matrix below summarises the priorities of Poste Italiane's management, its personnel and all the categories of stakeholders with whom the Group interacts in the conduct of its business. It 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 the strategic relevance of each issue for the Company and the perceived importance for stakeholders.

Each material issue identified has an impact that is directly generated by the organisation, with the exception of the "environmental impacts of logistics" and "occupational health and safety" issues, the impacts of which also derive from suppliers that work on a significant portion of the Group's operations on behalf of Poste Italiane.

Poste Italiane Group's materiality matrix



Description of material topics

Material topics What this means for Poste Italiane

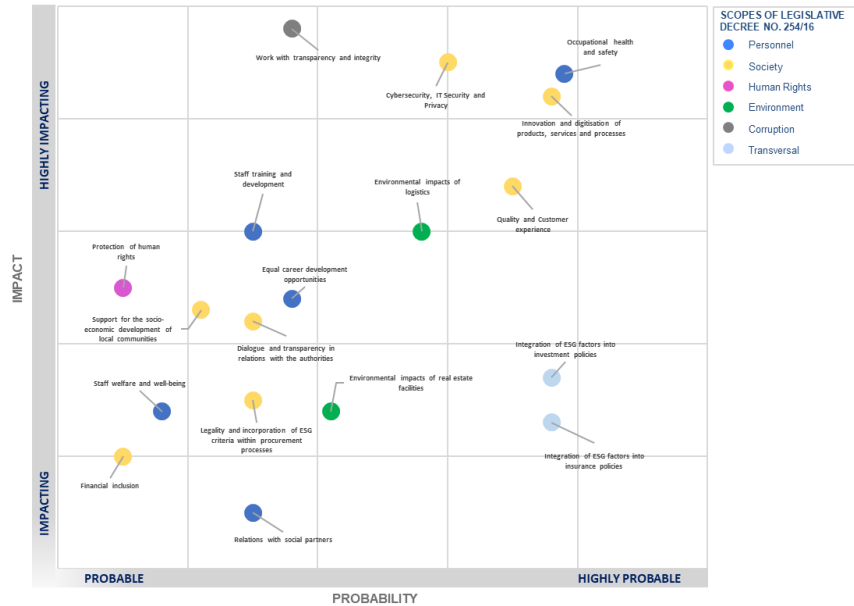
Work with transparency and integrity	Prepare appropriate internal control measures and spread a corporate culture within the organisation based on integrity, professional ethics and honesty in order to build trusting relationships with its stakeholders and conduct its activities correctly and transparently in every single operation, especially in combating active and passive corruption.
Occupational health and safety	Safeguard our people's health, safety and psychophysical integrity, also in terms of workplace quality, and foster the development of a robust in-company culture in compliance with the highest national and international standards in this regard.
Staff training and development	Guarantee our employees 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.
Quality and Customer experience	Respect implementation deadlines and procedures for activities (level of service and performance) and provide customers with a quality experience that goes beyond making use of a traditional product or service. In addition, build a relationship of trust by activating customer engagement channels to be always informed on customers' expectations, needs and satisfaction regarding products and services offered, and the correct management of complaints.
Protection of human rights	Guarantee the protection of human rights and the promotion of non-discriminatory behaviours within the Group, including through compliance with recognised standards, incorporation of the risk of violation within the Group's risk assessment model, and valorisation of diversity elements (in terms of differences in age, gender, knowledge and experience) which foster the development of a "corporate culture" and a response to new challenges and market opportunities.

Innovation and digitisation of products, services and processes	Contribute to the modernisation of Italy and digital and technological evolution through the development of new products and services and the adoption of digital technologies to be incorporated into products, services and business processes, in order to be ready to respond to changes in scenario, new customer needs and opportunities offered by social and environmental changes.
Equal career development opportunities	Ensure equal opportunities in the development of individual careers, by promoting career development paths for all employees regardless of their personal characteristics (age, gender, sexual orientation, disability, ethnic origin, nationality, political opinions and religious beliefs) in accordance with the principles of impartiality and non-discrimination.
Dialogue and transparency in relations with the authorities	Promote systematic and transparent dialogue with national and local authorities, based on a quest for shared solutions that enables responding to communities' social needs, positively affecting the social fabric in the areas in which the Company operates and, at the same time, increasing competitiveness and business continuity.
Support for the socio-economic development of local communities	Contribute to Italy's socio-economic well-being 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.
Environmental impacts of logistics	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.
Integration of ESG factors into investment policies	Incorporate ESG aspects within the investment process in order to better manage non-financial risks and consider new investment opportunities that also support sustainable development and a low-carbon future.
Cybersecurity, IT Security and Privacy	Guarantee the privacy of customers' data, protect intellectual property and provide an effective management system for IT security and cyber security in order to ensure business continuity, protect the information assets of the Company, customers and other stakeholders, and the security of transactions.
Integration of ESG factors into insurance policies	Incorporate ESG aspects within insurance policies, insurance product development strategies and customer communications.
Staff welfare and well-being	Provide employees 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.).
Legality and incorporation of ESG criteria within procurement processes	Procurement processes based on pre-contractual and contractual behaviours aimed at achieving complete respect of legality and transparency, and adoption of selection, assessment and monitoring criteria to measure the social and environmental performance of suppliers, in order to guarantee high levels of functionality and quality for supplies and mitigate ESG risks.
Environmental impacts of real estate facilities	Spread a culture of respect for the environment and adopt concrete solutions for the efficient management of energy resources, water resources and waste, from a circular economy standpoint. For example, procurement of renewable energy, installation of renewable energy production plants, building efficiency projects, organisation of separate waste collection, etc.
Financial inclusion	Extend the financial products and services offering to traditionally excluded categories, in order to guarantee access to services that are essential for economic livelihoods, and make the customer purchasing experience more aware via financial education initiatives, especially with regard to savings, investment, payments, pensions and insurance.
Relations with social partners	Consider dialogue with personnel 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.

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



Interconnection between material issues, risks and management methods

In order to ensure that the environmental, social and governance aspects are integrated into the Group's strategy and processes, a process of correlating the material issues identified with potential risks has been implemented, specifying 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
Work with transparency and integrity	Behaviours adverse to proper business management standards	Personnel; Suppliers and Business partners; Financial community; Customers; Independent Regulatory and/or Supervisory Authorities	<ul style="list-style-type: none"> • Strategic • Reputational • Compliance 	<ul style="list-style-type: none"> • Economic 	<ul style="list-style-type: none"> • Reinforcement of corporate controls on specific issues (e.g. integrated risk management model, corporate reliability model, anti-corruption, environment, etc.)
Occupational health and safety	Accidents / workplace injuries involving employees or contractors	Our Poste Italiane people	<ul style="list-style-type: none"> • Economic • Strategic • Reputational • Operational 	<ul style="list-style-type: none"> • Health safety 	<ul style="list-style-type: none"> • Analysis and optimisation of occupational health and safety organisational models • Extension of production models to operational sites (e.g. lean manufacturing) • Support for the implementation and certification of OHSMS in the production units of Poste Italiane S.p.A. and other Group companies
Staff training and development	Inadequate personnel quality	Customers; our Poste Italiane people	<ul style="list-style-type: none"> • Strategic 	<ul style="list-style-type: none"> • Human rights 	<ul style="list-style-type: none"> • Strengthening of annual training plan • Promotion of communication, training and information initiatives to increase engagement
Quality and Customer experience	Deterioration in the levels of quality provided and increases in the number of complaints	Customers; independent regulatory and/or supervisory authorities; financial community	<ul style="list-style-type: none"> • Economic • Strategic • Reputational • Operational 	<ul style="list-style-type: none"> • Quality service • Economic 	<ul style="list-style-type: none"> • Strengthening of Company initiatives regarding specific issues (e.g. quality) • Improvement of products and services • Development of customer assistance model • Complaints management • Implementation of the Quality Management System
Protection of human rights	Possible discrimination against Poste Italiane employees (e.g. gender, age, political or sexual orientation, marital status, etc.)	Our Poste Italiane people	<ul style="list-style-type: none"> • Strategic • Reputational • ESG 	<ul style="list-style-type: none"> • Human rights 	<ul style="list-style-type: none"> • Specific organisational responsibility for diversity and inclusion • Identification of possible training initiatives to create "culture" for all personnel • Introduction of control mechanisms for the protection of human rights, equal opportunities, diversity and inclusion

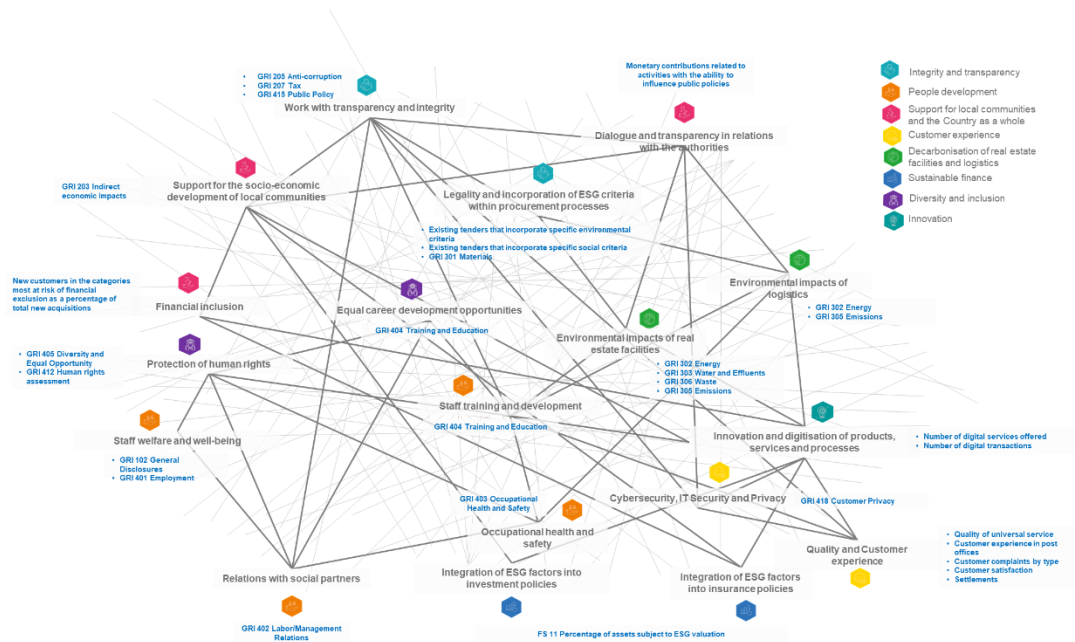
Topic	Risk events	Stakeholders	Potential impact on Poste Italiane	Potential impact on stakeholders	Main management methods
Innovation and digitisation of products, services and processes	Insufficient innovation capacity in multi-channel, customer experience and digital areas	Financial Community; Customers; Community and Territory	<ul style="list-style-type: none"> Strategic 	<ul style="list-style-type: none"> Quality of service Economic 	<ul style="list-style-type: none"> Specific organisational responsibility for digital development Launch of digital initiatives Partnerships and collaborations with first mover realities in the digital and technological sector
Equal career development opportunities	Lack of transparency in communication and application of objective assessment drivers in employees' career paths	Our Poste Italiane people; Labour Unions; Non-recognised workers' organisations	<ul style="list-style-type: none"> Strategic Reputational 	<ul style="list-style-type: none"> Human rights Quality of life, well-being 	<ul style="list-style-type: none"> Introduction of control mechanisms for the protection of human rights, equal opportunities, diversity and inclusion
Dialogue and transparency in relations with the authorities	Failure to take into account authorities' expectations	Independent regulatory and/or supervisory authorities; European and international authorities; national authorities; consumer and trade associations	<ul style="list-style-type: none"> Strategic Reputational 	<ul style="list-style-type: none"> Economic 	<ul style="list-style-type: none"> Constant structured dialogue with bodies and authorities and agreed local community engagement initiatives
Support for the socio-economic development of local communities	Tensions with local communities due to redefinition of the business model	Local authorities	<ul style="list-style-type: none"> Strategic Reputational 	<ul style="list-style-type: none"> Quality of service Economic 	<ul style="list-style-type: none"> Constant structured dialogue with bodies and authorities and agreed local community engagement initiatives
Environmental impacts of logistics	Environmental externalities of logistics activities (e.g. production of polluting emissions)	Suppliers and Business partners; the environment	<ul style="list-style-type: none"> ESG 	<ul style="list-style-type: none"> Health and safety 	<ul style="list-style-type: none"> Making the Postal, Communications and Logistics fleet green, partly with the aim of increasing load capacity Redesign and development of the delivery network (e.g. increase in the number of afternoon delivery lines, introduction of deliveries to lockers, post offices and third-party networks) Specific organisational responsibility for the management of the company fleet
Integration of ESG factors into investment policies	Lack of perception of the overall risk of operations and loss of business opportunities	Financial Community; Customers	<ul style="list-style-type: none"> Financial and insurance ESG 	<ul style="list-style-type: none"> Economic Human rights 	<ul style="list-style-type: none"> Management of risks and opportunities relating to environmental, social and governance (ESG) factors within traditional investment processes

Topic	Risk events	Stakeholders	Potential impact on Poste Italiane	Potential impact on stakeholders	Main management methods
Cybersecurity, IT Security and Privacy	Increase in malfunctions relating to technological infrastructure	Our Poste Italiane people; the media; Customers	<ul style="list-style-type: none"> Economic Strategic Operational Reputational 	<ul style="list-style-type: none"> Quality of service Economic 	<ul style="list-style-type: none"> Personal data protection, cyber security and business continuity actions Investments in IT infrastructure modernisation
Integration of ESG factors into insurance policies	Lack of perception of the overall risk of operations and loss of business opportunities	Financial Community; Customers	<ul style="list-style-type: none"> Financial and insurance ESG 	<ul style="list-style-type: none"> Economic Human rights 	<ul style="list-style-type: none"> Management of risks and opportunities relating to ESG factors within traditional insurance processes
Staff welfare and well-being	Inadequate planning and/or implementation of personnel welfare and well-being programmes	Our Poste Italiane people	<ul style="list-style-type: none"> Strategic ESG 	<ul style="list-style-type: none"> Health and safety Quality of life, well-being 	<ul style="list-style-type: none"> Personnel engagement programmes (e.g. employee engagement programme, activation of a welfare platform, an absenteeism competence centre, etc.) Incentivisation of the use of remote working tools
Legality and incorporation of ESG criteria within procurement processes	Behaviour of suppliers not in line with Poste Italiane's sustainability policies	Suppliers and Business partners	<ul style="list-style-type: none"> Strategic Operational Reputational ESG 	<ul style="list-style-type: none"> Health and safety Human rights 	<ul style="list-style-type: none"> "Open and transparent contracts" portal Centralisation of Group companies' procurement activities within a corporate function Supplier qualification system
Environmental impacts of real estate facilities	Increased emissions from real estate management (e.g. energy management, waste management, etc.)	Environment; our Poste Italiane people	<ul style="list-style-type: none"> Economic Strategic Reputational ESG 	<ul style="list-style-type: none"> Health and safety 	<ul style="list-style-type: none"> Specific organisational responsibility for the management of real estate facilities Adoption of energy efficiency solutions for real estate assets and use of renewables Implementation of the Environmental Management System for Group companies
Financial inclusion	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"> Strategic ESG 	<ul style="list-style-type: none"> Economic 	<ul style="list-style-type: none"> Constant structured dialogue with bodies and authorities and agreed local community engagement initiatives Digital and postal financial education programme
Relations with social partners	Labour union disputes	Labour Unions; non-recognised workers' organisations; Financial Community	<ul style="list-style-type: none"> Economic Strategic Operational Reputational 	<ul style="list-style-type: none"> Economic Health and safety Human rights Quality of life, well-being 	<ul style="list-style-type: none"> Constant dialogue with labour union representatives Implementation of restructuring projects in compliance with the regulatory framework (National Collective Labour Contract and laws), which is characterised by

Topic	Risk events	Stakeholders	Potential impact on Poste Italiane	Potential impact on stakeholders	Main management methods
					governable social impacts <ul style="list-style-type: none"> • Management of resources in line with legal requirements, policies and Company procedures

Interconnection between material issues and metrics

Poste Italiane Group adopts an integrated decision-making process, providing for specific actions aimed at creating value in the short, medium and long term and taking into consideration the connections and interdependencies among the many factors affecting the Company's ability to create lasting value over time. 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 Poste Italiane and the main measurement metrics adopted are shown below.



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 Group Policy on Diversity and Inclusion. 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 right 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.

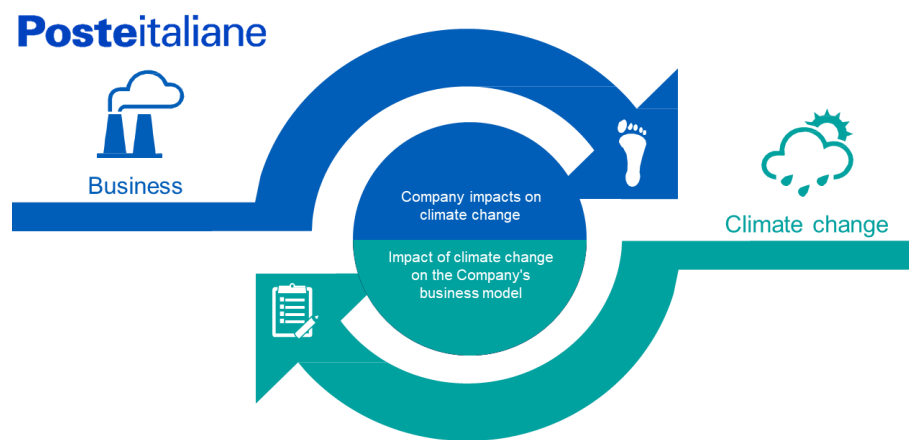
Risk Drivers and Human Rights Actions

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

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 it therefore considers 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 S.p.A. 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 Sustainability Committee (CSost) has the task of supporting, through investigative, propositional and advisory functions, the evaluations and decisions of the Board of Directors on the Company's internal control and risk management system, also related to climate change.

Specifically, as part of its functions, CSost carries out an activity specifically dedicated to climate change. In particular, the Committee examines, evaluates and formulates proposals concerning the Group's environmental, social and governance (the latter with reference to sustainability) strategy, including strategies concerning climate change, annual objectives and

targets to be achieved, taking into consideration potential projects on these issues and monitoring their implementation over time. In addition, in coordination with the Control and Risk Committee, the CSost monitors the risks and opportunities related to the climate as well as all the initiatives undertaken by the Company to address these issues, reporting to the Board of Directors. At managerial level, the main specific roles on environmental issues are covered by the Chief Executive Officer and the Group Sustainable Development, Risk and Compliance function:

The CEO of Poste Italiane S.p.A. 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 Sustainable Development, Risk and Compliance function of Poste Italiane S.p.A., 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.

Lastly, 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, regarding 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.

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 considered are exogenous, 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. They 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 changes: changes derive from radical changes in the external context of reference (socio-environmental, legislative, technological, habits, etc.) altering routines in a destructive way on different 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, for each emerging risk, the trends arising from exogenous factors, the potential significant impact on Poste Italiane, the opportunities and the main ways of managing them.



AGEING POPULATION: Increased longevity combined with low birth rate resulting in a change in the generational distribution of customers

MAIN TRENDS	POTENTIAL SIGNIFICANT IMPACTS FOR POSTE ITALIANE	MAIN RISK MANAGEMENT METHODS
<p>The process of ageing population is a phenomenon that is already clearly visible in the economies of the Eurozone and is destined to become more accentuated in the coming decades, with a reduction in the working-age population compared with the older population, which will instead tend to increase.</p> <p>Ageing could also significantly affect economic growth and have a negative impact on</p>	<p>Negative impacts:</p> <ul style="list-style-type: none"> • Inadequacy of product offers (e.g., mobile phone price plans) and postal services (e.g., excessive digitisation of services) for changing consumer needs • Increase in insurance costs borne by the Group relating to care, assistance and welfare expenses for the elderly • Difficulty in developing reliable forecasting models that allow the Group to predict market developments <p>Opportunities:</p>	<p>Aware of the opportunities linked to the ageing of the population and considering the strong impact of demographic trends on its services, the Group has developed specific products for segments of the population with evolving needs (e.g. in relation to the growing need for supplementary healthcare, accident coverage, etc.), such as, for example, the insurance product "Posteprotezione Infortuni Senior Più" specifically dedicated to people aged between 59 and 79. Each product offered by the Company is always accompanied by clear and usable information to all types of customers in order to allow them to always choose consciously.</p>

<p>productivity. This aspect is also accentuated by the change in the balance between the active population and the retired population as well as by the irregular and low income capacity of younger people with consequent unfavourable effects on the social security system.</p> <p>However, the rise in life expectancy and the increase in average age could support the emergence of new markets and new businesses.</p> <p>Trend: Increasing</p> <p>Risks impacted:</p> <ul style="list-style-type: none"> Operational Financial and Insurance <p>SBUs impacted:</p> <ul style="list-style-type: none"> Insurance Services Mail, Parcels and Distribution Payments and Mobile Financial Services 	<ul style="list-style-type: none"> Increased business opportunities due to changes in consumer needs, based on meeting the needs of the more mature population Increased demand for life and non-life insurance products 	<p>Moreover, Poste Italiane launched 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. It is a package of financial and savings services, insurance, telephony, shipping and delivery, ideal solutions tailored to specific customers, making Poste Italiane a single point of contact able to meet different needs. In addition, the programme aims to help improve knowledge of financial and digital tools, through a training course led by Poste Italiane's financial and digital experts.</p> <p>A pilot project, "Maestri di Mestiere" (Masters of Trades), has also been developed to enhance the skills of senior resources to encourage the transfer of skills to junior professionals.</p> <p>The Group has also created a prototype of a device that responds immediately to the needs of this specific customer target, equipped with a simple interface that can connect the user immediately to dedicated services (recurring purchases of basic necessities and medicines; simplified communication with family members and the community; postal services; emergency notifications).</p>
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REGULATORY AMENDMENTS: Tightening of the reference legislation applicable to the business with particular reference to environmental variables

MAIN TRENDS	POTENTIAL SIGNIFICANT IMPACTS FOR POSTE ITALIANE	MAIN RISK MANAGEMENT METHODS
<p>The increase in the level of detail and complexity of the regulatory obligations required by the competent authorities in relation to the regulations issued requires a growing cultural change within companies, which are called upon to review their operational activities in order to adapt to the increasingly frequent and pervasive amendments in the applicable national and international regulations.</p> <p>Trend: Increasing</p> <p>Risks impacted:</p>	<p>Negative impacts:</p> <ul style="list-style-type: none"> Failure to respond in a timely manner to regulatory requests (for example, regarding governance structures, responsible finance, etc.), partly in view of the complexity and operational heterogeneity of the Poste Italiane Group Potential penalties for non-compliance with applicable regulations Growing impact of non-compliance with regulations on reputational risk, also in view of Poste Italiane's economic and social role in the local area <p>Opportunities:</p> <ul style="list-style-type: none"> Launch of products that encourage prevention and responsible behaviour (e.g. ethical investment solutions) Potential regulatory amendments to benefit the business More timely than competitors in complying with complex regulations 	<p>In view of the complexity of Poste Italiane and the numerous business sectors in which the Group operates, as well as the legal and reputational impacts, the Company has defined an integrated compliance process at Group level, with the specific aim of monitoring - in a structured way for each level of the company and in a manner appropriate to each business sector - the risks of non-compliance to which the Group is exposed, thus fully implementing the principles of integrity, transparency and legality.</p> <p>As part of the Integrated Compliance process, Poste Italiane continuously monitors the external regulations relevant to the Group and translates the set of regulatory principles into the body of rules required to ensure their application. The inventory of all regulations relevant to the Group is managed in an integrated manner on the dedicated GRC platform.</p> <p>Poste Italiane also takes part in technical and working groups on regulatory developments, in</p>

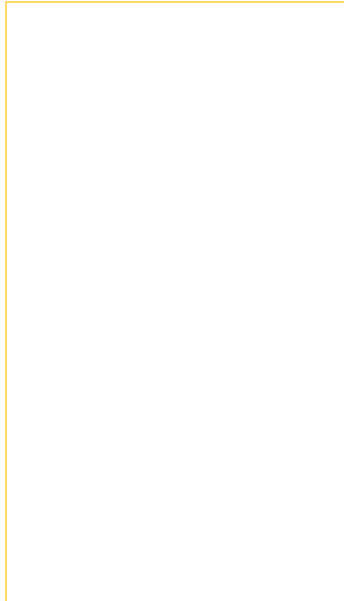
<ul style="list-style-type: none"> • Compliance • Operational • Reputational • ESG <p>SBU's impacted:</p> <ul style="list-style-type: none"> • Mail, Parcels and Distribution • Payments and Mobile • Financial Services • Insurance Services 	<ul style="list-style-type: none"> • Redirection/creation of new business areas 	<p>order to ensure analysis of changes in the regulatory framework, guaranteeing its correct implementation, and represent the Company's position on these issues to national and international bodies, in order to support the Company's business.</p> <p>In addition, in order to comply with environmental regulations and meet the needs of consumers who are increasingly attentive to sustainability issues, Poste Italiane is gradually adapting its products to meet ESG regulatory requirements (sustainable investment products, responsible investment products, etc.).</p>
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PANDEMIC RISK: Global spread of new pandemics



MAIN TRENDS	POTENTIAL SIGNIFICANT IMPACTS FOR POSTE ITALIANE	MAIN RISK MANAGEMENT METHODS
<p>In an increasingly globalised world, the emergence or mutation of viruses and bacteria can have serious impacts on the macroeconomic environment, disrupting national economies and undermining the health of the population, with consequent impacts on business operations and consumer behaviour.</p> <p>Trend: New</p> <p>Risks impacted:</p> <ul style="list-style-type: none"> • Strategic • Operational • Compliance • Reputational • Financial and Insurance • ESG <p>SBU's impacted:</p> <ul style="list-style-type: none"> • Mail, Parcels and Distribution • Payments and Mobile • Financial Services • Insurance Services 	<p>Negative impacts:</p> <ul style="list-style-type: none"> • Possible economic repercussions from a global recession, resulting in a reduction in consumption of the products offered by Poste Italiane and difficulties in dealing with recovery • Adoption of new work models, which can create greater exposure to cyber attacks and fraudulent use of data • Difficulties in the timely management of new pandemics and inability to guarantee business continuity in the provision of its services • Amplification and acceleration of the effects of the main existing or emerging risks (e.g., disruption of the supply chains needed to carry out Poste Italiane's business activities and remote management of personnel) • Focusing attention on the development of the pandemic, with reputational impacts due to reduced commitment to ESG issues (e.g. reduction of environmental investments) <p>Opportunities:</p> <ul style="list-style-type: none"> • Increased efficiency and productivity due to the adoption of remote working models and digital solutions to support the business • Acceleration of the transition to digitisation, with a consequent increase in demand for the digital products offered by Poste Italiane • Increased business opportunities due to changes in consumer needs, based on meeting the needs determined by the effects of the pandemic on the evolution of the socio-economic context • Cost reduction (e.g. travel; property management) 	<p>The experience gained over the last year in the management of the health emergency resulting from the spread of Covid-19, has allowed the Group to develop operating methods that have significantly reduced the potential impact on business continuity (e.g. organisational measures to reshape operations for the branch network and logistics-postal activities; purchase of laptops and software to carry out activities in remote working mode; expansion and strengthening of tools for remote connection, suspension of travel). In particular, the Group has been actively involved in constantly monitoring the evolution of the virus, which has allowed proactive management of its effects, also in the long term, through investments in new technologies, in the security of IT infrastructures and in personnel training, making it possible to provide services in compliance with the security protocols necessary to combat the spread of Covid-19. To this end, committees and coordination structures have also been set up to analyse the evolution of the contingent situation and to take and implement decisions on informative, organisational and preventive measures for the Health and Safety of Workers.</p> <p>These structures, which are now part of the Group's organisation and operations, may represent useful resources for the management of any future emergency conditions.</p> <p>With regard to the management of a new pandemic, the Group can also leverage some specific strengths linked to the diversification of its activities, its multi-channel approach and the growth of its digital business, which ensure the service is also provided outside traditional post offices. 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, the current pandemic has accelerated the Group's digitisation path, which has therefore not only developed digital products</p>



and services, sustainable over time, in the postal, insurance, financial and payment areas, but also introduced new ways of selling and communicating with customers, improving the performance of Poste's Digital Assistant, for example, through the introduction of the voicebot, which is able to address numerous standardised and repetitive service requests, giving valuable time to employees in the Customer Service area to manage more complex and emerging situations.

In addition, while managing the health emergency, Poste Italiane is focused on pursuing sustainable development by continuing to invest in projects aimed at strengthening ESG initiatives. In this regard, in its constant attention to Sustainability, the Group has decided to adhere, together with 110 other signatories among associations, entities and companies, to the Manifesto "Coming out of the pandemic with a new Green Deal for Italy".



TECHNOLOGICAL INNOVATIONS: Adverse consequences for people, businesses and ecosystems due to the development of innovative technological solutions (e.g. digital inequalities, digital market concentration, etc.)

MAIN TRENDS	POTENTIAL SIGNIFICANT IMPACTS FOR POSTE ITALIANE	MAIN RISK MANAGEMENT METHODS
<p>Digital transformation and technological advances have not only created a wide range of benefits for companies, but have also amplified the risks that need to be understood and managed. In particular, the development of technology is a process that generates impacts that move in a twofold direction: positive, for the innovations that allow to pursue more efficient and sustainable solutions; negative, for the consequences that robotics and data centers can have on the environment, in terms of polluting emissions and energy consumption.</p> <p>Moreover, in view of the activities carried out by Poste Italiane, it is necessary to consider that the e-substitution is drawing a new market perimeter, produced by the exceedance of the digital market (electronic communications) and the Parcels segment (especially due to the spread of e-commerce), as well as changes in the habits and</p>	<p>Negative impacts:</p> <ul style="list-style-type: none"> • Inability to maintain attractiveness, due to the excessive digitisation of the products and services offered, towards part of Poste Italiane's traditional customers and/or potential target customers not reachable due to the digital divide • Inadequacy of standard products for changing consumer needs • Difficulty in responding in a timely manner to the digital drive in the sectors in which Poste Italiane operates • Interruption of digital services provided by Poste Italiane • Removal of sensitive information for Poste Italiane, with economic, reputational and compliance impacts (e.g. removal of biometric data of customers acquired for the management of payment systems) <p>Opportunities:</p> <ul style="list-style-type: none"> • Greater ability than competitors to understand customer needs, also with reference to targets in the "digital divide" • Higher IT infrastructure security levels than competitors • Increased demand for the products offered by Poste Italiane, thanks to customer confidence in its handling of privacy and sustainability issues 	<p>Through a path of digitisation of services, Poste Italiane intends to make available integrated digital solutions. In particular, a "Digital Platform of Integrated Communication" will be realised to support the process of digital communication between citizens, companies and PA, safeguarding citizens in digital divide.</p> <p>Among the actions aimed at reducing the digital divide, in recent years, Poste Italiane has undertaken a path of digital education of citizens, carried out through the organisation of several training sessions with the aim of providing a valuable contribution to the digitisation of Italy. Through the programme, the Group has adopted a highly inclusive approach to facilitate and simplify the use of new technologies to all its customers and beyond.</p> <p>In addition, Poste Italiane has invested in infrastructure and innovation, focusing on technological knowledge and digitisation. In particular, Poste Italiane is one of the 10 operators engaged in Italy in providing digital identity to citizens, the so-called "SPID", the Public Digital Identity System. This service has made it possible to bridge the gap between citizens and the Public Administration and make many claims easier and faster. Furthermore, the Group is committed to facilitating the transition from physical to digital payments by organising digital literacy programmes for citizens.</p> <p>In the field of Cyber Security, Poste Italiane has adopted advanced systems and technologies, developing a constant commitment to the security</p>

<p>behavioural patterns of the population.</p> <p>The technological evolution of the business and the use of innovative digital solutions, requires increasing attention to the aspects of cyber security. Attacks on IT systems can compromise IT infrastructure, allowing company and customer data to be stolen or used, or malware to be planted, in order to access company funds and/or to damage the company's reputation and brand.</p> <p>Trend: Increasing</p> <p>Risks impacted:</p> <ul style="list-style-type: none"> • Operational • Strategic • Compliance • Reputational <p>SBUs impacted:</p> <ul style="list-style-type: none"> • Payments and Mobile • Financial Services • Insurance Services • Mail, Parcels and Distribution 	<p>of digital communications and the combat against cybercrime. To ensure better management, responsibility for the Group's IT security has been assigned to a Chief Information Security Officer (CISO). In order to ensure adequate levels of confidentiality, integrity and availability of data, information and services provided to customers, Poste Italiane has further developed and adopted a specific IT security framework.</p>
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CLIMATE CHANGE: Possible impacts of climate change phenomena on Poste Italiane's business

MAIN TRENDS	POTENTIAL SIGNIFICANT IMPACTS FOR POSTE ITALIANE	MAIN RISK MANAGEMENT METHODS
<p>In the coming decades, a rise in average temperatures of 3 degrees Celsius compared to pre-industrial levels could trigger disastrous chain effects. The combat against climate change, therefore, is not an option but a must. It is therefore necessary to consider these aspects when defining the strategies and operational activities of companies.</p>	<p>Negative impacts:</p> <ul style="list-style-type: none"> • Restrictions on Poste Italiane's business operations due to extreme weather conditions • Inadequacy of the products and services offered with respect to the demands of consumers increasingly driven by sustainability issues <p>Opportunities:</p> <ul style="list-style-type: none"> • Increased business opportunities due to changes in consumer needs (e.g. development of low-emission services; development of investment and insurance products for climate adaptation) 	<p>Poste Italiane analyses, among others, the risks related to climate change also in relation to the long term.</p> <p>In particular, the risk management model adopted by the Group 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 process of identifying and assessing risks and environmental management methods also extends to counterparties (suppliers, business partners, other companies), impacting the procurement processes and any</p>

Trend: Increasing

Risks impacted:

- Reputational
- Operational
- Strategic
- Compliance

SBU's impacted:

- Mail, Parcels and Distribution
- Payments and Mobile
- Financial Services
- Insurance Services

- Possible access to new markets and new customer segments requiring insurance coverage
- Advantages deriving from the greater reliability of the supply chain and Poste Italiane's improved ability to operate in various conditions compared to its competitors

extraordinary finance transactions, providing, among other things, for the identification of suppliers and partners that may present risks related to environmental protection, also through a multi-dimensional analysis 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). 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.

Poste Italiane is actively engaged in developing existing products/services with alternatives that take ESG criteria into account (e.g., investments, insurance) in order to ensure an increasingly wide range of products and services that integrate high ethical standards and environmental criteria (e.g., the development of insurance solutions that both encourage the adoption of sustainable and responsible behaviour by their policyholders and mitigate ESG risks). As part of the Poste Italiane Group's strategy for pursuing its sustainability objectives, the integration of ESG principles into its investment processes is also of particular importance, with investments in sectors that contribute to the Sustainable Development Goals ("SDGs") (e.g. investments in bonds in the "Green", "Social" and "Sustainable" categories in line with the standards and principles defined by the International Capital Market Association).

In order to reduce the direct impact that the Group's activities may have on climate, Poste Italiane is making constant progress in using energy sources that do not use fossil fuels (e.g. solar energy from photovoltaic panels on buildings) and in reducing energy consumption (e.g. replacing neon lights and using LEDs), partly in order to deal with potential sudden changes in energy prices. Among other things, Poste Italiane, in line with its adhesion to the Paris Agreement and the New Green Deal, has set itself the ambitious goal of making its contribution to the achievement of international carbon neutrality objectives by 2030, well ahead of the timeframe defined by the European Union.

In order to guarantee business operations even in the event of extreme weather conditions, Poste Italiane has adopted business continuity plans and actions aimed at preventing physical damage to structures. In addition, for the coordination of emergency and recovery activities, the Group maintains a dialogue with institutions (e.g. Civil Protection, Civil Defence) as well as interfacing with relevant bodies and international protection and defence organisations (e.g. participation in drills or other initiatives, etc.).



EVOLUTION OF THE PAYMENT SYSTEM: Change in consumer purchasing behaviour in relation to the payment instruments to be used (e.g. cryptocurrencies, fintech, etc.) also due to the introduction of new payment methods

MAIN TRENDS	POTENTIAL SIGNIFICANT IMPACTS FOR POSTE ITALIANE	MAIN RISK MANAGEMENT METHODS
<p>Internet access and the use of electronic payments is spreading worldwide. Consumers who shop online are also looking across borders for the products and services they want, and are developing new habits and needs geared towards the use of electronic payment solutions.</p> <p>Trend: Increasing</p> <p>Risks impacted:</p> <ul style="list-style-type: none"> Operational Strategic Reputational Compliance <p>SBU's impacted:</p> <ul style="list-style-type: none"> Payments and Mobile 	<p>Negative impacts:</p> <ul style="list-style-type: none"> Poste Italiane's untimely response to emerging payment trends resulting in loss of market share Inability to maintain attractiveness to traditional customers, potentially more averse to digital channels, for Poste Italiane's electronic payment services Increase in Poste Italiane's competitors in the payments sector (e.g. organisations introducing new payment systems) <p>Opportunities:</p> <ul style="list-style-type: none"> Adoption of strategies to increasingly personalise the offer of payment services Adoption of new technologies that can be extended to the current customer target of Poste Italiane Segmentation and differentiation of the offer, through the expansion of Poste Italiane's customer target (e.g. young people) Creation of a specific offer for Poste Italiane's digitally evolved customers Launch of new products (e.g. platforms and instruments for cryptocurrency payments) 	<p>In order to provide new payment solutions and respond to the changing needs of its customers, Poste Italiane is developing new digital payment services, intercepting and driving customer habits in the context of digital transformation, through the creation of innovative products and services that simplify everyday life, such as:</p> <ul style="list-style-type: none"> Postepay Connect, first integrated payment and mobile product that allows managing, through a single app, telephony and payment services in an intuitive and secure way; Postepay app, the e-wallet that allows paying for purchases directly with a smartphone in all stores that accept contactless payments, thanks to the recent introduction of the Google Pay service in the App; Codice Postepay, an app that allows buying in stores using a QR Code and getting discounts and benefits at affiliated partners. The proposal of a fully digital acquiring offer, using QR codes, will help accelerate Italy's transformation from using cash in payments to digital solutions, using a technology well known in major Asian markets; Collaboration agreements with start-ups for the development of innovative solutions in the financial services and payments area.



MOBILITY REVOLUTION: Need to review business models and delivery operations due to the introduction of new mobility models, technological evolution of vehicles, sharing mobility

MAIN TRENDS	POTENTIAL SIGNIFICANT IMPACTS FOR POSTE ITALIANE	MAIN RISK MANAGEMENT METHODS
<p>The transport sector is undergoing a profound transformation, driven primarily by technological innovations and by the impact that digital is bringing to habits, needs and mobility preferences of passengers and businesses. In addition, the shift towards more sustainable modes of transport, the control of polluting emissions, the environmental sustainability of major works are issues that increasingly guide the</p>	<p>Negative impacts:</p> <ul style="list-style-type: none"> Restrictions on Poste Italiane's operations, with particular reference to deliveries, due to traffic restrictions (e.g. restrictions on polluting vehicles) Limited availability of "green" vehicles suitable for carrying out Poste Italiane's logistics and delivery activities Negative impacts on the environment and on Poste Italiane's reputation due to the use of polluting vehicles <p>Opportunities:</p> <ul style="list-style-type: none"> Reduce the Group's total energy consumption from non-renewable sources (e.g. fossil fuels) 	<p>Poste Italiane, aware that the vehicles used to carry out its logistics and delivery activities do not lend themselves to any type of optimisation, has been replacing them with equivalent electric-powered vehicles in recent years, improving its fleet in order to reduce atmospheric pollution. Among companies in the utility sector, Poste Italiane has one of the largest fleets of 100% electric commercial vehicles in the country.</p> <p>The Group has entered into a partnership with Nissan for the supply of a new fleet of 70 full electric vans to add to the 1,000 Free Duck electric vehicles that have been delivering mail in city centres every day for years, covering more than 2 million kilometres and avoiding the emission of over 300 tonnes of CO₂ compared to the use of a traditional motorcycle.</p>

preferences of citizens and the choices of transport operators.

Trend: Increasing

Risks impacted:

- Operational
- Reputational
- Compliance

SBU's impacted:

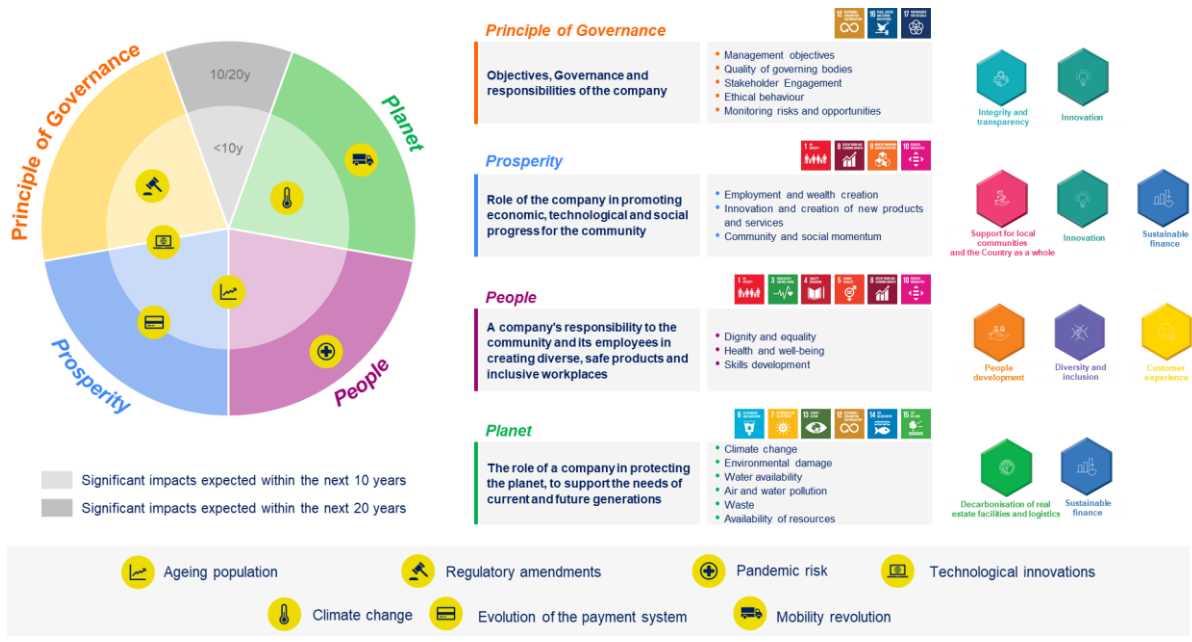
- Mail, Parcels and Distribution

- Reduction of emissions related to the use of the vehicles that make up the company fleet
- Leaner and more efficient management of operations
- Cost reduction

In addition, there are approximately 1,700 natural gas vehicles, more than 1,000 LPG vehicles and 41 hybrid vehicles.

In conclusion, the Group is introducing in several cities the use of new three-wheeled electric motorcycles, to make the delivery of parcels and correspondence by Poste Italiane environmentally friendly, easy and safe. The new tricycles are completely electric-powered, with a capacity of 4 kW that guarantees a maximum speed of 45km/h in line with the limits imposed by the Highway Code in towns and cities, and energy self-sufficiency of about 60 km that enables postmen to complete their daily delivery round with a single charge. For each new vehicle, Poste Italiane will also install a new electric recharging station, confirming its desire to ensure greater environmental sustainability throughout the country and allow its electric fleet to spread throughout all Italian regions.

The emerging risks that could have an impact on Poste Italiane's business are shown below, broken down in accordance with the common metrics defined by the WEF in relation to the achievement of the SDGs, and with reference to the time horizon over which the most significant effects of these risks are expected to occur.



6. PERFORMANCE

[SHARE PERFORMANCE](#)

[FINANCIAL IMPACTS OF THE COVID-19 PANDEMIC](#)

[ECONOMIC PERFORMANCE OF THE GROUP AND STRATEGIC BUSINESS UNITS](#)

[SUMMARY OF OPERATING RESULTS BY STRATEGIC BUSINESS UNIT](#)

[MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT](#)

[PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT](#)

[FINANCIAL SERVICES STRATEGIC BUSINESS UNIT](#)

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[GROUP FINANCIAL POSITION AND CASH FLOW](#)

[PERFORMANCE OF POSTE ITALIANE SPA AND REPORT ON OPERATIONS OF BANCOPOSTA RFC](#)

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[CUSTOMER EXPERIENCE](#)

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[SUSTAINABLE FINANCE](#)

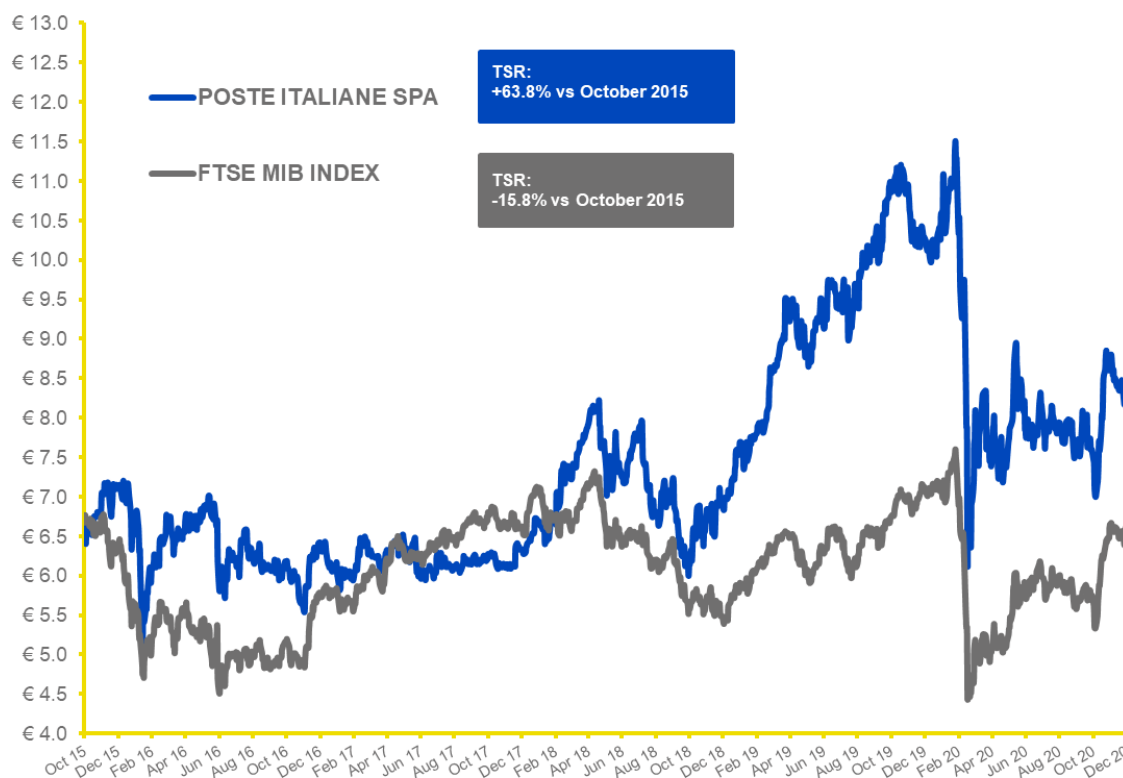
[INDICATORS TABLES](#)



SHARE PERFORMANCE

The value of Poste Italiane shares in 2020 fell from €10.12 at the beginning of the year to €8.32 at the end of December, as a result of the restrictive measures adopted to contain the Covid-19 pandemic. Despite this, the stock has reached an all-time high since it was listed at €11.51 in February. Over the same period, the FTSEMIB lost 5%.

From the date of listing on the stock exchange (27 October 2015) to 31 December 2020, Poste Italiane's share price increased by 23% (while the FTSEMIB index decreased by 2%), guaranteeing an overall return for shareholders (TSR) of +63.8% while the main Italian stock exchange index recorded a loss of 15.8%.



On 11 November 2020, the Board of Directors of Poste Italiane S.p.A., in light of the operating and financial position of Poste Italiane SpA at 30 June 2020, the outlook for the following months and the outlook for operations, and in line with the Group's dividend policy approved in 2019, resolved to bring forward, as an interim dividend, part of the ordinary dividend for 2020. 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 €0.162 per share, gross of any legal withholding taxes, was made with effect from 25 November 2020, with "ex-dividend date" of coupon no. 7 coinciding with 23 November 2020 and record date (i.e. the date on which the dividend was entitled to be paid) coinciding with 24 November 2020.

Based on the number of shares outstanding at 11 November 2020, which amounted to 1,300,852,035, the total amount of the interim dividend was €211 million.



FINANCIAL IMPACTS OF THE COVID-19 PANDEMIC

Following the recommendations issued by ESMA in 2020⁴² on the economic effects of the current pandemic, this paragraph is intended to represent in a single note the aforementioned effects on the Group's economic performance, including through a comparison with the final figures for the comparison period.

The economic impact on 2020 for the Group was significant both in terms of reduction in turnover, as a result of the slowdown in operations, coinciding to a significant extent with the lockdown period following the spread of Covid-19 in Italy, and in terms of margins as a result of the higher extraordinary costs generated by the pandemic. On the other hand, as a reflection of the reduction in operations and the use of smart working, there were some effects that had a significant impact on the variable component of the Group's cost structure.

In particular, the Group's operating result and net result for the year showed a negative variance, not foreseeable in the 2020 Budget approved in March 2020, compared to the previous year, of 14.1% (-€250 million) and 10.2% (-€136 million) respectively. These results were significantly affected by the phenomena described above and their impact on revenue and costs for the period.

Specifically, the following impacts were recorded on the statement of profit or loss:

- decline in revenue compared to 2019 (-4% or -€434 million), mainly attributable to the significant drop in operations in the second quarter of the year (-13.1% or -352 million compared to the same period in 2019), due to the strict restrictive measures imposed to contain the extension of contagions (lockdown). Information about the changes in the performance of the individual Strategic Business Units is provided in the paragraphs that follow;
- in terms of operating expenses, in the midst of the health emergency, the Group's priority has been to protect the health of its employees and customers and support institutions in managing the crisis. To this end, extraordinary expenses of approximately €106 million were incurred during the year, mainly relating to:
 - a. the purchase of personal protective equipment;
 - b. the cost of sanitation of premises, vehicles, sorting equipment and the purchase of plexiglass;
 - c. expenses incurred by the Digital, Technology & Operations function to manage the massive adoption of smart working by employees;
 - d. communication and safety awareness costs (#iorestoacasa publicity and Re-entry in safety communication campaign);
 - e. higher security costs at Post Offices for splitting pension payment days.

In order to take account of the different macroeconomic scenarios characterised by higher risk and uncertainty profiles, due to the current pandemic, the models used to assess the expected losses on the Group's financial assets include impairment losses of €14 million on securities held and approximately €11 million on trade receivables.

On the other hand, the health emergency has generated lower variable costs linked to the slowdown in activities and lower costs linked to the adoption of smart working for over 16,000 employees. The main service cost items that decreased in the year compared with 2019 and the reduction of which can be largely attributed to the effects of Covid-

⁴² Public Statement ESMA 32-63-972 dated 20 May 2020 recalled by Consob on 16 July 2020, Public statement ESMA 32-63-1041 dated 28 October 2020 "European common enforcement priorities for 2020 annual financial reports"; Consob Attention Notice no. 1/21 dated 16 February 2021.

19 are the cost of personnel services (mainly for travel and canteen), fund handling expenses, energy and water utilities, etc.

The change in operational processes and working models (e.g. smart working) introduced by the emergency will make these cost savings structural, at least in part.

There were also clear savings in personnel expenses compared to 2019, partly attributable to the health emergency. Specifically, during the period, costs of €57 million were recovered through recourse to the Solidarity Fund (Cassa Integrazione Guadagni - redundancy payments), as well as the decisive reduction in certain elements of personnel costs, primarily the voluntary 50% reduction in MBO managerial incentives and the use of unnecessary overtime due to reduced activity during the lockdown.

With reference to financial performance, the value of cash and cash equivalents is amply able to cover expected financial requirements. More specifically, at 31 December 2020, the Group's free liquidity managed by the Mail, Parcels and Distribution SBU amounted to €2.3 billion (of which €2.2 billion relating to the Parent Company), while unused committed and uncommitted lines to support liquidity totalled approximately €2.5 billion. In 2020, in order to have additional liquidity and deal with any adverse scenarios related to the Covid-19 pandemic, the Parent Company took out three medium-term loans of €750 million (two of which were repaid early in November and December for a total of €500 million and the remaining €250 million repaid in January 2021). In addition, it has used uncommitted credit lines for short-term financing for a total of €660 million, of which €250 million outstanding at 31 December 2020. Finally, in December 2020, as part of the EMTN - Euro Medium Term Note programme, the Parent Company placed a senior unsecured loan with a total nominal value of €1 billion on the Luxembourg Stock Exchange.

Regarding equity aspects, as a consequence of the particular context due to the Covid-19 emergency, the Group has revised its investment plan to verify its consistency with the peculiar characteristics of the "new normality" (e.g.: social distancing, preference for full digital solutions, etc.) and to take into account the reduced production capacity of suppliers. At €680 million, capital expenditures for the year were therefore about 7% lower than in the previous year. In addition, the market environment characterised by the pandemic influenced customer behaviour by directing them towards more liquid products. Therefore, the year saw a significant increase in net deposits (€12.7 billion at 31 December 2020) and higher deposits on current accounts (+€5.5 billion compared to 31 December 2019) with a consequent increase in securities trading by the Financial Services SBU.

The Group confirmed its capital strength during the year, reflected in the value of BancoPosta's CET1 ratio and the Insurance Group's Solvency Ratio indicators, which at 31 December 2020 stood at 18.1% (18.3% at 31 December 2019) and 267⁴³% (276% at 31 December 2019), respectively.

As regards developments in the current year, the reference context is still characterised by a high degree of uncertainty. The nature and timing of the recovery will depend on developments in the spread of the virus and related restrictive measures by governments to contain contagions, as well as the speed and effectiveness of the vaccination campaign.

The Group constantly monitors the evolution of the macroeconomic scenario in order to promptly assess the potential effects on operations and adjust behaviour and lines of action. The resilience of its businesses, high financial integrity

⁴³ Value includes the payment of dividends to the Parent Company amounting to €429 million (Board of Directors' meeting to approve the draft financial statements of Poste Vita on 23 March 2021, Shareholders' meeting to approve the distribution of profit scheduled for 28 April 2021). The value of the Solvency Ratio subject to the annual review process, will be communicated to IVASS by 20 May 2021.

Net of dividend payments to the Parent Company, the Solvency Ratio at 31 December 2020 was 279%.

and capital strength, and substantial reputational capital ensure business continuity. This prerogative is also confirmed by the short and medium-term objectives and trends contained in the "2024 Sustain & Innovate" strategic plan approved by the Board of Directors on 18 March 2021.

ECONOMIC PERFORMANCE OF THE GROUP AND STRATEGIC BUSINESS UNITS

GROUP OPERATING RESULTS

In a market environment characterised by the persistently low rates of return on government securities (see the section on [Financial Services - Market Context](#)), the Group has adjusted its strategy for managing Bancoposta's securities portfolio, including the proactive management of significant unrealised gains. In order to correctly reflect these changes, the method of presenting the statement of profit or loss components of the Financial Services business unit has been revised, by classifying the charges deriving from financial transactions previously shown under costs in profit or loss. In order to allow for a consistent comparison, the 2019 revenue figure has been adjusted to reflect the new exposure.



In a year characterised by the health emergency and the social and economic crisis generated by the Covid-19 pandemic, the Group achieved solid and resilient economic and financial performance. The negative variance that emerges when comparing 2019 results is primarily attributable to the significant decline in operations in the second quarter of the year.

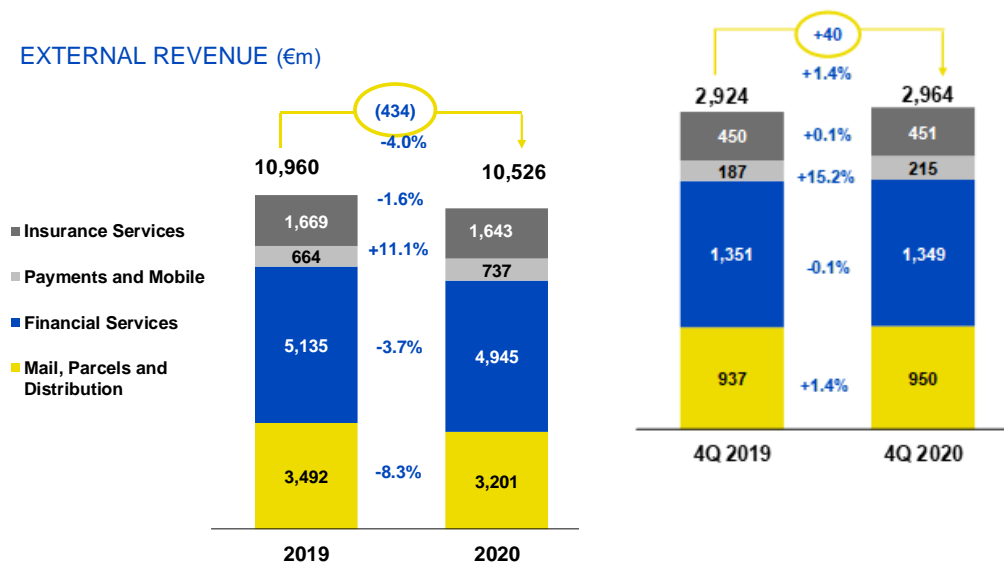
Revenue €10.5 bn
EBIT €1.5 bn
Net profit €1.2 bn

The first part of the year was in fact the one most affected by the severe restrictive measures imposed to cope with the emergency; in the second half of the year, each business segment showed tangible signs of recovery that led the Group to achieve an operating profit of €1.5 billion and a net profit of €1.2 billion for the year.

	2019	2020	CHANGES	
(€m)				
EXTERNAL REVENUE	10,960	10,526	(434)	-4.0%
TOTAL COSTS	9,186	9,002	(184)	-2.0%
EBIT	1,774	1,524	(250)	-14.1%
EBIT margin %	16.2%	14.5%		
NET PROFIT	1,342	1,206	(136)	-10.2%
NET EARNINGS PER SHARE	1.03	0.93	(0.10)	-10.2%
CAPEX	734	680	(54)	-7.3%
% of revenue	6.7%	6.5%		

The Group's external revenue of €10.5 billion is down €434 million compared to 2019 (-4.0%). The overall change in revenue was significantly affected by the lockdown effect, which led to a significant drop in operations in the first part of the year.

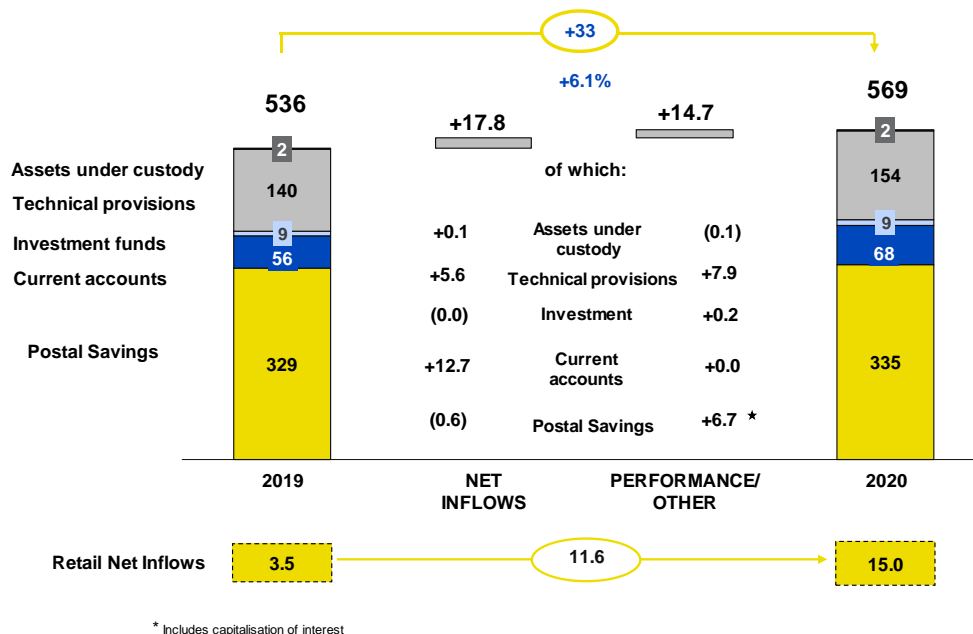
EXTERNAL REVENUE (€m)



In particular, over the 12-month period, there was a positive change in revenue from the Payments and Mobile Strategic Business Unit alone, amounting to €74 million (+11.1%) compared to 2019, thanks to the significant growth of the Telecommunications segment and the good performance of the Electronic money segment. The other Strategic Business Units recorded revenue down compared to the previous year and in particular: the Mail, Parcels and Distribution Strategic Business Unit showed a decline of 8.3%, or -€292 million; the Financial Services and Insurance Strategic Business Units recorded a decline in revenue of €190 million (-3.7%) and €26 million (-1.6%) respectively compared to 2019.

The fourth quarter of the year confirmed the positive recovery trend seen in the third quarter with revenue that was up (+1.4% or +€40 million) compared to the same period in 2019. This change is due both to the exceptional growth in the parcels segment which, during the last quarter, more than offset the decline in mail, contributing to a 1.4% increase (equal to +€13 million) in revenue of the Mail, Parcels and Distribution Strategic Business Unit, and to the confirmation of the growth trend in revenue of the Payments and Mobile Strategic Business Unit (+15.2%, equal to +€28 million) which, during the period, benefited from the acceleration of digital payments. The Financial Services and Insurance segments reported substantially flat revenue during the fourth quarter of the year compared to the same period in 2019.

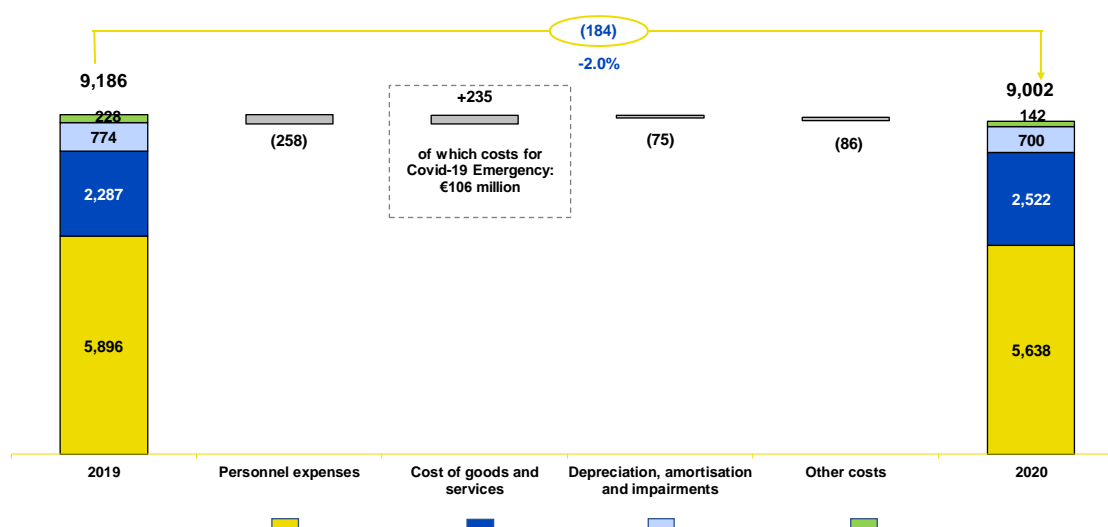
TOTAL FINANCIAL ASSETS (€bn)



During 2020, total financial assets, which totalled €569 billion, increased by 6.1% (€33 billion) compared to €536 billion at 31 December 2019, due to both net inflows (+€17.8 billion) and the performance effect (+€14.7 billion). In particular, the positive performance of net inflows from current accounts (+€12.7 billion) and the positive performance of the insurance segment (which partly reflects changes in the fair value of financial instruments) and postal savings are worthy of note. Inflows in 2020 benefited from the early payment of pensions decided by the government in response to the health emergency, which generated approximately €3 billion additional in postal current accounts and books of Group customers.

€569 bn Total financial Assets
€15 bn retail net inflows

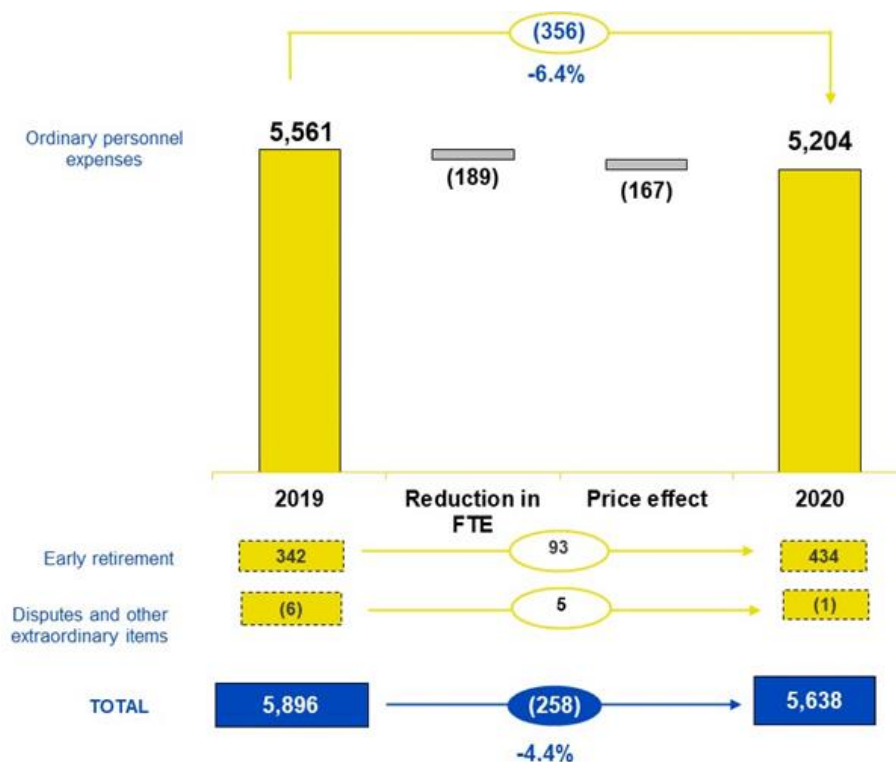
TOTAL COSTS (€m)



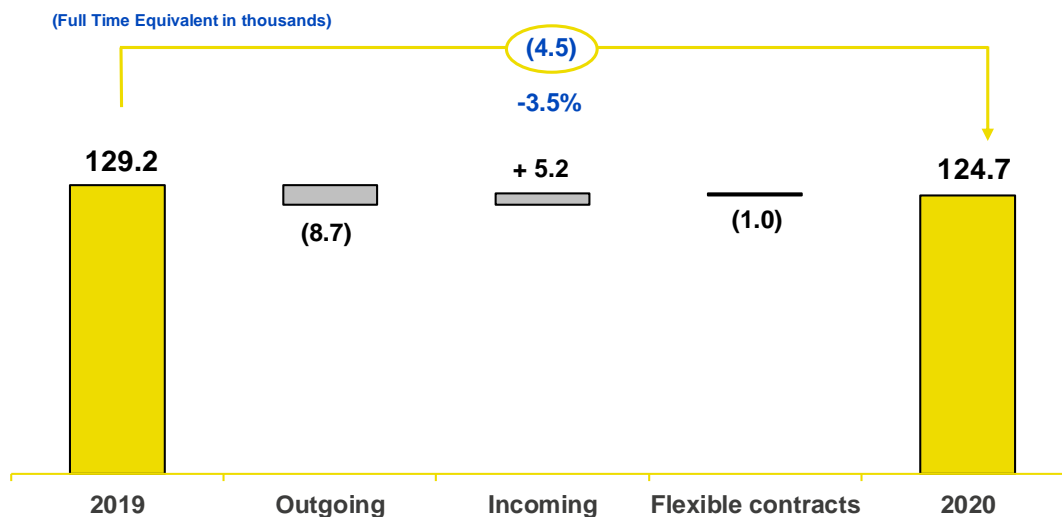
Total costs went from €9,186 million in 2019 to €9,002 million in 2020, a decrease of 2%, mainly due to lower personnel expenses, partly offset by higher costs for goods and services (+€235 million), mainly related to extraordinary expenses incurred to contain Covid-19 (€106 million), as well as the growth in variable costs related to business growth (+€190 million) linked to the Telco business and parcel delivery. Depreciation, amortisation and impairments decreased from €774 million in 2019 to €700 million in 2020. The change is affected by a reduction in amortisation and depreciation recorded in the period following the redefinition of the remaining useful life of the Group's main corporate assets and the related residual value as of January 2020, consistent with the provisions of the relevant accounting standards (IAS 16, IAS 40). As a result of this revision, depreciation and amortisation expense for the Group was about €120 million less than in previous years. Other costs record a negative change of €86 million compared with 2019, primarily due to releases made to the provisions for risks of BancoPosta's RFC in connection with an overall revision of the estimate of certain risks associated with the distribution of postal savings products issued in past years as well as, the conclusion of voluntary protection initiatives undertaken for real estate funds ("Europa Immobiliare I" and "Obelisco").

Further information is provided in the Notes to Poste Italiane Financial Statements for the year ended 31 December 2020.

PERSONNEL EXPENSES (€m)



WORKFORCE

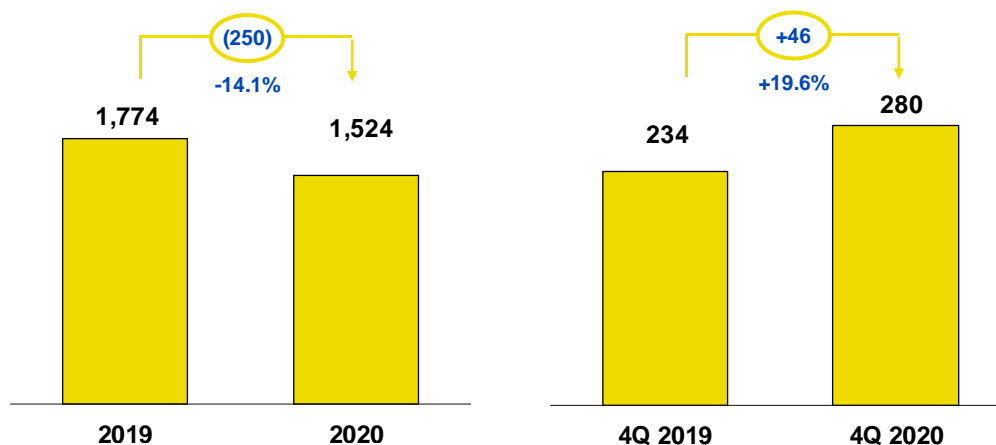


The total personnel expenses decreased by €258 million (-4.4%) compared to 2019. This change is attributable to a reduction in the ordinary component from €5,561 million in 2019 to €5,204 million in 2020, mainly due to a reduction in average workforce during the period (about 4,500 FTE average less than in 2019), and the use of the Solidarity Fund (Cassa Integrazione Guadagni - CIG redundancy payments) to deal with the health emergency. The reduction in the

ordinary component is also due to lower costs for MBO managerial incentives and other various indemnities, in particular extraordinary, as a result of reduced activity during the lockdown.

The decrease in the ordinary component was partly offset by the increase in the cost of early retirement incentives, which went from €342 million in 2019 to €434 million in 2020 set aside in order to accelerate the Group's industrial restructuring process.

EBIT (€m)



Consolidated EBIT of €1,524 million is down €250 million (-14.1%) compared with the previous year (€1,774 million). The combined effect of the decline in revenue related to the restrictive measures due to the pandemic, and the higher costs incurred to safeguard employees and customers, significantly penalised the results of the first part of the year. The reversal of the negative trend, which started in the third quarter, with growth in both revenue and EBIT, continued in the fourth quarter, which was the best quarter of the year (+€46 million EBIT or +19.6% compared to 2019).

In addition to the dynamics of revenue (+€40 million), the growth in operating income in the fourth quarter was boosted by the decline in costs (-€6 million compared to the same period in 2019), confirming the effectiveness of the management initiatives implemented by the Group, despite the costs incurred for the management of the Covid-19 pandemic (€25 million) and the higher costs for early retirement incentives to accelerate the Group's organisational efficiency (+€94 million).



Profit for the period amounted to €1,206 million, down 10.2% compared to 2019 (€1,342 million) and was positively impacted by the tax effects of participating in the "Patent box" scheme⁴⁴ (€80 million) and the ACE⁴⁵ (Aid to Economic Growth) tax relief of €16 million.

In the fourth quarter of 2020, the Group posted net income of €308 million, up €49 million (+18.7%) compared to the fourth quarter of the previous year.

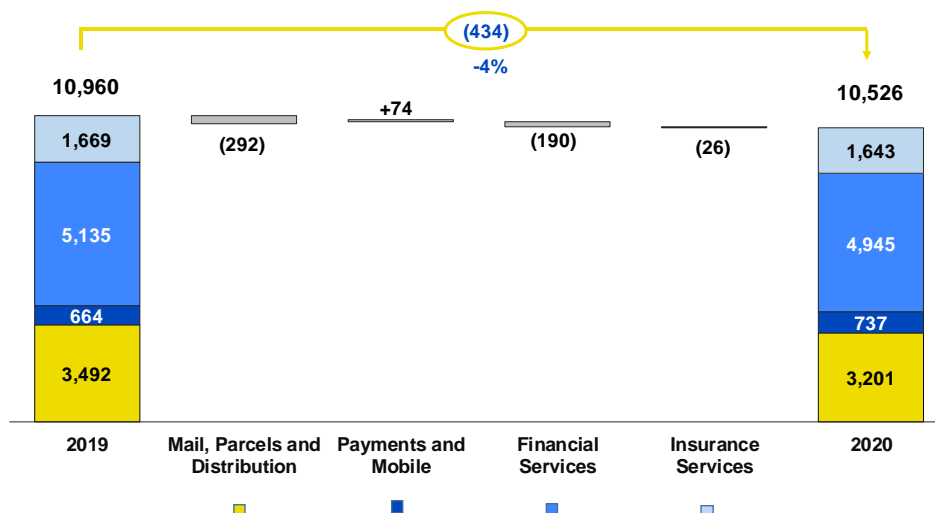
⁴⁴ A five-year tax benefit introduced into Italian law in 2015 that consists in the exclusion from the formation of total taxable income of a portion of income deriving from the use of certain intangible assets.

⁴⁵ The ACE (Aid to Economic Growth) scheme consists in the possibility of deducting from the company's income each year an imputed charge equal to the return related to the increase in capital compared to that existing at the end of the financial year in progress at 31 December 2010.

SUMMARY OF OPERATING RESULTS BY STRATEGIC BUSINESS UNIT

The main economic results by Strategic Business Unit are shown below.

EXTERNAL REVENUE (€m)



Over the 12-month period, there was a positive change in revenue from the Payments and Mobile Strategic Business Unit alone, amounting to €74 million (+11.1%) compared to 2019, thanks to the significant growth of the Telecommunications segment and the good performance of the Electronic money segment. The other Strategic Business Units, although progressively recovering in the second half of the year thanks to effective commercial activities, recorded revenue for the year that was down on the previous year.

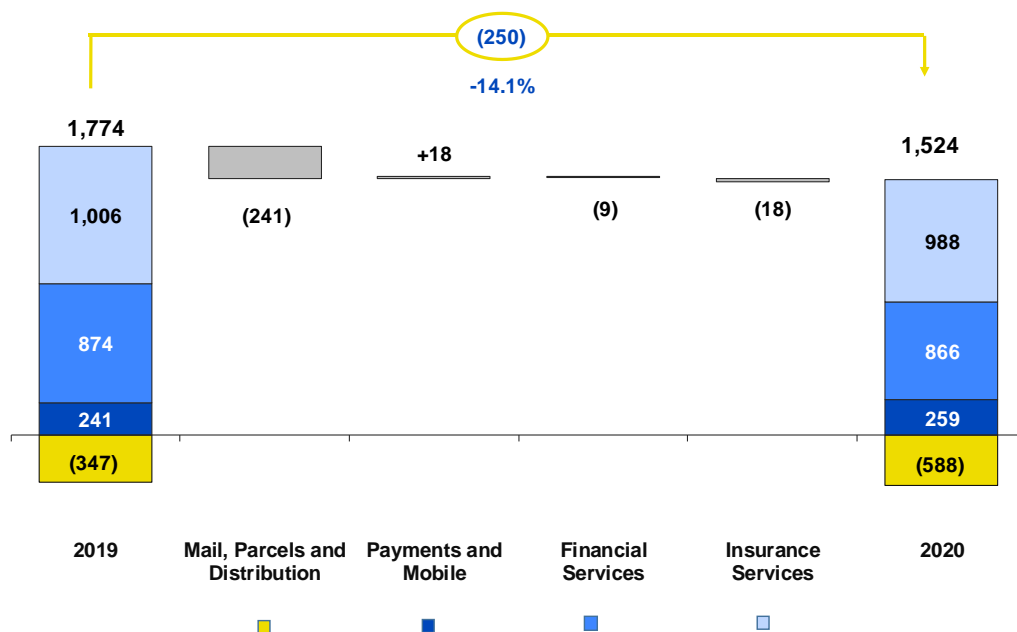
External revenue of the **Mail, Parcels and Distribution** Strategic Business Unit went from €3,492 million in 2019 to €3,201 million in 2020 (-8.3%) and showed lower revenue from traditional mail (-€558 million, or -22.7%), only partly mitigated by the growth in parcels (+€307 million, or +36.1%), thanks to the positive performance of the B2C segment, driven by the development of e-commerce.

External revenue of the **Payments and Mobile** Strategic Business Unit in 2020 amounted to €737 million and marked an increase of €74 million (+11.1%) compared to 2019. More specifically, both Telecommunications and Electronic Money reported revenue growth of €45 million (+18.6%) and €35 million (+10.5%), respectively, partly limited by lower revenue from Collection and Payment services due to the suspension of tax payments in connection with the health emergency.

External revenue of the **Financial Services** Strategic Business Unit amounted to €4,945 million, down €190 million from €5,135 million in 2019 (-3.7%). The distribution of financing products and collection and payment services are the categories that have recorded the greatest decrease in revenue compared with the previous year, with a reduction in volumes and unit distribution commissions for the former and a reduction in volumes on payment slips for the latter.

The **Insurance Services** Strategic Business Unit contributed €1,643 million to Group revenue in 2020, down 1.6% on the previous year, mainly attributable to the Life business, which contributed €1,500 million, while the P&C business contributed €132 million.

EBIT (€m)



In 2020, the Group's operating profit stood at €1,524 million, down €250 million from last year. The downturn in operating performance had an impact on all the Strategic Business Units with the exception of the Payment and Mobile Services Strategic Business Unit, which recorded operating income of €259 million in 2020, up by €18 million compared with the previous year, thanks to an acceleration in the use of digital payments and a loyal customer base in the TLC segment.

For more detailed information on the performance of the individual Strategic Business Units, please refer to the dedicated paragraphs later in the chapter.

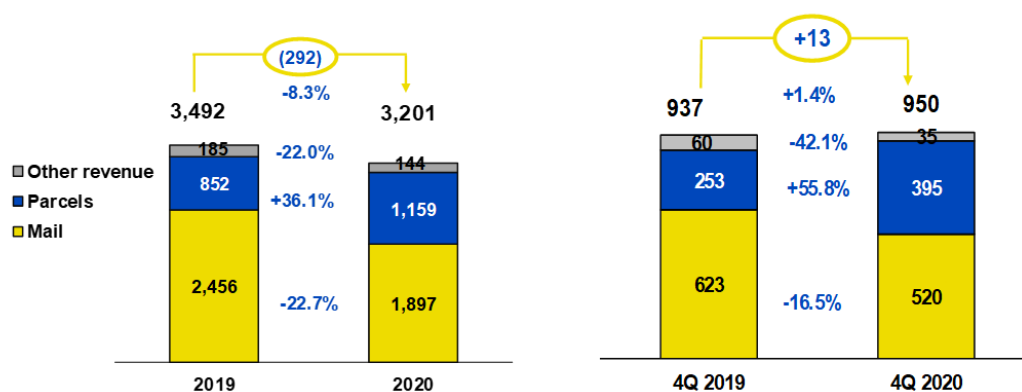
MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT

The Strategic Business Unit 's performance for the year reflects the acceleration of the decline in traditional mail affected by the effects of the lockdown and whose results are only partly offset by the sustained growth in parcels.

MAIL, PARCELS AND DISTRIBUTION	2019	2020	CHANGES	
(€m)				
External revenue	3,492	3,201	(292)	-8.3%
Revenue from other sectors	4,723	4,633	(90)	-1.9%
Total revenue	8,215	7,833	(382)	-4.6%
Costs	8,491	8,349	(142)	-1.7%
Costs vs other sectors	72	73	1	+1.9%
Total costs	8,562	8,422	(141)	-1.6%
EBIT	(347)	(588)	(241)	-69.5%
EBIT margin %	-4.2%	-7.5%		
NET RESULT	(306)	(419)	(113)	-36.8%

Main KPIs	2019	2020	CHANGES	
Mail and parcels				
Revenue/FTE (€k)	64.2	63.5	(0.8)	-1.2%
Parcels that can be delivered as standard mail (volumes in m)	51.6	74.0	22.5	43.6%
New Punto Poste Network (number of lockers and alternative collection points)	6,288	10,799	4,511	71.7%
Distribution				
Number of Post Offices	12,809	12,765	(44)	-0.3%
Number of customers (m)	35.1	35.0	(0.1)	-0.3%
Rooms dedicated to consultancy	6,725	6,782	57	0.8%
Postamat ATM network	7,727	7,957	230	3.0%

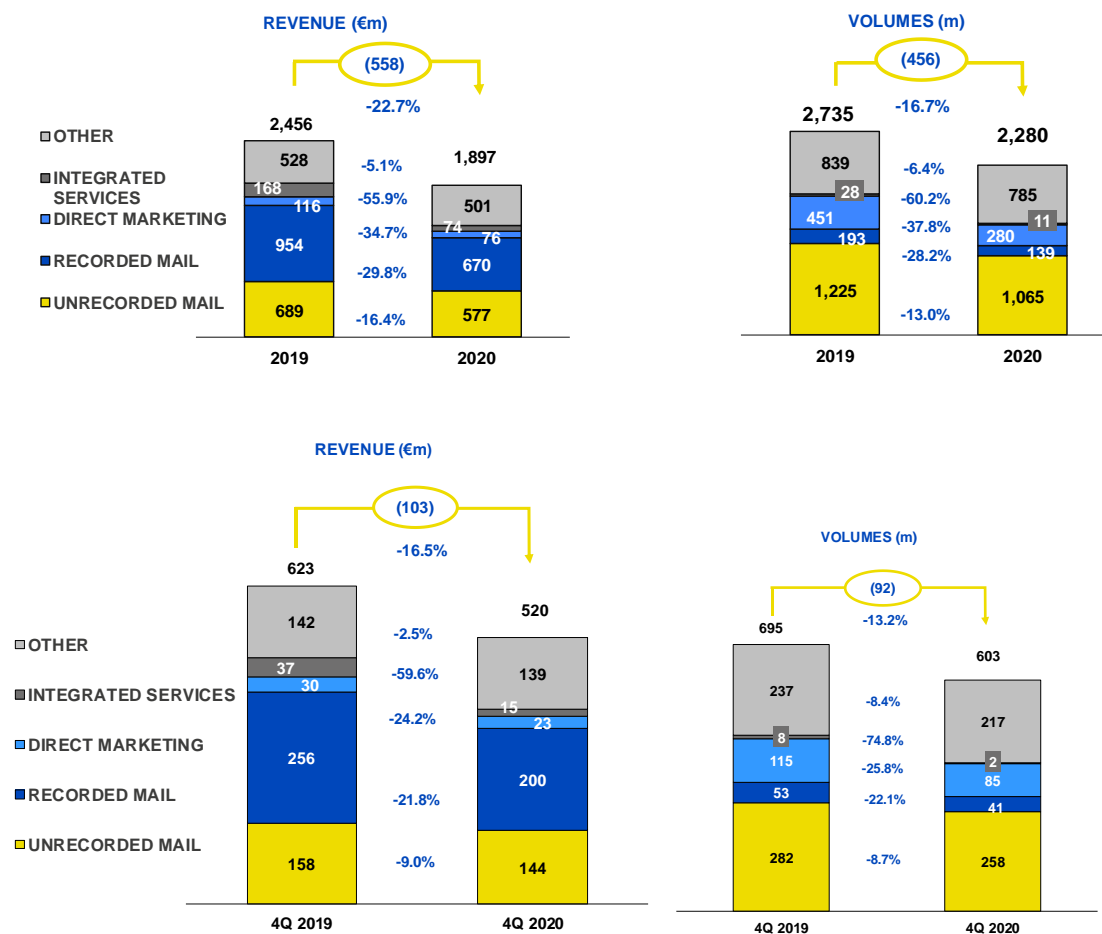
EXTERNAL REVENUE (€m)



External revenue went from €3,492 million in 2019 to €3,201 million in 2020 and show lower revenue from traditional mail (-€558 million, equal to -22.7% compared to 2019), and higher revenue of the parcels segment (+€307 million, equal to +36.1%, compared to the previous year), above all thanks to the positive performance of the B2C segment.

The decline in revenue in the sector recorded in the first months of 2020 was exacerbated as of March due to the lockdown imposed to deal with the pandemic and the significant drop in operations that followed in the second quarter with the sector performance gradually deteriorating. The third quarter of 2020 saw a recovery despite the fact that the change in revenue continued to have a negative sign when compared with the same period of the previous year; the reversal of the negative trend occurred in the last quarter of the year in which the segment's External revenue recorded growth compared with the fourth quarter of 2019 (+€13 million, +1.4%). This performance is the result of the combined effect of the particularly positive performance recorded in the parcels segment (+€141 million in revenue or +55.8% compared to the fourth quarter of 2019), mainly attributable to the growth of the Group's activities in the B2C segment (+76.8% in volumes compared to the fourth quarter of 2019), and the confirmation of the decline in traditional mail with revenue down in the last quarter of the year by €103 million (-16.5%).

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 documents.

Direct Marketing: Service for the sending by companies and Public Administration entities 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 documents (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 in 2020 by 16.7% (-456 million fewer items) and 22.7% (-€558 million), respectively, compared with previous year. The aforementioned reduction in business, which followed the severe restrictive measures imposed by the lockdown in the first part of the year, accelerated the process of e-substitution of traditional mail. This decrease is distributed indiscriminately over all product families. Also in the fourth quarter, overall volumes decreased (-13.2%), although at a slower pace than in the third quarter of the year.

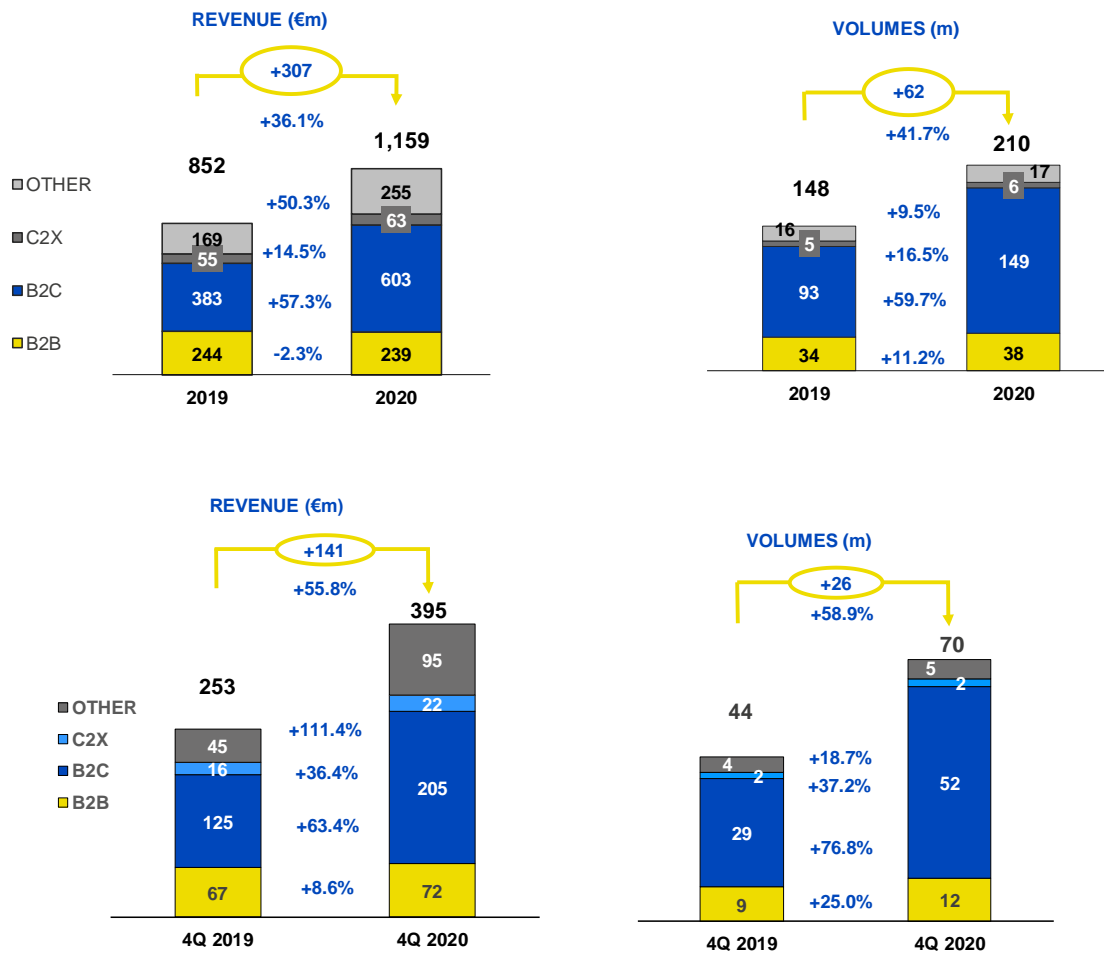
In detail, Unrecorded and Recorded Mail showed a reduction in volumes of 13% and 28.2%, respectively, and a decrease in revenue of 16.4% and 29.8% compared to 2019; Recorded Mail in the fourth quarter of 2020, showed an improvement in the trend compared to the first part of the year thanks to the recovery of shipments from a portion of business customers. Unrecorded mail also improved in the fourth quarter of 2020 compared with the performance recorded in previous quarters of the year.

During the year, Direct Marketing recorded a 37.8% decrease in volumes (-170 million items) and a related 34.7% fall in revenue (-€40 million). This decrease is linked to the drop in commercial mailings from customers.

During the year, volumes of Integrated services fell by 60.2% compared with 2019 (around 17 million fewer items) and revenue fell by 55.9% (-€94 million) due to the interruption in the mailing of tax collection notices, the decrease in fines due to limited circulation, as well as the suspension of the payment of local taxes.

Other revenue that also includes revenue from the commercial printing and envelop filling services provided by Postel, is down 6.4% in volume terms (-54 million fewer items) compared with 2019, due to a decline in the market for printing services determined by the slowdown of the Italian economy and publishing volumes. Corresponding revenue also includes publisher tariff subsidies (-€5 million compared to 2019), down due to a fall in mailings linked to publishing. The compensation covering the cost of the Universal Service for 2020 amounted to €262 million, in line with the revenue recorded in 2019.

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, mainly multi parcel shipments.

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

C2X: identifies Consumer-to-Consumer/Business parcels i.e. parcels sent by consumers both to other consumers and to businesses.

OTHER: includes international mailings, partnerships with logistics operators, dedicated services (for specific needs of P.A., Insurance companies, Banks and Large Customers), integrated logistics orders, and other revenue.

The parcels business grew significantly during the year, with positive changes in both volumes and revenue of +41.7% (+62 million items) and +36.1% (+€307 million) compared with the previous year.

The exceptional revenue performance in the fourth quarter of the year (+55.8%, or +€141 million compared to the same quarter of 2019) across all segments, with a

Record 210 million parcel volume and 37% market share

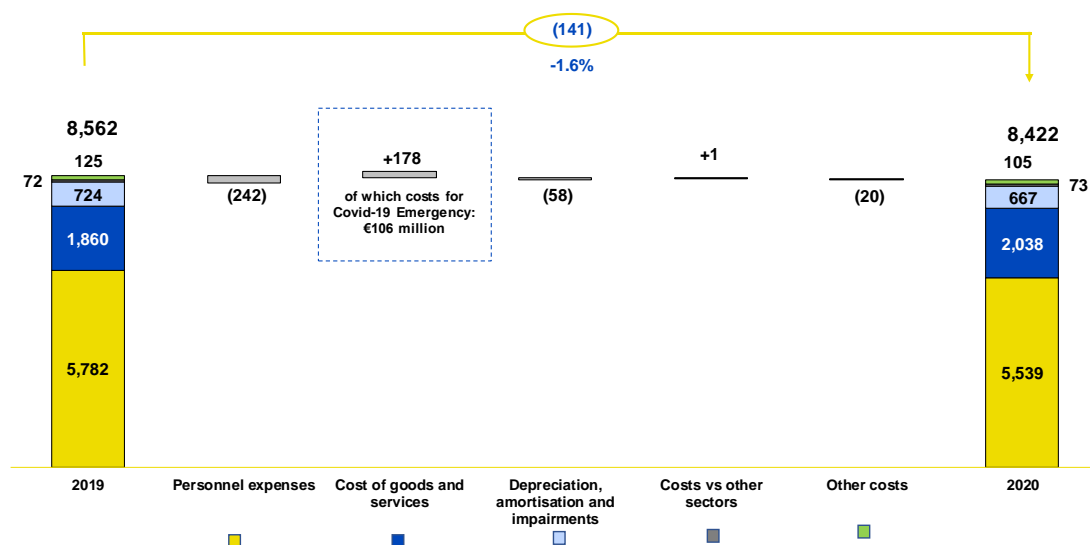
daily average of 1 million parcels delivered and a peak of around 1.3 million average items in December, made it

possible to overcome the decline recorded in the mail segment in the same period, generating revenue growth for the Strategic Business Unit compared to the same period in 2019 (+€13 million, +1.4%).

In 2020, the segment benefited, as previously mentioned, from the strong impetus that the restrictive measures imposed have given to the development of e-commerce and the Group's activities in the B2C segment, which has developed thanks to the growing propensity to shop online of the population. In particular, the B2C sector generated revenue of €603 million, up 57.3% on 2019, compared with 149 million items (+59.7%), a further acceleration compared to the first nine months of the year. The performance of B2C revenue made it possible to offset the reduction in revenue recorded during the year in the B2B segment (-€6 million in revenue compared to 2019), the segment most impacted by the lockdown due to the closure of production activities and which, during the fourth quarter of 2020, showed an acceleration of the recovery trend initiated during the previous quarter.

The excellent performance of the parcels segment's revenue over the year was helped by the order awarded to Poste Italiane by the Ministry of the Interior to deliver personal protection equipment to schools (more than 1.5 billion masks distributed in 2020).

COSTS (€m)



Costs, including amortisation, depreciation and impairments, amounted to €8,422 million, down €141 million (-1.6%) compared with the previous year, essentially due to the reduction in personnel expenses. The latter amounted to €5,539 million with a reduction of €242 million (-4.2% compared to 2019), mainly attributable to the reduction in average headcount (approximately 4,400 FTEs less) as well as the use of the Solidarity Fund (CIG redundancy payments) to deal with the healthcare emergency. These changes in ordinary costs were partly offset by higher costs for early retirement incentives in order to accelerate the Group's industrial restructuring process.

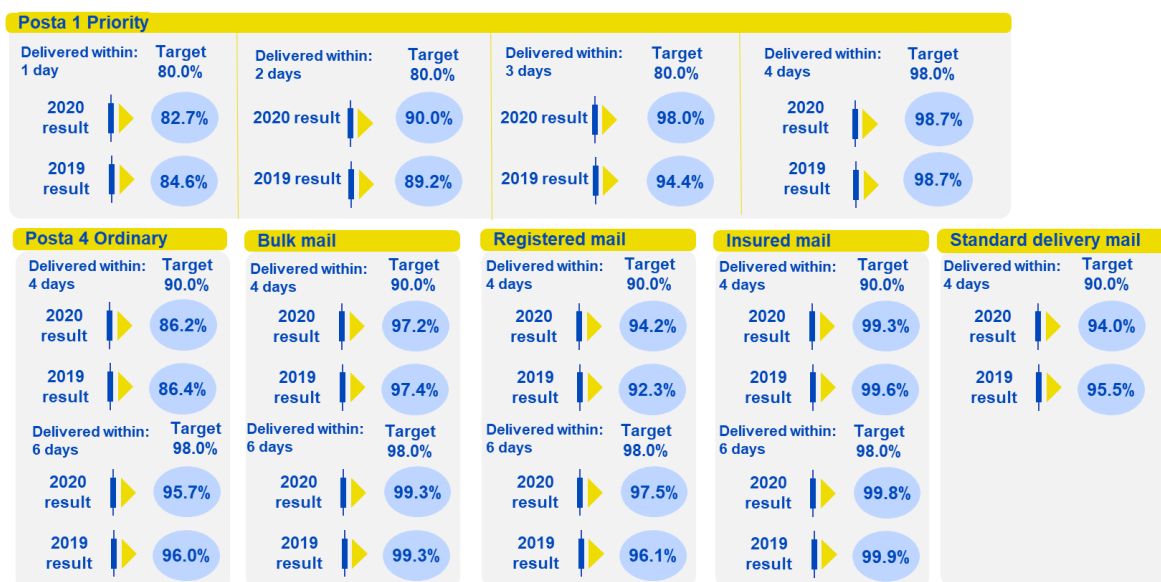
Costs of goods and services (+€178 million compared to 2019), were affected both by higher expenses incurred to ensure the safety of customers and employees engaged in operating activities in the territory and to deal with the health emergency (+€106 million), and by the growth in variable costs mainly related to the development of the parcels business. This growth was partially offset by lower costs mainly related to personnel services (mainly travel and canteen expenses), cash handling expenses for post offices, energy and water utility expenses, etc.

Finally, there was a decrease in amortisation, depreciation and impairments of approximately €58 million (-8% compared with 2019), mainly due to a review of the useful life and residual value of certain Group assets, as described in the paragraph commenting on the Group's operating results and further outlined in the Notes to the Poste Italiane Financial Statements at 31 December 2020.

In light of as represented, the Mail, Parcels and Distribution Strategic Business Unit reported negative EBIT of €588 million for 2020, €241 million worse compared to 2019 (-€347 million). The fourth quarter of 2020 showed EBIT which, although negative (-€344 million), recorded a positive change (+€7 million) compared to the same period of the previous year (-€351 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. Quality trends for 2020 compared to targets and the previous year were clearly impacted by the effects caused by the health emergency. Nonetheless, the reference targets for the year were reached and exceeded for almost all products.



PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT

The performance of the SBU was positive both in terms of revenue, which grew in the electronic money and telecommunications segments, and in terms of EBIT. Net result decreased due to non-recurring financial income recorded in 2019. Increased operations of payment cards, also thanks to the use of online channels, and the growth of the customer base in telephony have mitigated the negative effects of the health emergency.

PAYMENTS AND MOBILE	2019	2020	CHANGES	
(€m)				
External revenue	664	737	+74	+11.1%
Revenue from other sectors	375	341	(34)	-9.0%
Total revenue	1,039	1,079	+40	+3.8%
Costs	380	435	+55	+14.4%
Costs vs other sectors	418	385	(32)	-7.8%
Total costs	798	820	+22	+2.8%
EBIT	241	259	+18	+7.3%
EBIT margin %	23.2%	24.0%		
NET PROFIT	272	194	(78)	-28.6%
Main KPIs	2019	2020	CHANGES	
E-money				
Total value of card transactions ("on us" and "off us") (€m) ¹	41,944	48,761	6,817	16.3%
Total value of card transactions ("off us") (€m) ²	33,062	38,563	5,501	16.6%
Number of cards (m) ³	28.7	28.9	0.2	0.8%
of which Postepay cards (m)	21.5	21.7	0.2	1.1%
of which Postepay Evolution cards (m) ⁴	7.2	7.7	0.5	6.9%
Number of card transactions (m)	1,439	1,561	122	8.5%
of which number of e-commerce transactions (m)	250	397	147.1	58.9%
Telecom				
SIM PosteM mobile landlines and mobile telephones (stock in thousand)	4,416	4,623	207	4.7%
of which mobile Sim (thousand)	4,215	4,380	165	3.9%
of which Casa Sim (thousand)	200	243	42	21.1%
MNP (Mobile Number Portability) - terminations (thousand)	587	528	(59)	-10.1%

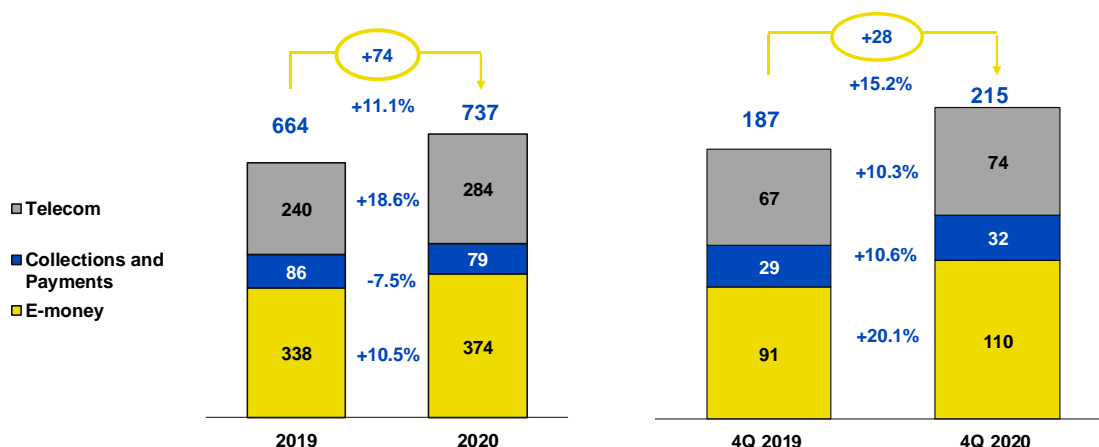
¹ Transactions relating to payments made with Postamat and Postepay on internal and external payment circuits ("on us" and "off us").

² Transactions relating to payments made with Postamat and Postepay on external payment circuits ("off us").

³ Includes Postepay cards and debit cards.

⁴ Including business customers.

EXTERNAL REVENUE (€m)



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

E-Money: 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).

Telecom: mobile phones (revenue from traffic, and the sale of mobile phones and routers from PO corners) and fixed line (PosteMobile Casa offer).

Total revenue in 2020 amounted to €1,079 million and showed growth of €40 million compared to 2019 (+3.8%) attributable to the positive contribution of the Telecommunications segment as well as the performance of the Electronic money segment partly limited by the decline in revenue from Collection and Payment services.

External revenue stood at €737 million, up €74 million compared to the previous year (+11.1%).

In detail, Electronic money revenue of €374 million in December 2020 showed a positive change of €35 million compared to December 2019 (+10.5%). This rise is attributable to the increased operations and higher fees for prepaid cards and to the higher revenue from the sale of acquiring services and the related growth in transactions.

External revenue from collections and payments amounted to €79 million, a decrease of 7.5% (-€6 million) compared with last year. The decrease is mainly attributable to lower revenue from F23/F24 as a result of the postponement of some tax deadlines introduced by Relaunch Law Decree (as converted by Law no. 77 of 17 July 2020). This change is only partly offset by higher revenue from transfers issued by Postepay Evolution and the new PagoPA payments service⁴⁶.

⁴⁶ PagoPA is a new way to perform, through the Payment Service Providers (PostePay S.p.A.), payments to the Public Administration in a standardised way.

External revenue in the Telecommunications segment amounted to €284 million, up from €240 million in 2019 (+18.6%). The positive result was due to the increase in both Mobile and Fixed Telephony revenue, with an increased customer base active in both segments.

The revenue trend relating to the fourth quarter of 2020 alone reflects External revenue up by €28 million (+15.2%) due to the positive contribution of the Electronic money segment (+€18 million or +20.1% compared to the same quarter of 2019) with revenue related to the use of payment cards up mainly due to the increase in transaction volumes. The excellent performance already recorded in previous quarters by the telecommunications sector (+€7 million, or +10.3%) linked to the loyalty of the customer base, and the recovery of revenue from collection and payment services (+€3 million, or +10.6%) were also confirmed.

At 31 December 2020, the total stock of Prepaid Cards and Debit Cards amounted to 28.9 million, a slight increase compared to 31 December 2019 (+0.9%) with total transactions up by approximately €5.5⁴⁷ billion (+16.6%), thanks to the driving effect of Prepaid Cards.

In detail, Postepay cards amounted to 21.7 million at the end of 2020 (+1% compared to 21.5 million in 2019); of these, Postepay Evolution cards, amounting to around 7.7 million in December 2020, showed growth of 6.9% compared to the previous year. During 2020, Postepay cards developed a total payment transaction⁴⁸ of approximately €22.1 billion (+27% compared to €17.4 billion in 2019).

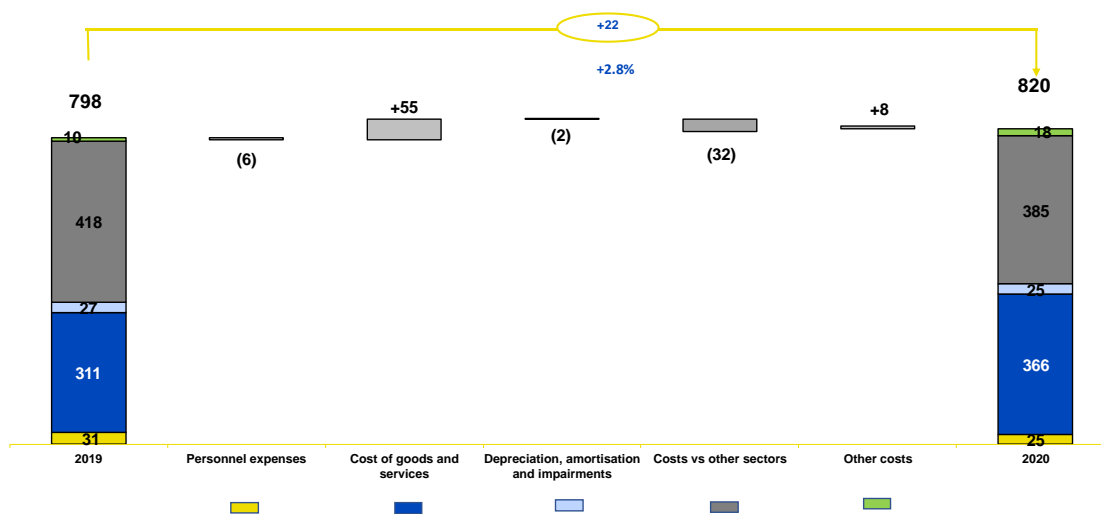
In the Acquiring segment, with approximately 151.1 thousand POS installed at 31 December 2020 (+18%, or +22.9 thousand POS compared to 31 December 2019), transactions in the year amounted to €18.9 billion (+6% or +€1 billion compared to 2019).

In Telecommunications, the customer base related to mobile services, at 31 December 2020, is represented by approximately 4.4 million lines, up 3.9% compared to 2019. With reference to fixed telephony services, the "PosteMobile Casa" offer shows growth of 21.1% compared with last year (243 thousand lines at the end of December 2020 compared with 200 thousand lines at the end of 2019).

⁴⁷ Transactions "not on us"

⁴⁸ Transactions "off us" (does not include Post Office transactions).

TOTAL COSTS (€m)



Total costs, including amortisation, depreciation and impairments, amounted to €820 million, an increase of 2.8% compared with €798 million in 2019. In particular, costs from third parties for goods and services increased by €55 million compared to the previous year, due to higher variable traffic costs related to fixed-mobile telecommunications services and those related to card transactions.

Other expenses increased by €8 million mainly due to one-off 2019 releases of provisions for risks and charges.

In light of the results described, the Payments and Mobile Strategic Business Unit reported EBIT for the year of €259 million, an increase of 7.3% compared with the previous year.

Although financial management for the year was positive (€8 million), it fell by €91 million compared to the previous year, when the result benefited from €88 million in income from the revaluation of the investment in SIA S.p.A., already held by FSIA Investimenti, following the step-up acquisition, and from the income deriving from the exercise of the purchase options for 7.934% of the shares in SIA S.p.A. held by UniCredit and Intesa Sanpaolo.

The sector ended with a net profit of €194 million, a decrease of 28.6% (-€78 million) compared to 2019. Restated net of the above-mentioned non-recurring item of €88 million, the SBU's net profit increased by €10 million compared with the previous year.

FINANCIAL SERVICES STRATEGIC BUSINESS UNIT

The SBU's operating results for the year continued to be solid, albeit slightly lower than in the previous year. The revenue recovery that began in June continued steadily into the second half of the year with last quarter revenue in line with the same quarter in 2019.

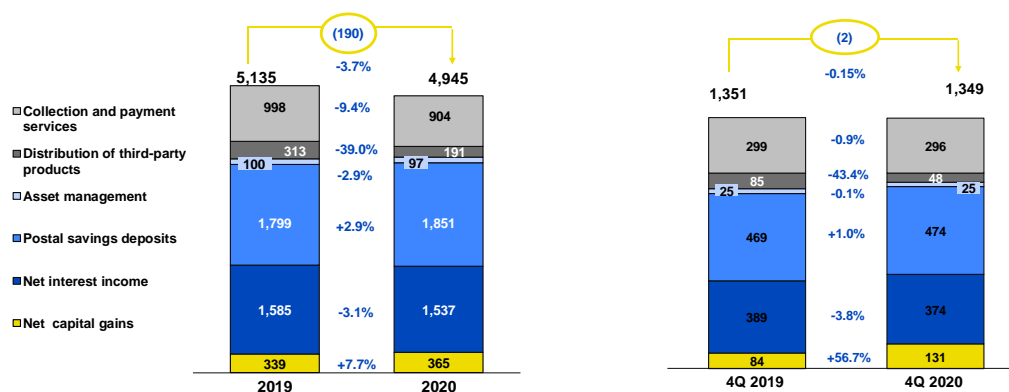
The CET 1 ratio at December 2020 stood at 18.1%, confirming BancoPosta's capital strength.

FINANCIAL SERVICES	2019	2020	CHANGES	
(€m)				
External revenue	5,135	4,945	(190)	-3.7%
Revenue from other sectors	691	665	(25)	-3.7%
Total revenue	5,826	5,610	(215)	-3.7%
Costs	151	87	(64)	-42.6%
Costs vs other sectors	4,801	4,658	(142)	-3.0%
Total costs	4,951	4,745	(207)	-4.2%
EBIT	874	866	(9)	-1.0%
EBIT margin %	15.0%	15.4%		
NET PROFIT	640	647	+7	+1.1%

Main KPIs	2019	2020	CHANGES	
Total financial assets (€bn)	536	569	33	6.1%
Net inflows (€m)	2,950	17,827	14,878	504.4%
Unrealized capital gains/(losses) (€m)	1,115	4,653	3,539	317.5%
Net capital gains (€m)	339	365	26	7.7%
Current accounts (average deposits for the period in €bn)	61.9	67.4	5.5	8.9%
Investment portfolio return ¹	2.57%	2.30%		
Postal savings (average deposits in €bn)	310.4	315.6	5.3	1.7%
Loans (disbursed in €m)	3,583	2,932	(651.5)	-18.2%

¹ Excluding capital gains

EXTERNAL REVENUE (€m)



Distribution of third-party products: Distribution of products disbursed/issued by third-party partners (financing, mortgages, loans, credit cards, etc.).

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

Asset management: Collective asset management through mutual investment 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.

Net interest income: Income from investment of liquidity revenue via postal current account deposits, net of interest expense and other financial transaction costs.

Net capital gains: Gains from the sale of securities in the BancoPosta Portfolio, net of losses.

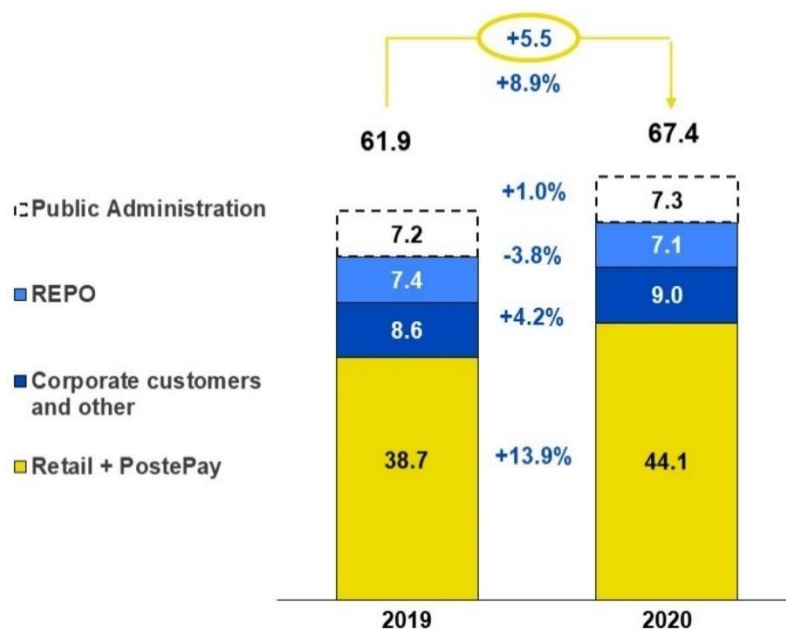
External revenue for 2020 amounted to €4,945 million, down €190 million from €5,135 million in 2019 (-3.7%). In detail, the year under review shows: (i) Net interest income slightly down compared to 2019 (-3.1%), essentially due to lower yields caused by the market scenario with falling rates and only partially mitigated by the increase in loans due to a higher balance on customer deposits; (ii) Net gains of €365 million up €26 million compared to €339 million in 2019 (+7.7%).

Revenue from postal savings collection services amounted to €1,851 million, up 2.9% (+€51 million) on 2019, in relation to the higher collection of campaign Interest-bearing Postal Certificates, while revenue from collection and payment services amounted to €904 million, down 9.4% (-€94 million), primarily due to lower volumes on postal slips. This item also includes, on a residual basis, income from the definitive discharge of items previously recognised as liabilities, following an overall review of estimates.

Revenue from distribution of third-party products totalled €191 million, down €122 million compared to €313 million in 2019, due mainly to a decrease in volumes of personal loans distributed during the period and to the reduction of the unit distribution commissions.

The fourth quarter of 2020 of the Financial Services SBU showed External revenue essentially in line with the fourth quarter of 2019 (-€2 million), due to the combined effect of the growth in the value of net capital gains (+€48 million), offset by the decline in both revenue from the distribution of financing products (-€37 million), mainly attributable to lower disbursements of personal loans, and net interest income (-€15 million), due to lower interest rates only partially mitigated by the increase in loans.

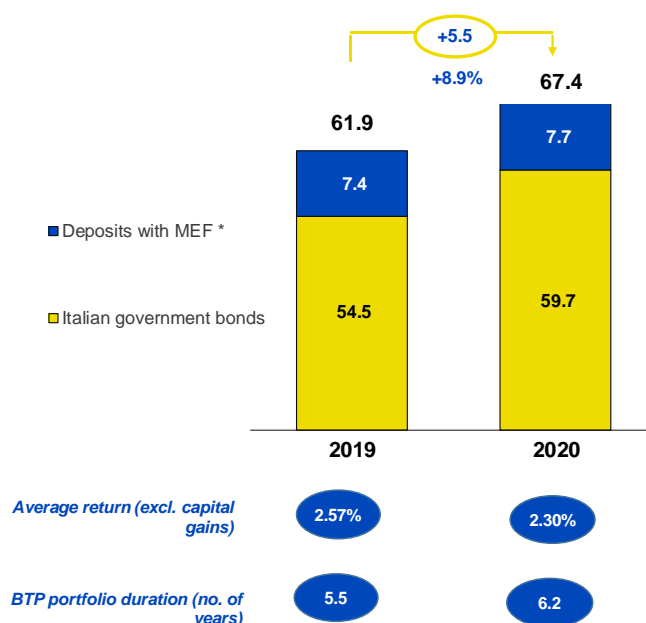
AVERAGE CURRENT ACCOUNT BALANCE (€bn)



At 31 December 2020, the average current account balance increased from €61.9 billion to €67.4 billion. This increase, amounting to €5.5 billion, was mainly attributable to the positive contribution from retail customers and Postepay (+€5.4 billion) and Corporate customers (+€0.4 billion). On the other hand, less use was made of RE.PO⁴⁹ (-€0.3 billion).

⁴⁹ RE.PO (Repurchase Agreement) consist of a spot sale of securities and a simultaneous forward repurchase commitment (for the counterparty, in a symmetrical commitment of spot purchase and forward sale).

COMPOSITION OF INVESTMENT PORTFOLIO (€bn)



* Includes liquidity on the Buffer and excludes the liquidity of Poste Italiane

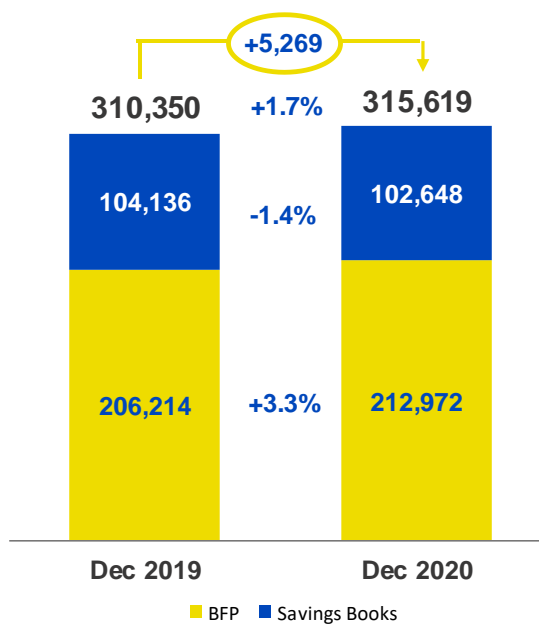
The securities portfolio, in which deposits from private customers on postal current accounts with a nominal value of about €59.7 billion are used, consists of about €56.7 billion of Italian fixed-income government securities and about €3 billion of debt securities issued by Cassa Depositi e Prestiti (guaranteed by the Italian government).

The year 2020 was characterised by high market volatility, as a result of which investment and risk hedging strategies were promptly adjusted.

In particular, the first few months of the year were characterised by fairly stable markets, in line with the end of the 2019 financial year. Against this backdrop, the bulk of the capital gains realisation programme planned for the year 2020 was implemented and the implementation of the portfolio efficiency strategy in asset swaps already started at the end of 2019 continued, improving the interest income profile envisaged in the previous strategic plan (Deliver 2022). Starting in March 2020, due to the health emergency, there was a progressive increase in volatility on all world markets with an increase in government spreads; during this period, the investment programme presented very significant volumes, both in view of the high level of yields and the exceptional increase in current account deposits compared to expectations. In view of the gradual narrowing of the spread in the second half of 2020, the programme to restructure the portion of the securities portfolio in asset swaps was resumed and management focused on completing the programme to realise the capital gains expected in 2020 and starting the programme for next year by executing forward sales with 2021 value date.

Moreover, the market context characterised by interest rates at historic lows has had the effect of reducing the average yield of portfolio securities and marginally increasing their Duration. The impact in absolute terms of the reduction in returns on the portfolio interest income was, however, partially offset by the increase in average deposits during the period considered. Lending from public customers ("Deposits with the MEF") tended to be in line with last year, but were characterised by lower profitability due to the decline in market rates.

POSTAL SAVINGS (average deposit in €m*)



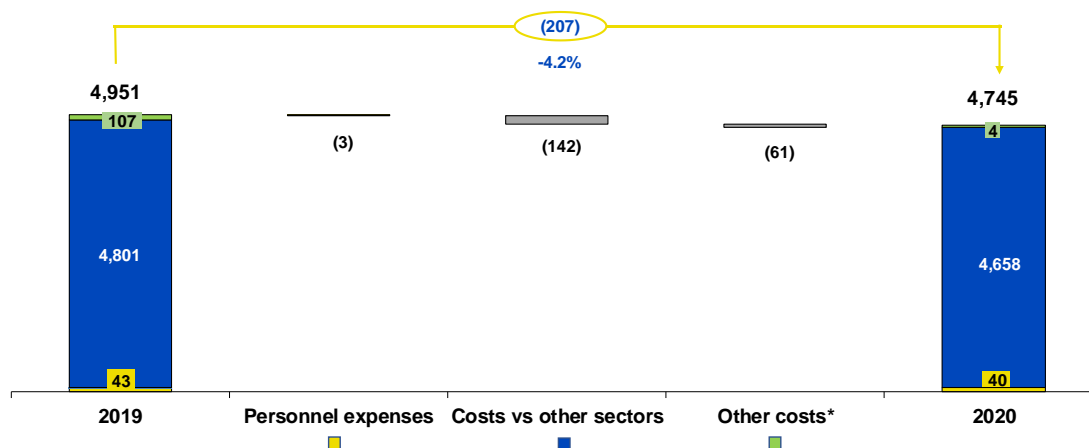
* Average value excluding both the capitalisation of interest for the period and interest accrued, but not yet due, on Interest-Bearing Postal Certificates that have not expired at the reporting date.

€m	2019	2020	Change	Change %
Postal savings net deposits	(3,454)	(572)	2,882	83.4%

At 31 December 2020, net deposits of postal savings amounted to -€572 million, up €2,882 million compared to the previous year. This increase was due to the increased net inflows in books due to the health emergency and the market context, which have influenced patterns of customers, making them more orientated to the use of liquidity products.

Net inflows from Interest-bearing Postal Certificates were lower than in the previous year, due to the high level of redemptions of maturing Interest-bearing Postal Certificates, although gross inflows were €5.5 billion higher than in 2019. Compared with the previous year, the average balance of Interest-bearing Postal Certificates rose significantly due to the capitalisation of interest, which more than offset the decrease in the average balance of Postal Savings Books.

TOTAL COSTS (€m)



* This item includes costs for goods and services, impairment losses/reversals of impairment losses and other costs and expenses.

Total segment Costs amounted to €4,745 million, down from €4,951 million in 2019 (-€207 million, -4.2%), mainly due to lower costs related to Operating Guidelines referable to the commercial network, against the reduction in activities. Other costs record a decrease, primarily due to releases to BancoPosta's provisions for risks following a revision of the estimate of certain risks associated with the distribution of postal savings products issued in previous years, as well as the conclusion of voluntary customer protection initiatives linked to the "Europa Immobiliare I" and "Obelisco" funds.

The SBU's performance proved to be resilient, with **EBIT** amounting to €866 million at the end of 2020, down slightly (-1%) compared with the previous year, despite a market scenario characterised by declining interest rates and the restrictions put in place to address the health emergency, which resulted in a reduction in operations.

Taking into account financial management (negative by €9 million) and taxes for the period of €210 million (the latter benefiting from the effect of opting for the Patent Box regime for €23 million), the sector closed with a **net profit** of €647 million, an increase of 1.1% (+€7 million) compared with the previous year.

€m	2019	2020
CET1 CAPITAL	2,388	2,449
TOTAL ASSETS	85,010	103,981
RWA - Risk Weighted Assets	13,020	13,502



With regard to BancoPosta's capital structure, following the positive development of funding volumes, primarily due to the effect of the pandemic, there was an increase in account balances. In addition, the change in the market scenario (decrease in the spread) also had an impact on the amount of assets, increasing the relative value of securities measured at fair value.

Consequently, the leverage ratio fell during the year to 2.65% in December 2020.

The CET 1 ratio at December 2020 stood at 18.1%, confirming the capital solidity and recording a slight decline compared to 2019 mainly related to the fall in interest rates, which led to an increase in collateral paid to counterparties in hedging derivative transactions.

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 2020.

INSURANCE SERVICES STRATEGIC BUSINESS UNIT

The SBU's EBIT for the year was solid, even though down slightly compared with the previous year, reflecting a similar trend in revenue. The Solvency Ratio of 267% at the end of the year confirms the solvency of the insurance Group.

INSURANCE SERVICES	2019	2020	CHANGES	
(€m)				
External revenue	1,669	1,643	(26)	-1.6%
Revenue from other sectors	1	1	1	n/s
Total revenue	1,670	1,644	(25)	-1.5%
Costs	165	133	(32)	-19.5%
Costs vs other sectors	499	523	+25	+4.9%
Total costs	664	656	(8)	-1.1%
EBIT	1,006	988	(18)	-1.8%
EBIT margin %	60.2%	60.1%		
NET PROFIT	737	784	+47	+6.4%

Main KPIs	2019	2020	CHANGES	
Net technical provisions Poste Vita Group (€bn)	140.2	153.7	13.5	9.6%
Solvency Ratio	276%	267%		
Life business	2019	2020	CHANGES	
Gross premium revenue - Life (€m) ¹	17,732	16,661	(1,071)	-6.0%
of which: Classes I-IV-V	15,793	14,661	(1,132)	-7.2%
of which: Class III	1,939	2,000	61	3.1%
Incidence of Multi-class premiums on total	35%	34%		
Unrealized capital gains/(losses) (€bn)	11.6	17.9	6.4	55.2%
Lapse rate	2.8%	2.5%		
P&C business	2019	2020	CHANGES	
Gross premium revenue - P&C (€m) ¹	240.2	239.6	(1)	-0.3%
Loss ratio ²	32.7%	48.0%		
Expenses ratio (ANIA) ³	28.9%	28.0%		
Combined ratio (ANIA) ⁴	61.6%	76.0%		

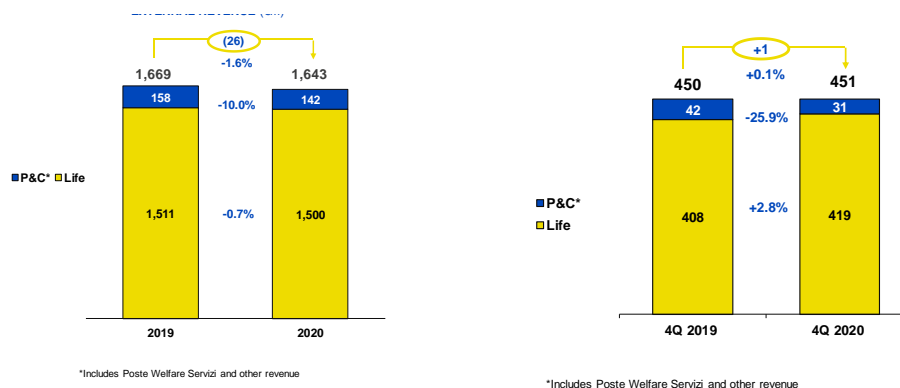
¹ Includes gross premium revenue before the premium reserve, outward reinsurance premiums and intra-group portions.

² Corresponds to the ratio of the expenses from claim liquidation and gross premiums

³ Corresponds to the ratio of operating costs + commission and gross premium revenue.

⁴ Equal to the sum of the Loss and Expenses ratio

EXTERNAL REVENUE (€m)



The Insurance Services Strategic Business Unit generated EBIT of €988 million in 2020, down 1.8% on 2019 (€1,006 million).

External revenue went from €1,669 million in 2019 to €1,643 million in 2020 (-1.6%), essentially due to the performance of the Life business, which contributed €1,500 million, whilst the P&C business contributed €132 million, net of Poste Welfare Servizi⁵⁰ revenue and other revenue.

In particular, Life net revenue decreased by 0.7% (-€10 million) compared to the previous year. This change is mainly the effect of the decline in gross inflows (-€1.1 billion compared to 2019), which led to lower revenue from loadings (-€37 million) and lower revenue from Life protection margin (-€14 million); the decline in revenue is partly offset by the development of other technical provisions (+€28 million).

The financial margin grew (+13 million compared to 2019), which benefited from the increase in average assets under management.

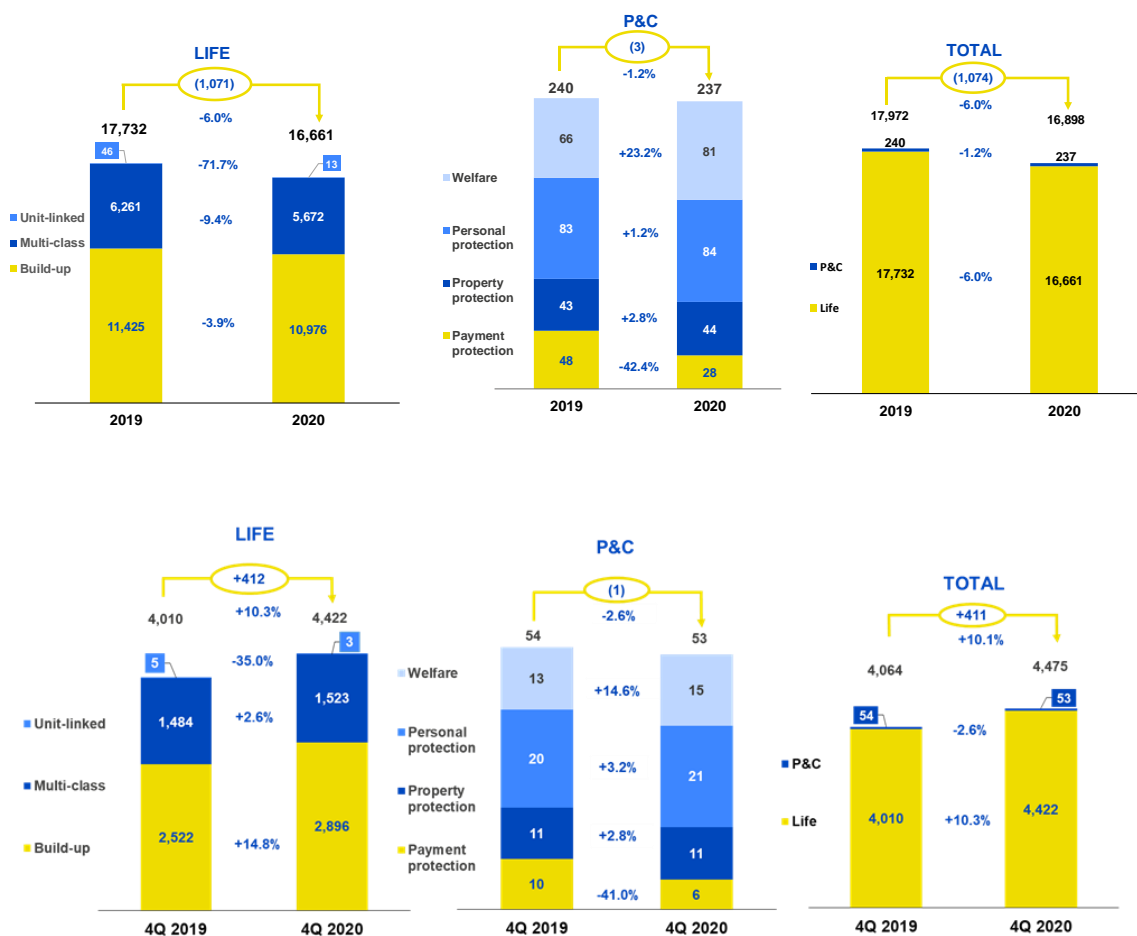
P&C net revenue amounted to €132 million, down 10.5% compared to 2019, mainly due to the evolution of the technical provision and claims settlement expenses, which had lower extraordinary releases in 2020 compared to 2019. This negative change is partly mitigated by the growth in business, especially in the welfare sector, with gross premium revenue up by €13 million (+6%).

The fourth quarter of 2020 shows revenue substantially in line with the fourth quarter of 2019 (+€1 million, +0.1%). Life net revenue increased by €12 million, mainly due to the performance of other technical provisions (+€43 million), which were affected by higher accruals to the expense reserve in the previous year, while the financial margin fell (-€30 million), due to unfavourable market conditions. P&C net revenue decreased by €12 million, mainly due to the development of the technical provision and claims settlement expenses.

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

⁵⁰ Poste Welfare Servizi is Poste Italiane Group company that offers health care services. Poste Welfare Servizi activities are focused on the management and administrative outsourcing of Healthcare Funds, management of a Healthcare Network of affiliated structures, and ICT services for public and private institutions. As of November 2015, it joined the Poste Vita Group as a strategic complement to the health welfare insurance offering.

GROSS PREMIUM REVENUE (€m)

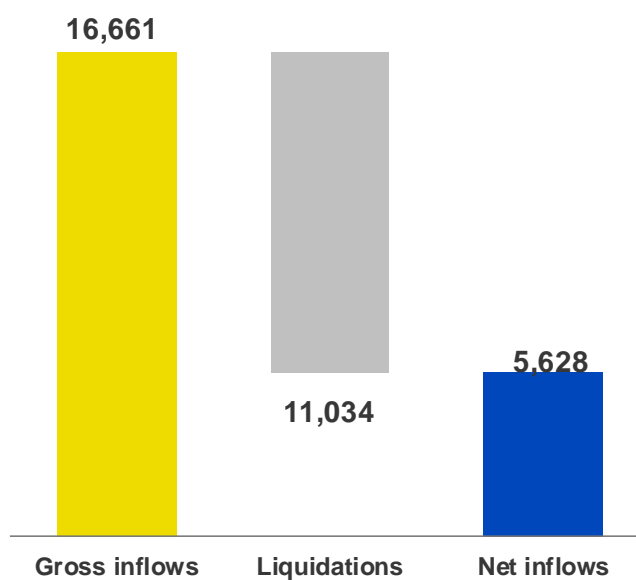


Life and P&C gross inflows were affected in March and April 2020 by restrictions related to the health emergency.

Life gross inflows amounted to €16.7 billion, down 6% (€1,071 million) compared to 2019, with the product mix remaining stable compared to the previous year and with multi-class and build-up products contributing respectively 34% and 66% of total life gross inflows. In the fourth quarter, gross inflows benefited from the easing of restrictions on the movement of persons, recording premiums of €4.4 billion, €0.4 billion higher than in the same quarter of 2019.

Gross premium revenue in the P&C business amounted to €237 million, slightly down on 2019 with lower inflows in the Payment Protection line (-42.4%, -€20 million). This decrease was mitigated by the increase in inflows in the Welfare (+23.2%, +€15 million) and Personal and Property Protection segments. The new modular policy "Poste Vivere Protetti" complements the protection coverage available to retail customers, to protect their health, home and pets. Modules and related coverages can always be added or removed as customers' needs change, and the coverages, which are indicated in the policy, always form a single contract. Contracts signed for this new modular offering as of 31 December 2020 amounted to 114 thousand.

LIFE NET INFLOWS 2020 (€m)



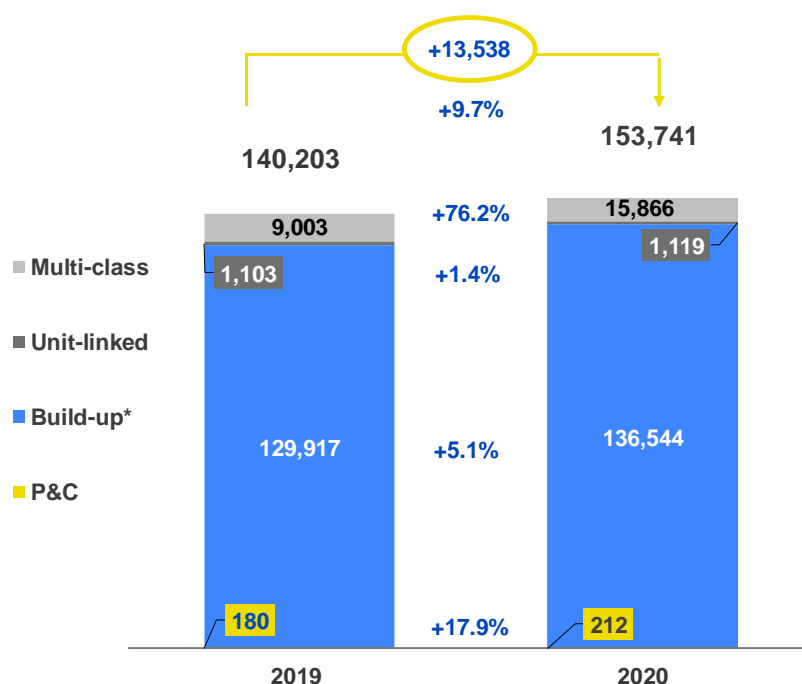
Life net inflows amounted to €5.6 billion and remained positive on all the separately managed account⁵¹ and internal fund⁵² portfolios.

The lapse rate was 2.5%, down from 2019 (2.8%).

⁵¹ The separately managed accounts identify an investment portfolio, specifically created by the insurance company, in which the premiums of customers who subscribe to a life insurance policy (Class I products) are invested and revalued on the basis of the account results.

⁵² The Internal Fund represents a type of investment management within a company in which the premiums invested flow into the company's assets (shares). The premiums, net of costs, are converted into units, invested in shares or bonds.

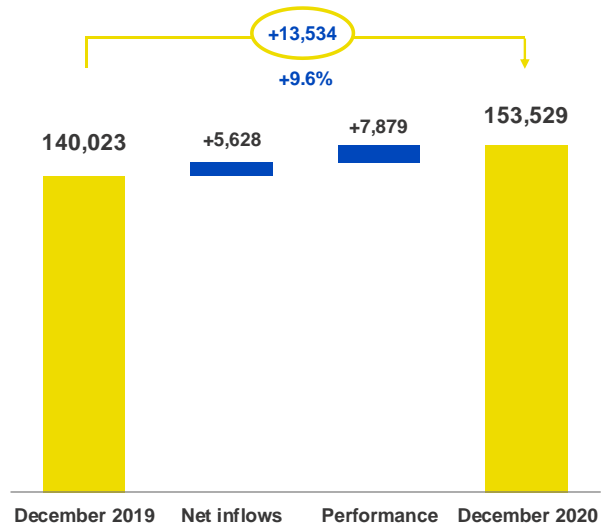
NET TECHNICAL PROVISIONS (€m)



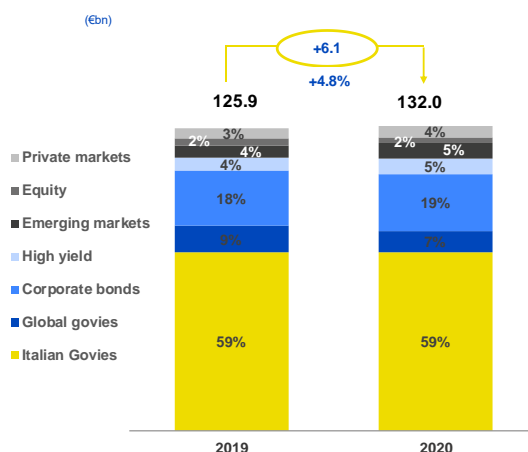
*Includes Protection and Welfare

Life business technical provisions amounted to €153.5 billion and increased by €13.5 billion compared to 31 December 2019, mainly as a result of growth in mathematical provisions (+€7.2 billion), supported by positive net inflows, and the performance of Deferred Policyholder Liabilities (+€6.4 billion), which includes changes in the fair value of financial instruments used to hedge policies issued. During the year, there was a significant increase in the reserves relating to multi-class policies (+76.2%) related to the development of this segment. technical provisions for the P&C business, after the portion ceded to reinsurers, amount to €212 million at the end of the period (€236 million before the portion ceded to reinsurers), an increase of 17.9% compared with the end of 2019 (€180 million; €207 million before the portion ceded to reinsurers).

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



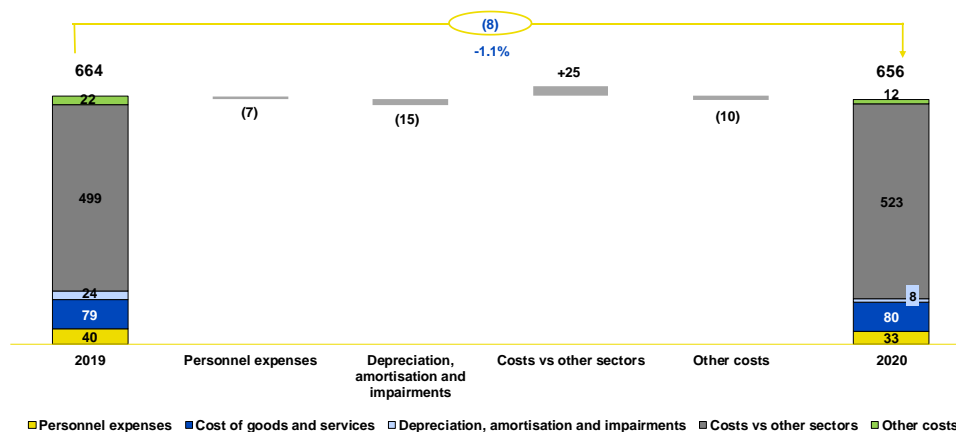
BREAKDOWN OF INVESTMENT PORTFOLIO (€bn)



In 2020 in line with the Company's latest approved asset allocation, a process of portfolio diversification that was started in 2019 continued. It sees a reduction in the concentration of risk in Italy, and has taken the form of the sale of Italian government bonds⁵³, in favour of asset classes with a lower correlation to this risk (Investment Grade corporate bonds).

Within multi-asset funds, diversification has been evident in a reduction in the concentration of risk associated with global government bonds.

TOTAL COSTS (€m)



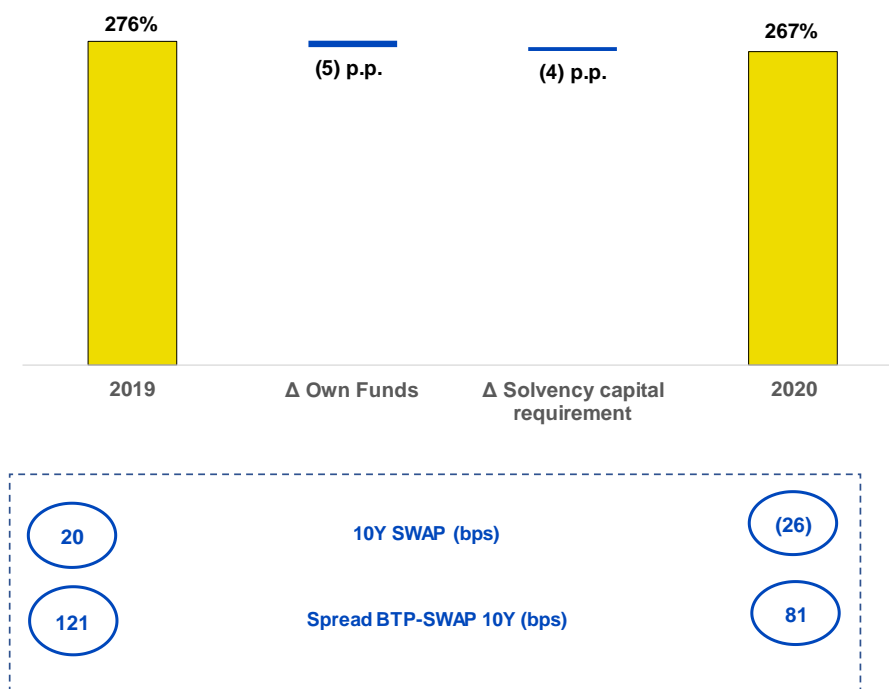
Total costs amounted to €656 million, down €8 million compared to the previous year. The sale of the Poste Vita, Poste Assicura and Poste Welfare Servizi businesses, relating to ICT management activities to Poste Italiane, which took effect on 1 March 2020, resulted in a reduction in personnel costs, amortisation and depreciation and other operating expenses in favour of an increase in costs in other segments for IT services provided by the Parent Company. The

⁵³ Included within the Italy Govies asset class is the Company's financial liquidity (cash awaiting transfer to the asset class managers). In 2019, the incidence of this liquidity on the entire portfolio was approximately 0.14%, while in 2020, this incidence was 0.43%.

change in costs incurred by other segments was also affected by the reduction in commissions paid to BancoPosta for distribution, collection and maintenance activities following the reduction in gross funding.

The net profit for the year of €784 million, or €737 million more than in the previous year, reflects the positive tax effect of adopting the "Patent Box" system (€57 million).

SOLVENCY RATIO PERFORMANCE



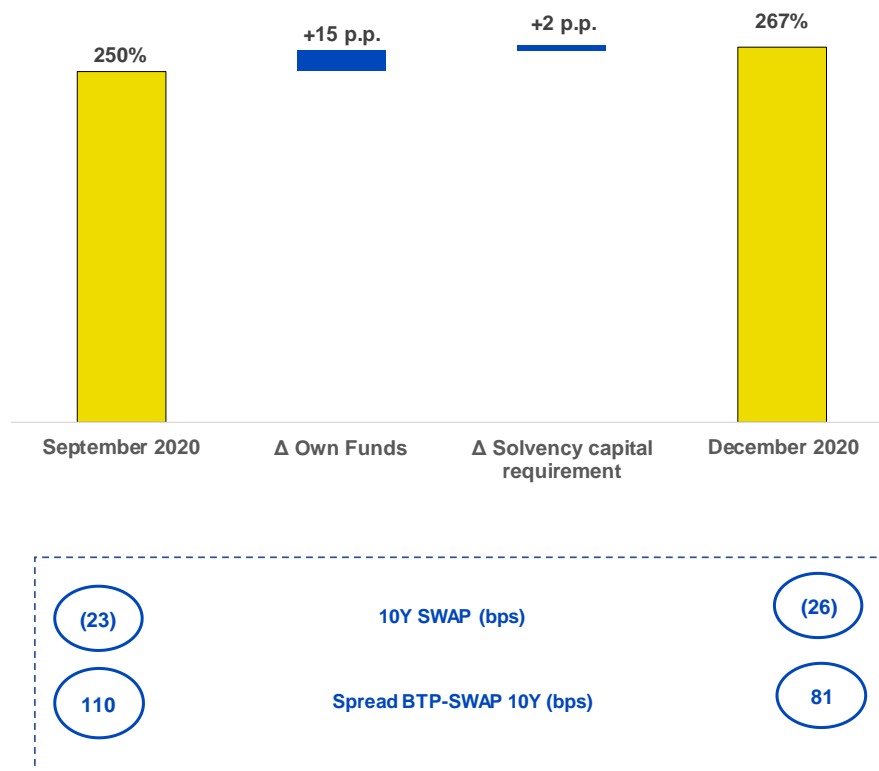
In a market context of extreme volatility and uncertainty and taking account of the proposed dividend distribution of €429 million included in the Company's draft financial statements in favour of the Parent Company (Poste Vita's Board of Directors meeting on 23 March 2021 and the General Meeting scheduled to approve the financial statements on 28 April 2021), the Solvency ratio stood at 267⁵⁴%, slightly down from the 276% recorded in December 2019 (-9 p.p.), and continues to remain at a level well above regulatory constraints and management aspirations (200%).

The change in the period was due to the slight decrease in available funds (-5 p.p.) as a result of the dynamics of the spread (-40 bps 10-year BTP-Swap spread), which offset the reduction in interest rates (-46 bps 10-year Swap rate) and the hypothesis of dividend payments in 2021 in favour of the Parent Company amounting to €429 million. There was also a slight increase in the capital requirement (-4 p.p.) due to higher market, counterparty and operational risks, which were not fully mitigated by the decrease in life underwriting risks due to the reduction in redemption risk.

The inclusion of the transitional measures on technical provisions approved in 2019 has resulted in an increase in eligible own funds allowing an increase in the Solvency Ratio to 299% at 31 December 2020 (312% at 31 December 2019).

⁵⁴ The figure takes into account the dividend that the Company will pay to the Parent Company following the annual audit process and that will be communicated to IVASS by 20 May 2021. Net of the dividend paid to the Parent Company, the Group's Solvency ratio at 31.12.2020 was 279%.

SOLVENCY RATIO PERFORMANCE IN FOURTH QUARTER 2020



The change in the last quarter of 2020⁵⁵ (+17 p.p.) is due to the following factors:

- increase in available own funds (+15 p.p.), following the positive dynamics of the spread trend (-29 bps), which offset the reduction in interest rates (-3 bps)
- assumption of dividend payments in 2021 in favour of the Parent Company of €429 million
- reduction in the Solvency Capital Requirement (+2 p.p.) due to lower market, counterparty and operational risks, partially offset by the increase in life underwriting risks.

⁵⁵ The figure takes into account the dividend that the Company will pay to the Parent Company following the annual audit process and that will be communicated to IVASS by 20 May 2021.

DIGITAL PROPERTIES, THIRD-PARTY NETWORKS AND MAIN KPIs

THIRD-PARTY NETWORKS

As already mentioned in the section on the business model, the importance of physical networks as an alternative to the Post Office for the provision of the Group's products/services is growing, as they provided a valid alternative for customers during health emergencies.

At the end of the paragraph, the table showing the values of the main KPIs in 2020 compared to 2019.

DIGITAL PROPERTIES

Also in line with the new strategic guidelines of the 2024 Sustain & Innovate Business Plan, the Group has implemented a programme of "digital transformation" of all its service and offer models in order to guarantee its customers excellent full digital contact experiences, in addition and complementary to the physical assets of post offices and the letter carrier network. This programme was significantly accelerated in 2020, in view of the effects of the current health emergency, in order to make the Group's products available to customers in conditions of absolute safety and, if required, without the need to be present at post offices.

90 million transactions on digital channels and 115 million on third-party networks in 2020

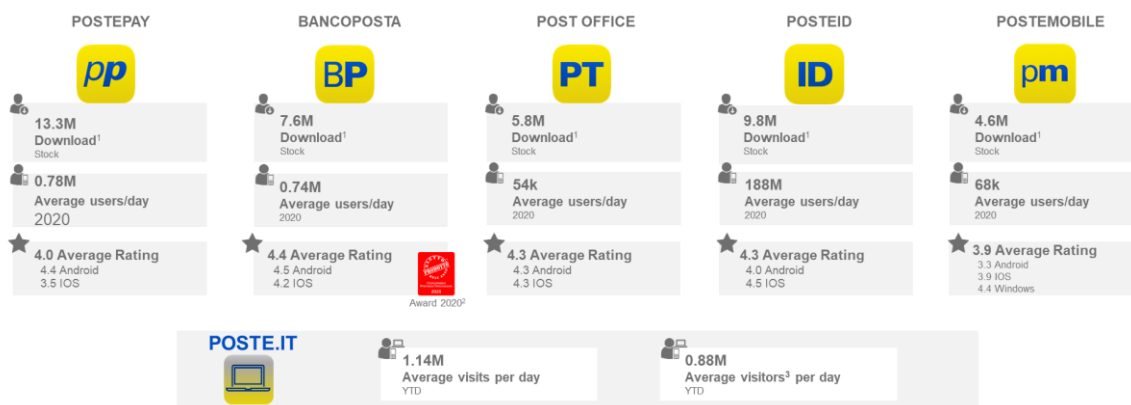
Market context

With reference to the Digital market⁵⁶, in Italy more than 50 million people are accessing online (over 1 million people connected to the internet for the first time during 2020, an increase of 2.2% compared to 2019) and 41 million are present and active on social channels (over 2 million new users, an increase of almost 6% compared to 2019). 97% of Italians use a smartphone and 74% a desktop or laptop computer, while almost doubling the penetration of smart home devices in Italians' homes (14% penetration in 2020 compared to 8% in 2019). As for e-commerce, 24% more money was spent in 2020 in Italy than in 2019 in the consumer goods world.

Digital Properties and main KPIs in the Poste Italiane Group

The Poste Italiane digital web and app channels provide access to online services for 27.1 million retail users (20.8 million at 31 December 2019) and operate as both direct sales and after-sales channels. The daily average of web and app users was over 3 million (2 million average daily users in 2019). Digital channel transactions also grew, reaching 90.3 million for a transaction value of €22.2 billion (57.1 million transactions in 2019 for a transaction value of €15.6 billion). The Group's digital properties include, in addition to the institutional website, the following apps:

⁵⁶ Source: <https://wearesocial.com/it/blog/2021/02/digital-2021---i-dati-italiani>



Source: Webtrends, Adobe Analytics, Store iOS, Android, Windows, internal elaboration DTO

Notes:

1) iOS and Android users who downloaded the APP; for the PM app, it also includes Windows users.

2) PdA@IRI 01/2020 research on 12,000 Italian consumers, on selection of products sold in Italy. Bancoposta APP for expense management services - Salvadanaio Digitale (Digital Money Box).

3) The number of visitors represents the count of the individual cookies (browsers) that visited the site during the observation period. The same user who visits the site using different browsers and/or different devices (PC/mobile) is counted several times.

Below is the performance of main KPIs of digital channels and third-party networks in 2020 with comparison to 2019.

Key KPI's Digital and Third-Party Networks (B2B2C)	2020	2019	CHANGES	
<i>KPIs Digital + B2B2C</i>				
Digital Revenue+Third-Party Networks/Group Revenue ("addressable perimeter" ¹)	12%	8%		
Digital+contact center+B2B2C interactions/total daily interactions	50%	40%		
Digital transactions + B2B2C/Total transactions	27%	17%		
<i>KPIs Digital</i>				
Customers registered on Poste Italiane's digital channels (websites and apps) (m)	27.1	20.8	6.3	30.3%
Daily users (website and apps) (m) ²	3.0	2.0	1.0	50.0%
Number of digital - consumer transactions (m)	90.3	57.1	33.2	58.1%
App downloads (m)	48.1	30.8	17.3	56.2%
Poste Italiane Digital e-Wallets (m)	7.4	5.4	2.0	37.0%
Digital identities (number in m)	12.2	4.1	8.1	197.6%
Private digital identities (m)	6.6	0.6	6.0	n/s
Digitally enabled customers (%) ³	57.7%	n/a	n/s	n/s
Customers who use Poste's services digitally (%) ⁴	14.9%	n/a	n/s	n/s
<i>KPI's Third-Party Networks (B2B2C)</i>				
Payslip volumes (m)	64.3	48.6	15.7	32.3%
Postepay top-ups (m)	48.9	42.1	6.8	16.2%
Postemobile top-ups (m)	10.7	8.9	1.8	20.2%
Parcels delivered (m)	1.9	0.6	1.3	> 200%

n/s: not significant

1 "Addressable perimeter": represents a sub-perimeter of Group revenue that excludes the recurring component of revenue from asset management and revenue from public tenders.

2 Average daily values during reference period.

3 Customers who have access credentials to digital channels.

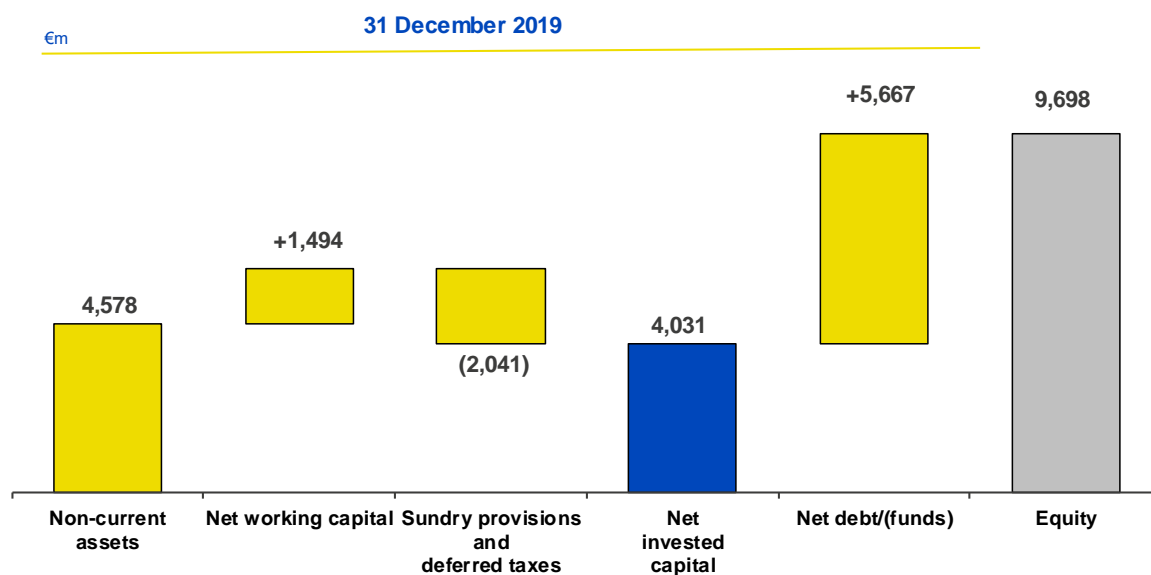
4 Customers who have made a payment on digital channels using Poste's payment instruments.

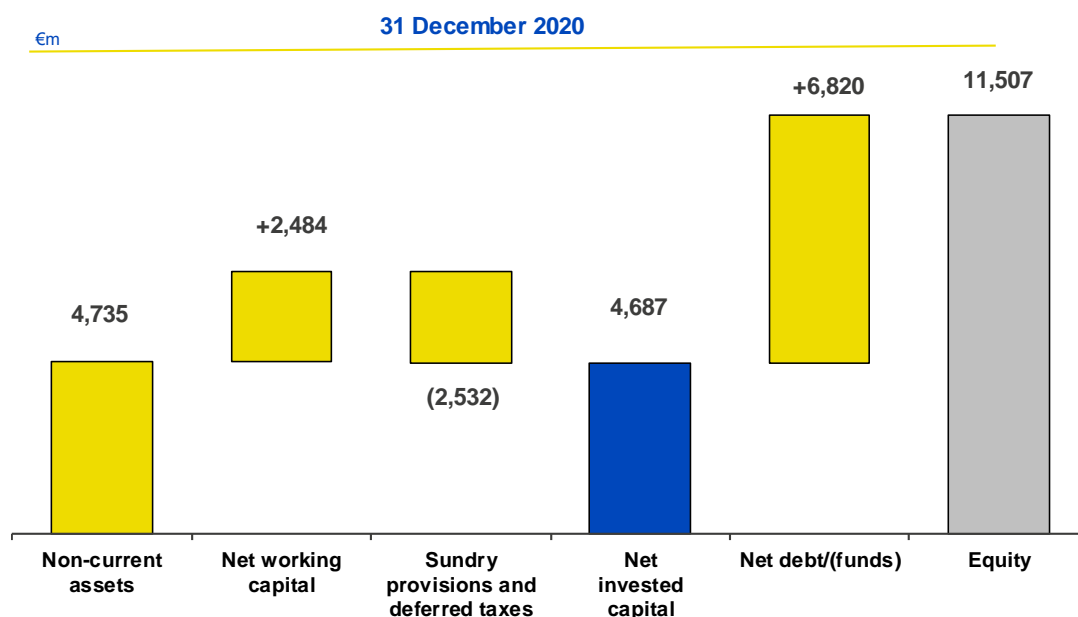
At 31 December 2020, the web recorded higher traffic volumes than in the pre-pandemic period, going from an average of around 0.7 million daily visitors in January and February 2020 to an average of around 1.04 million in the period March-December 2020; the apps also showed increasing volumes, going from 1.65 to 2.06 million daily visitors. The average number of transactions carried out on digital channels is about 8 million transactions per month (+42% compared to the period before the health emergency), while the value of transactions increased from an average of €1.4 billion in January and February 2020 to an average of €1.9 billion in March-December 2020.

12 million digital identities issued to allow access to PA platforms and services

GROUP FINANCIAL POSITION AND CASH FLOW

€m	31 December 2019	31 December 2020	Changes	
NON-CURRENT ASSETS	4,578	4,735	+157	+3%
NET WORKING CAPITAL	1,494	2,484	+990	+66%
GROSS INVESTED CAPITAL	6,072	7,219	+1,147	+19%
SUNDRY PROVISIONS AND OTHER ASSETS/LIABILITIES	(2,041)	(2,532)	(491)	-24%
NET INVESTED CAPITAL	4,031	4,687	+656	+16%
EQUITY	9,698	11,507	+1,809	+19%
NET DEBT/(FUNDS)	(5,667)	(6,820)	(1,153)	-20%
<i>Net debt/(funds) of the Mail, Parcels and Distribution SBU</i>	815	1,874	+1,059	+130%

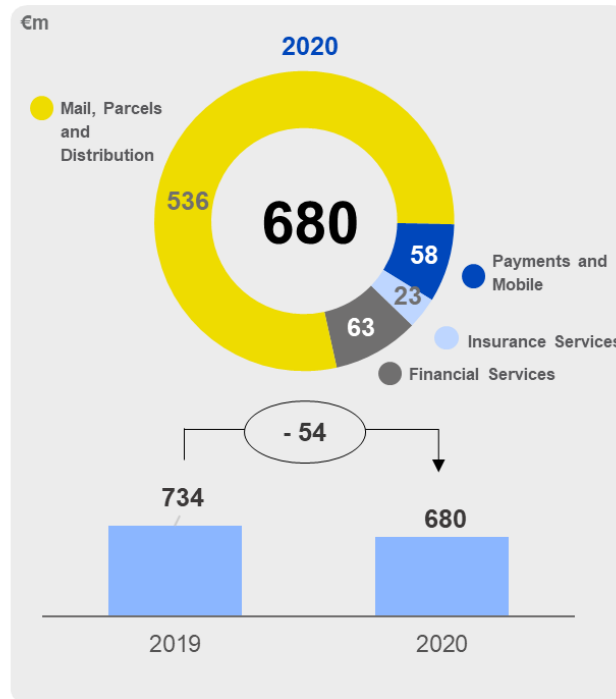




The Poste Italiane Group's non-current assets at 31 December 2020 amount to €4,735 million, an increase of €157 million compared with the end of 2019. Investments of €680 million and an increase of €201 million in rights of use for the stipulation of new contracts within the scope of application of IFRS 16, partially offset by amortisation and depreciation of €700 million, contributed to the formation of non-current assets. This item includes investments accounted for using the equity method totalling €615 million almost entirely related to the investments in Anima Holding S.p.A. and FSIA Investimenti S.r.l.

With reference to the investment in Anima Holding S.p.A., on the basis of the results of the test, there was no need for further impairment losses, in addition to the negative effect of €19 million on the consolidated result already recognised in 2020.

The Group's investment amounted to €680 million in 2020, a decrease of 7% compared with 2019 (-€54 million). As a consequence of the particular context due to the health emergency, the Group has revised its investment plan to verify its consistency with the peculiar characteristics of the "new normality" (e.g.: social distancing, preference for full digital solutions, etc.) and to take into account the reduced production capacity of suppliers.



In line with the investment programme for the period 2018-2022, designed to support delivery of the Strategic Plan, around 79% of the Group's investment (€536 million) focused on the transformation of the [Mail, Parcels and Distribution](#) Strategic Business Unit.

In particular, within this Strategic Business Unit, the modernisation of the delivery facilities, the automation of the sorting centres and the renewal of the parcels and mail sorting plants continued.

In the last quarter of 2020, with regard to sorting and plant renewal activities, two new lines of the so-called "Mixed Mail" plants dedicated to mail entered into production at the Catania and Milan Peschiera Borromeo centres. In particular, at the Catania site the technological infrastructure has been completely renewed and the office area has been repositioned and upgraded, increasing the operating area by more than 1,500 square metres.

With regard to the parcels business, on the other hand, November saw the inauguration of the new central Italy sorting centre at Passo Corese near Rome, equipped with advanced technology and designed in compliance with the Group's ESG standards and capable of automatically processing more than 140 thousand parcels a day. The new facility, which was partially started and used in late 2020 to support parcel volumes during the "Peak period"⁵⁷, will be fully operational by the first quarter of 2021.

In addition, a new "small parcels" sorting centre was opened at Milan Malpensa, fully managed by the subsidiary SDA.

Work continued on the renewal of the company's fleet, which already in the first quarter led to the completion of the supply of Euro4 two-wheeled vehicles (to date around 2,000 new vehicles) and to strengthen the green fleet, which is one of the objectives of Poste Italiane to significantly reduce polluting emissions. Furthermore, the particular shape of three-wheeled vehicles with low environmental impact increases their stability and safety for the driver and allows the installation of a special trunk that increases the amount of parcels and letters that can be transported, allowing to

⁵⁷ Time of year when the volume of parcels delivered peaked.

support the increase in the volume of parcels delivered as a result of the important development of e-commerce. The supply of 850 three-wheeled electric vehicles scheduled for 2020 has been completed. In addition, during 2020, 2 "Full Green" Distribution Centres (Imperia and Viareggio) will be created, which will therefore only use 3- and 4-wheeled electric vehicles.

To cope with the health emergency, all the necessary tools have been enabled to ensure the continuity of remote operations. This has led to the distribution of laptops, the massive adoption of Office 365 and Teams, and the activation of VPN connections and a dedicated Service Desk. In addition, the processes for securing activities were reviewed in order to guarantee the operational continuity of the services provided by Post Offices, letter carriers and customer care (activation of voice bots for pension payments, remote call centre and back office activities) and optimise queue management and service bookings at Post Offices.

With regard to IT activities, the following activities continued the innovation and transformation of application and infrastructure architectures for the provision of services, including the "Cloud" project, with the aim of migrating the technology platforms of the Mail, Parcels and Distribution segment to Cloud infrastructures.

The [Financial Services](#) Strategic Business Unit made a total of €63 million in investments, mainly in digitisation, simplification of processes and improvement of the customer experience from a multi-channel perspective. In particular, steps were taken to enable remote sales through the digital channel not only for postal savings products, but also for insurance products and mutual funds.

Details of additional investments made during the year are provided in the section of the Report on Operations that reviews the performance of the [Financial Services SBU](#).

Investments in the [Payments and Mobile](#) Strategic Business Unit Services amounted to €58 million and were aimed at increasing competitiveness in the market, improving the quality of the offer and the user experience for customers. In the area of Electronic Money and Payments, the migration of the entire stock of cards managed by PostePay to the new 3DS 2.0 authentication standard, introduced as part of the PSD2 directive, was completed. The new protocol makes it possible to improve the user experience of customers making online purchases with their cards, making authentication more dynamic and secure because it is based on the use of Strong Customer Authentication⁵⁸. The new commercial front-end was also released, enabling the sale of the product Postepay Code⁵⁹ according to a multi-channel logic (physical sales, Post Office and online sales). In the area of collections and payments, developments have been completed for the extension of the paperless service to the Group's online channels, to allow paperless payment of slips by entering only the bill's unique identification code.

In the [Insurance Services](#) Strategic Business Unit, work continued to support operational and infrastructural development and improvement to key business support systems for €23 million. In the life business, investments were made in portfolio management systems and, in the latter part of the year, the project stream for the development of the new internal model for the calculation of capital requirements for Solvency 2 purposes was launched. The Poste Vita Group also continued to invest in the development of the new reserved area, the optimisation of claims management and compliance with the new IFRS 17 accounting standard.

⁵⁸ Strong Customer Authentication requires that all electronic payment transactions, and some remote transactions that carry a risk of fraud, be confirmed and authorised by combining two or more authentication factors, chosen from something that only the person making the transaction possesses (an app on a mobile device or a key that generates OTP codes), or an element of inherence, i.e. something that uniquely distinguishes the user (a fingerprint, facial geometry, or another biometric feature).

⁵⁹ Postepay Code is a new digital payment service via QR Code integrated in the Postepay App. The customer can pay quickly and easily by simply framing the Postepay code and authorising the payment directly in the app.

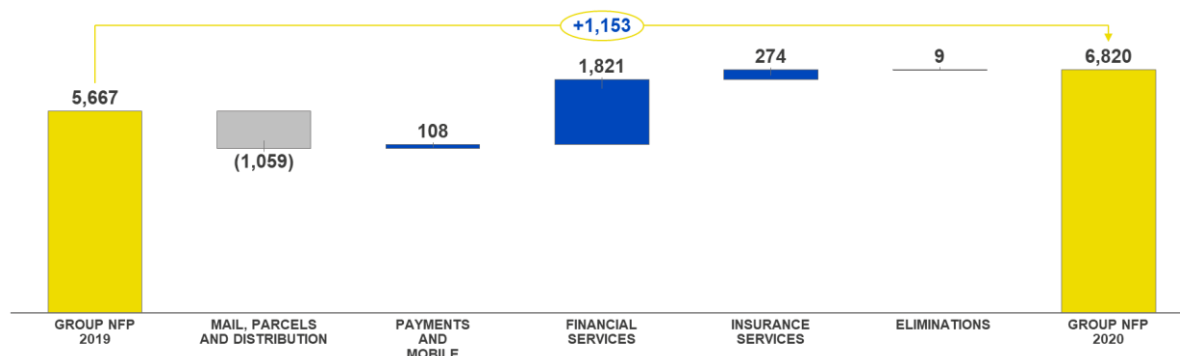
Net working capital at 31 December 2020 amounted to €2,484 million and increased by €990 million compared to the end of 2019. The following mainly contributed to this change:

- Other receivables and assets increased by €261 million, including €111 million for an increase in withholding tax credits attributable to the operations of the Insurance Services and Financial Services SBUs and €82 million for an increase in amounts due from social security agencies and pension funds (including amounts owed by the Solidarity Fund of the Italian social security administration (INPS) for advances paid to employees during periods of suspension or reduction of work due to Covid-19);
- Other liabilities with a decrease of €314 million, mainly related to lower amounts due to staff and social security agencies of €154 million (includes the payment of early retirement incentives and the payment to all employees of the one-off payment to cover the vacancy in the 2019 National Collective Labour Contract), a reduction of €69 million in tax payables (largely due to a reduction in taxes due on insurance provisions, partially offset by an increase in stamp duty payables) and a reduction of €76 million in payables relating to BancoPosta's operations following the final discharge of prior year items;
- an increase in Trade receivables of €204 million (largely attributable to the increase in receivables related to the growth of the parcels business), offset by an increase in Trade payables of €210 million;
- Net current tax assets increased by €396 million, due mainly to the payment of the balance for the previous year and the advance payment for the current year, the positive impact of opting for the "Patent Box" regime and the tax benefit related to the Aid to Economic Growth (ACE).

The balance of **Sundry provisions and Other assets/liabilities** at 31 December 2020 amounted to €2,532 million and decreased by €491 million compared to 31 December 2019 mainly due to higher net deferred tax liabilities of €418 million largely attributable to the negative change in the fair value of financial instruments classified as FVTOCI. The balance of Provisions for risks and charges also contributed to this item, which amounted to €1,396 million (€1,218 million at the end of December 2019) and includes Provisions for early retirement incentives of €576 million (€421 million at 31 December 2019). The balance also includes the provision for operational risks relating primarily to liabilities arising from the Financial Services SBU's operations amounting to €139 million (€241 million at 31 December 2019) and the provision for disputes with third parties amounting to €267 million (€313 million at 31 December 2019).

Equity amounted to €11,507 million at 31 December 2020, an increase of €1,809 million compared with 31 December 2019. The change that occurred during the period reflected primarily the profit for the period of €1,206 million and an increase of €1,276 million in the fair value reserve, due to positive changes in the value of investments classified as FVTOCI, net of sales made during the period, held mainly by the Financial Services SBU, partially offset by the distribution of dividends totalling €613 million, of which €402 million for 2019 profit and advance of €211 million for the 2020 ordinary dividend.

Group net debt/(funds) (€m)



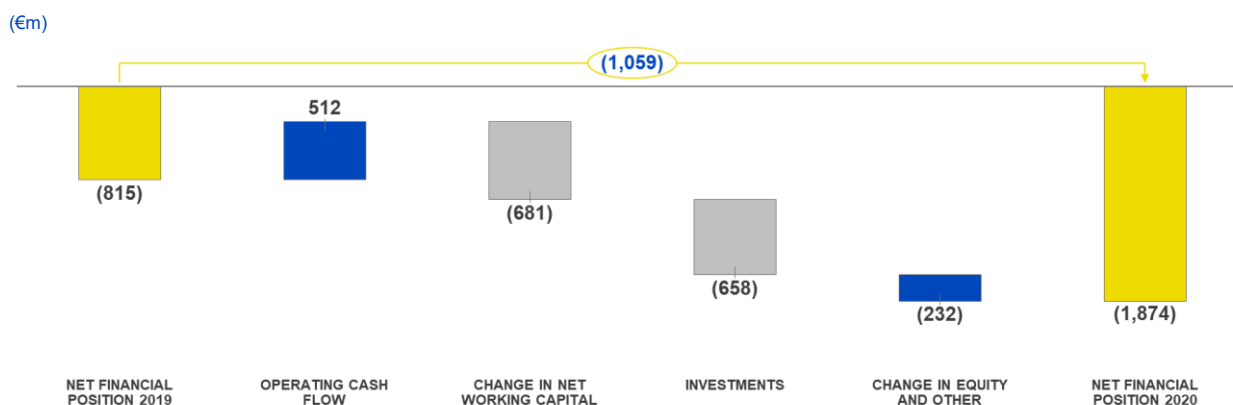
Total net debt/(funds) at 31 December 2020 showed funds of €6,820 million, up €1,153 million from 31 December 2019 (€5,667 million). This change was primarily attributable to positive operating income of €2.1 billion (including €1,206 million attributable to profit for the period) and the increase in the fair value of investments classified as FVTOCI held by the Financial Services SBU relating to the portion not hedged by fair value hedges amounting to €1.7 billion, partially offset by the negative change in working capital of about €1 billion, investments for €680 million and the distribution of dividends totalling €613 million.

With regard to financial instruments held by the Financial Services SBU, the overall fair value fluctuation during the year was positive by approximately €5.3 billion and was recognised in a specific equity reserve for positive €1.9 billion for the portion not hedged by fair value hedges, and through profit or loss for positive €3.4 billion for the portion hedged, offset by the negative fair value change of fair value hedging derivatives. At 31 December 2020, the total balance of derivatives in fair value hedge was negative for €8.1 billion (€5.4 billion at 31 December 2019). In addition, as part of these hedging transactions, as a result of the negative change in derivatives, the Parent Company increased its guarantee deposits in favour of counterparties by approximately €2.3 billion.

At 31 December 2020, the Financial Services SBU also included the following equity changes compared with 31 December 2019:

- an increase in postal current account deposits of €10.5 billion;
- an increase of €3.3 billion in amounts due to financial institutions, largely attributable to repurchase agreements payable and ordinary financing transactions, both aimed at investments in Italian fixed income government securities and as funding for incremental deposits used as collateral in collateralisation transactions;
- a net increase of €8.2 billion in fixed income instruments measured at amortised cost (including the positive change of €1.7 billion in profit or loss relating to the portion hedged by fair value hedges);
- a net increase in fixed income instruments classified as FVTOCI of €5.8 billion; the total fair value fluctuation of the period was positive for €3.6 billion;
- a decrease in the deposit with the MEF of €0.3 billion.

Analysis of the (net debt)/funds of the Mail, Parcels and Distribution Strategic Business Unit



Total (net debt)/funds of the Mail, Parcels and Distribution Strategic Business Unit at 31 December 2020 showed a debt of €1,874 million, worse €1,059 million compared to 31 December 2019 (when there was a net debt of €815 million). Net of the financial lease liabilities provided for by IFRS 16 for €1,211 million, net debt/(funds) showed debt of €663 million (at 31 December 2019, it showed funds of €436 million).

The movement reflects:

- a positive operating result of €512 million: the loss for the period of €419 million was more than offset by depreciation and amortisation for the period of €667 million and a positive change of €301 million in provisions for risks and charges;
- an increase in net working capital of €681 million, mainly due to an increase in trade receivables (around €222 million) linked to the development of the parcels business and other amounts due from third parties (around €135 million), which include sums relating to the Solidarity Fund at INPS advanced to workers during periods of suspension or reduction of work for Covid-19. Finally, the change is also attributable to the decrease in amounts due to staff (approximately €155 million), which includes the payment of the one-off to cover the vacancy in the National Collective Labour Contract for 2019;
- new investments for €658 million;
- a net cash inflow of €76 million from dividends included in "Changes in equity and other": dividends received from other business units, totalling €689 million (no dividend was paid by Poste Vita during the period, in compliance with the recommendations of the Supervisory Authorities), were substantially offset by dividends paid to shareholders, totalling €613 million (including €211 million relating to the interim ordinary dividend planned for 2020);
- other increases in debt of €308 million included in "Changes in equity and other items" due mainly to financial liabilities under new leases totalling €203 million that qualify for IFRS 16 treatment. Finally, the change includes the option to purchase the minority shares of MLK Deliveries SpA for €49 million.

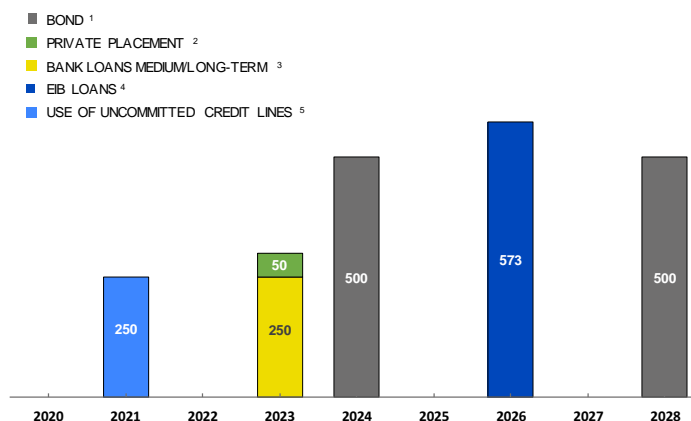
Debt represented in the (net debt)/funds of the Mail, Parcel and Distribution SBU primarily relates to:

- a medium-term bank loan of €250 million, repaid in January 2021;
- use of an uncommitted credit line for short-term loan for a total of €250 million;
- a loan through repurchase agreements on government securities for approximately €413 million;
- an EIB loan of €173 million maturing in March 2026;
- an EIB loan of €400 million maturing in October 2026;
- private placement of about €50 million maturing in October 2023;

- two senior unsecured bonds issued on 10 December 2020 with a total nominal value of €1 billion, the first of €500 million maturing in December 2024 and the second of €500 million maturing in December 2028.

BORROWINGS* AT 31 DECEMBER 2020

(€m)



* This does not include repurchase agreements on government securities totalling approximately €413 million

- 1 Senior unsecured, i.e. unsubordinated and unsecured, bonds issued under Poste Italiane's Euro Medium Term Notes (EMTN) programme, listed on the Luxembourg Stock Exchange and placed with institutional investors.
- 2 Bond issue placed with institutional investors in private form.
- 3 Bank loans with an original duration of more than 18 months.
- 4 Loans granted by the EIB-European Investment Bank, with medium to long-term maturities, for the implementation of specific investment programmes that meet eligibility criteria identified by the bank.
- 5 Short-term bank loans granted under uncommitted credit facilities.

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

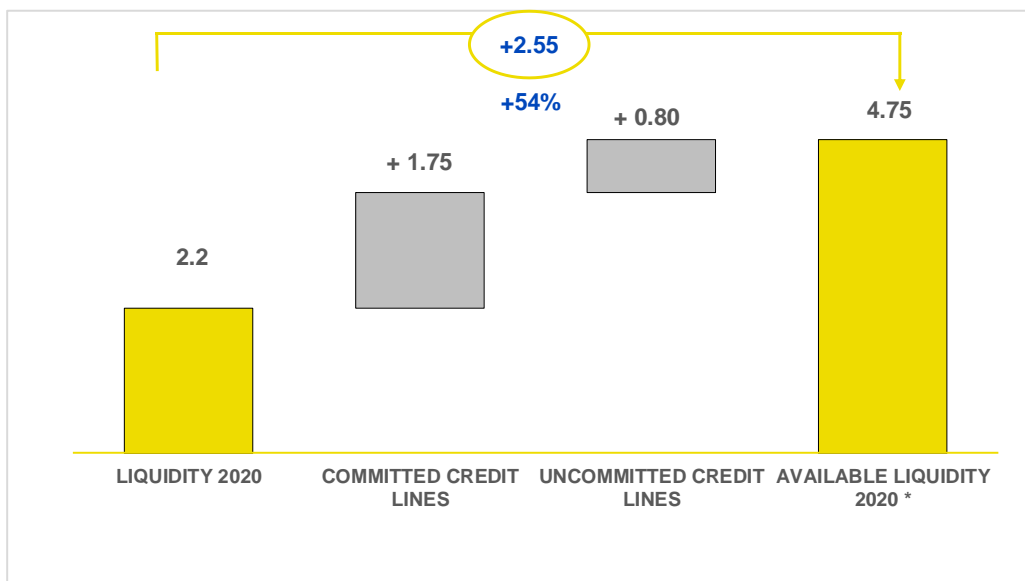
(€m)	31 December 2020	31 December 2019	Changes	
A. Liquidity	(2,254)	(851)	(1,403)	-164.9%
B. Current financial receivables	(425)	(135)	(290)	-214.8%
C. Current due to banks	665	1	664	-
D. Current lease payables	212	215	(3)	-1.4%
E. Current portion of non-current debt	0	-	-	-
F. Other current borrowings	17	15	2	13.3%
G. Current debt/(funds) (C+D+E+F)	894	231	663	287.0%
H. Current net debt/(funds) (A+B+G)	(1,785)	(755)	(1,030)	-136.4%
I. Non-current due to banks	823	573	250	43.6%
L. Bonds issued	1,046	50	996	n/s
M. Non-current lease payables	999	1,036	(37)	-3.6%
N. Other non-current liabilities	51	18	33	183.3%
O. Non-current debt/(funds) (I+L+M+N)	2,919	1,677	1,242	74.1%
P. Net debt/(funds) (ESMA) (H+O)	1,134	922	212	23.0%
Non-current financial assets	(97)	(474)	377	79.5%
Net debt/(funds)	1,037	448	589	131.5%
Intersegment financial receivables and borrowings	837	367	470	128.1%
Net debt/(funds) including intersegment transactions	1,874	815	1,059	129.9%

n/s: not significant

Existing cash and credit lines are amply sufficient to cover expected financial requirements. More specifically, at 31 December 2020, the cash of the Mail, Parcels and Distribution SBU amounted to €2.3 billion (of which €2.2 billion relating to the Parent Company), while unused committed and uncommitted lines to support liquidity totalled approximately €2.5 billion.

The following table shows the Parent Company's liquidity at 31 December 2020 (excluding Bancoposta's equity).

(€billion)



*At 31 December 2020, borrowings (net of repurchase agreements) stood at approximately €2.1 billion

Further details of the Poste Group's credit lines and available liquidity at 31 December 2020 are provided in note 6 - *Risk management - Financial risks - Liquidity risk.*

PERFORMANCE OF POSTE ITALIANE S.P.A. AND REPORT ON OPERATIONS OF BANCOPOSTA RFC

- [OPERATING RESULTS OF POSTE ITALIANE S.P.A.](#)
- [FINANCIAL POSITION AND CASH FLOW OF POSTE ITALIANE S.P.A.](#)
- [REPORT ON OPERATIONS OF BANCOPOSTA RFC](#)

OPERATING RESULTS OF POSTE ITALIANE S.P.A.

Reclassified statement of profit or loss

(€m)	2020	2019	Changes	
Revenue from sales and services	8,226	8,541	(315)	-3.7%
Other income from financial activities	516	384	132	34.4%
Other operating income	299	478	(179)	-37.4%
Revenue	9,041	9,403	(362)	-3.8%
Total personnel expenses	5,446	5,702	(256)	-4.5%
Other operating expenses	2,644	2,170	474	21.8%
Costs	8,090	7,872	218	2.8%
EBITDA	951	1,531	(580)	-37.9%
Depreciation, amortisation and impairments	622	674	(52)	-7.7%
EBIT	330	857	(527)	-61.5%
EBIT MARGIN	3.7%	9.1%		
Finance income/(costs)	2	(34)	36	105.9%
Gross profit	333	823	(490)	-59.5%
Taxes	8	162	(154)	-95.1%
Net profit	325	661	(336)	-50.8%

Total revenue earned by Poste Italiane SpA in 2020 amounted to €9,041 million, down 3.8% on the previous year (€9,403 million in 2019), primarily due to changes in Revenue from sales and services and, in particular, a reduction in revenue from BancoPosta services, reflecting lower operations related to the Covid-19 pandemic. The largest decreases were recorded in revenue from the placement of loan products and commissions on payment of bills by payment slip.

Total costs, net of Depreciation, Amortisation and Impairments, went from €7,872 million in 2019 to €8,090 million in 2020, marking an increase of 2.8%, due to higher costs for goods and services (+€464 million) mainly related to extraordinary expenses incurred to contain Covid-19 (€106 million) and higher costs for services rendered by the subsidiary SDA Express Courier SpA for the development of the parcels business. These changes are partly offset by lower personnel expenses.

Depreciation, amortisation and impairments decreased by €52 million compared with the previous year due mainly to lower depreciation and amortisation recognised as a result of a review of the remaining useful lives and residual values of the main categories of fixed assets.

The **total personnel expenses** decreased by €256 million (-4.5%) compared to 2019. This change is attributable to the reduction in the ordinary component which is affected by the following factors: the reduction in the average workforce employed in the year compared to 2019, i.e. approximately 4.4 thousand FTE less, lower costs for MBO managerial incentives and other various indemnities, in particular overtime, as a result of the reduced activity during the lockdown, the use of the Solidarity Fund to deal with the healthcare emergency (€57 million). The decrease in the



ordinary component is partly offset by the increase in the cost of early retirement incentives in order to accelerate the Group's industrial restructuring process.

Income tax expense decreased from €162 million in 2019 to €8 million in 2020, benefiting from the positive non-recurring effect of €38 million relating, for €23 million, to the adoption of the "Patent box" regime for the years 2015-2019 and for €15 million to the tax benefit related to the ACE (Aid to Economic Growth) for the years 2015-2016.

Poste Italiane SpA's net profit for the year ended 31 December 2020 was €325 million (€661 million in 2019).

FINANCIAL POSITION AND CASH FLOW OF POSTE ITALIANE SPA

Net invested capital and related funding

(€m)	31 December 2020	31 December 2019	Changes	
Tangible fixed assets	2,017	1,930	87	4.5%
Intangible fixed assets	718	562	156	27.8%
Right-of-use assets	1,034	1,119	(85)	-7.6%
Investments	2,215	2,204	11	0.5%
Non-current assets	5,984	5,815	169	2.9%
Trade receivables and Other receivables and assets	5,484	4,845	639	13.2%
Trade payables and Other liabilities	(5,111)	(4,559)	(552)	-12.1%
Current tax assets/(liabilities)	137	(153)	290	189.5%
Total net working capital	510	133	377	283.5%
Gross invested capital	6,494	5,948	546	9.2%
Provisions for risks and charges	(1,309)	(1,130)	(179)	-15.8%
Employee termination benefits	(1,003)	(1,107)	104	9.4%
Prepaid/deferred tax assets/(liabilities)	(403)	8	(411)	n/s
Net invested capital	3,779	3,719	60	1.6%
Equity	7,239	6,328	911	14.4%
<i>of which profit for the period</i>	325	661	(336)	-50.8%
<i>of which fair value reserve</i>	2,191	976	1,215	124.5%
Financial liabilities	99,285	79,080	20,205	25.6%
Financial assets	(92,325)	(76,180)	(16,145)	-21.2%
Cash and deposits attributable to BancoPosta	(6,391)	(4,303)	(2,088)	-48.5%
Cash and cash equivalents	(4,029)	(1,206)	(2,823)	-234.1%
Net debt/(funds)	(3,460)	(2,609)	(851)	-32.6%

Poste Italiane SpA's net invested capital amounted to €3,779 million at 31 December 2020 (€3,719 million at 31 December 2019).

Non-current assets amounted to €5,984 million, an increase of €169 million compared with the end of 2019. Investments in tangible and intangible assets of €613 million also contributed to the formation of non-current assets, partly offset by amortisation, depreciation and impairments of €422 million. The decrease of €85 million in Right-of-use assets reflects primarily purchases for the year for €135 million and depreciation for the period of €198 million. The value of investments shows an increase of €11 million compared to 31 December 2019 mainly due to the joint effect of the acquisition of the investments in MLK Deliveries SpA and Sennder Italia Srl and the impairment of the investment in Anima Holding S.p.A. following the results of the impairment test performed on it.

Net working capital at 31 December 2020 amounted to €510 million and increased by €377 million compared to year-end 2019 mainly due to the decrease in amounts due to staff (includes incentives and other items related to the

payment of the one-off to cover the 2019 contractual vacancy) and due to the increase in the balance of current tax assets net of the related liabilities essentially attributable to the payment of the balance of the previous year and the advance payment for the current year, the positive effects arising from the adhesion to the "Patent Box" regime and the tax benefit related to the Aid to Economic Growth (ACE), net of provisions for the year and the effects of the tax consolidation (increase in payables).

The balance of **Provisions for risks and charges** amounted to €1,309 million (€1,130 million at the end of December 2019) and mainly includes provisions for early retirement incentives of €574 million (€419 million at 31 December 2019); this reflects the estimate of liabilities that the Company committed to irrevocably incur, under the current arrangements agreed with the unions, as a result of a certain number of personnel taking voluntary early retirement by 31 December 2022.

The balance also includes Provisions for personnel expenses for €227 million (€63 million at the end of December 2019) 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 €220 million to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€29 million) and settled disputes (€27 million).

Provisions for operational risks relating to liabilities arising from transactions conducted within BancoPosta and amounting to €131 million at 31 December 2020 decreased compared with the balance of €232 million at 31 December 2019. The change in the year was mainly affected by €88 million absorbed in the profit or loss account due to the elimination of liabilities identified in the past and referring mainly to the revision of estimates related to the reconstruction of operating items at the date of the Company's incorporation and the conclusion of voluntary protection initiatives undertaken for the Europa Immobiliare I and Obelisco funds.

The net negative balance of **deferred tax assets/liabilities** is equal to 403 million (net positive balance of 8 million at the end of 2019); the change 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 €7,239 million and increased by €911 million mainly in relation to changes in the fair value reserve (+€1,215 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 €325 million. These increases in Equity were partially offset by a dividend distribution of the dividend balance for 2019 profit for €402 million and interim payment of a portion of the regular dividend scheduled for 2020. The interim dividend of €211 million was distributed on 25 November 2020 (unit dividend of €0.162).

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

(€m)	31 December 2020	31 December 2019	Changes	
A. Liquidity	(2,159)	(753)	(1,406)	-186.7%
B. Current financial receivables	(495)	(201)	(294)	-146.3%
C. Current due to banks	663	-	663	n/s
D. Current lease payables	187	190	-	n/s
E. Current portion of non-current debt	1	1	0	n/s
F. Other current borrowings	735	509	226	44.4%
G. Current debt/(funds) (C+D+E+F)	1,586	700	886	126.6%
H. Current net debt/(funds) (A+B+G)	(1,068)	(254)	(814)	-320.5%
I. Non-current due to banks	823	573	250	43.6%
L. Bonds issued	1,046	50	996	n/s
M. Non-current lease payables	878	959	(81)	-8.4%
N. Other non-current liabilities	6	19	(13)	-68.4%
O. Non-current debt/(funds) (I+L+M+N)	2,753	1,601	1,152	72.0%
P. Net debt/(funds) (ESMA) (H+O)	1,685	1,347	338	25.1%
Non-current financial assets	(377)	(740)	363	49.1%
RFC net debt/(funds)	1,308	607	701	115.5%
Intersegment financial receivables and borrowings	898	647	251	38.8%
RFC net debt for capital outside ring-fence including intersegment transactions	2,206	1,254	952	75.9%

REPORT ON OPERATIONS OF BANCOPOSTA RFC

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 12 May 2020. 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. The process of "Governance of Assignments and Outsourcing" of BancoPosta RFC, already subject to review in 2018, was further strengthened in 2019 and 2020 with reference to the regulatory, organisational and monitoring of the activities assigned and/or outsourced, with a view to improving the quality of processes.

In 2020, Operating Committees continued, set up in 2019, on the functions assigned (Digital, Technology & Operations, Post Office Network, IT Security, Fund transactions, etc.) and those outsourced with BancoPosta Fondi SGR Group companies, which provides the Financial Management service for BancoPosta RFC and PostePay S.p.A., which manages products for BancoPosta such as slips, car tax returns, RAVs, transfers, money orders, direct debit receipts, Eurogiro, debit cards, Book cards and payment platform with the aim of strengthening the methods of monitoring and dialogue.

In March 2020, following the approval of the Audit Plan by the Board of Directors, an addendum to the Guidelines with Internal Auditing was signed and the updating of the Register of Outsourcing continued in parallel, which applies to both new agreements and existing agreements.

In addition, a further four Addenda were signed to the following Operating Guidelines: i) Corporate Affairs/Real Estate, following the establishment of the Fleet Management function and the reallocation of certain spaces relating to Business Continuity Management; ii) Digital, Technology & Operations, both for the part relating to Information Systems, in order to update the KPIs and include the new PSD2 services, and for that relating to Customer Operation services, in order to update the KPIs; iii) Corporate Affairs/Information Security, in order to update the KPIs.

In May 2020, work began on the renewal for the two-year period 2021-2022 of the Operating Guidelines due to expire in December 2020. In October 2020, the documents relating to Operating Guidelines of essential or important functions were sent, in accordance with the terms of the regulations in force, to the Bank of Italy for prior communication.

For the two-year period 2021-2022, a new set of Guidelines was introduced regarding the assignment of BCM (Business Continuity Management) services to the Corporate Affairs function and a significant expansion of the activities entrusted to the Human Resources and Organisation function was put in place, the assignment of which was reclassified, starting from 2021, as an Essential or Important Function. In addition, KPIs were refined and new indicators were introduced, some of which were already subject to management monitoring in the Operating Committees with the entrusted functions.

The valuation of BancoPosta's Guidelines was subject to a fairness opinion by an external company.

In line with the company's strategies, which envisage the gradual and complete extension of financial services to digital channels from a fully digital and multi-channel perspective, BancoPosta, together with the strengthening of its digital investment services projects (which include the acquisition in 2019 of a minority interest in MFM Holding Ltd, an independent asset management company specialising in ETF portfolios) developed digital services in the area of payments in order to activate new AISP (Account Information Service Providers) and PISP (Payment Initiation Service Providers) functions in accordance with PSD2 regulations.

The supply of the related technological services has been entrusted to the Digital Technology & Operations function by extending the related Guidelines. The latter company has outsourced part of its operations to the Swedish company, Tink AB (in which PostePay S.p.A. holds a 5.03% interest). In addition, in September 2020, the Board of Directors of Poste Italiane approved the project to outsource cash processing for the new services, with start-up set for the first quarter of 2021.

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	2020	2019
CET 1 CAPITAL ¹	2,449	2,388
CET 1 RATIO ²	18.1%	18.3%
ROA ³	0.6%	0.7%
ROE ⁴	26.2%	25.6%
Net interest income/Net interest and other banking income ⁵	29.0%	29.1%
Operating expenses/Net interest and other banking income ⁶	84%	84%

⁽¹⁾ 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).

⁽²⁾ The CET 1 Ratio represents the adequacy of Tier 1 capital in terms of Pillar 1 capital requirements (operational, credit, counterparty and market risks).

⁽³⁾ Return On Assets. Represents the ratio of profit for the period and total assets.

⁽⁴⁾ Return On Equity represents the ratio of profit for the period and equity after deducting profit for the period and the valuation reserves

⁽⁵⁾ Represents the contribution from net interest income as a ratio of net interest and other banking income.

⁽⁶⁾ 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)	2020	2019	Changes	
Interest and similar income	1,587	1,640	(53)	-3.2%
Interest expense and similar charges	(89)	(74)	(15)	-20.3%
Net interest income	1,498	1,566	(68)	-4.3%
Fee income	3,582	3,794	(212)	-5.6%
Fee expenses	(292)	(335)	43	12.8%
Net fee and commission income	3,290	3,459	(169)	-4.9%
Dividends and similar income	-	-	-	n/s
Profits/(Losses) on trading	6	(11)	17	154.5%
Profits/(Losses) on hedging	(2)	(4)	2	50.0%
Gains (losses) on sale of financial assets or liabilities	365	339	26	7.7%
Profits/(losses) on financial assets and liabilities measured at fair value through profit or loss	2	26	(24)	-92.3%
Net interest and other banking income	5,159	5,375	(216)	-4.0%
Administrative expenses	(4,444)	(4,538)	94	2.1%
Other operating income/(expense)	67	32	35	109.4%
Net operating expenses	(4,377)	(4,506)	129	2.9%
Net operating result	782	869	(87)	-10.0%
Net provisions for risks and charges	69	(16)	85	n/s
Net impairment losses/reversals of impairment losses on receivables	(22)	(9)	(13)	-144.4%
Current pre-tax result	829	844	(15)	-1.8%
Period income tax	(200)	(233)	33	14.2%
Net profit	629	611	18	2.9%

Net interest income amounted to €1,498 million, a decrease of 4.3% (-€68 million), mainly due to the lower yield on securities lending and the lower return on interest-bearing deposits with the MEF. Interest income of €1,587 million, down 3.2% from €1,640 million of the previous year (-€53 million), also includes income from repurchase agreements and collateralisation of derivatives.

Interest expense, on the other hand, regards interest paid to current account holders, interest on repurchase agreements and collateralisation of derivatives, amounting to €89 million, up €15 million compared with the previous year (€74 million).

Net fee and commission income amounted to €3,290 million and showed a decrease of 4.9% (-€169 million) compared to 2019 mainly attributable to the decrease in Fee income of €3,582 million, down 5.6% compared to €3,794 million in the previous year (-€212 million). Whilst Postal Savings performed well, with revenue up approximately 3% on the previous year, revenue in 2020 was down, primarily in relation to loan products, as a result of lower volumes of personal loans disbursed and a reduction in unit distribution commissions, and collection and payment services due to a reduction in volumes of payment slips. The performance of fee income was partially offset by the lower fee expenses recorded in the year compared to the 2019 amount (-€43 million) mainly attributable to lower costs related to the service contract signed with PostePay S.p.A.

Net profit from the sale of financial assets amounted to €365 million, up from €339 million a year earlier (+7.7%).

The profits/(Losses) on financial assets and liabilities measured at fair value through profit or loss includes approximately €2 million of fair value changes related to Visa Incorporated shares. The fluctuation in the fair value of the 400,000 Visa Incorporated ordinary shares subject to the forward sale agreement entered into during 2019

(settlement date 1 March 2021) was negative for €5 million and was recognised in Profits/(Losses) on trading. The latter also includes income from the sale of derivative instruments amounting to €11 million to hedge (for management purposes) the remuneration of the deposit of public funding with the MEF.

Net operating expenses, which include personnel expenses of €34 million, other administrative expenses of €4,410 million and other operating income overall positive for €67 million, decreased by €129 million compared to the previous year, in particular, due to lower costs relating to BancoPosta's assignment of operating functions to Poste Italiane.

Net provisions for risks and charges showed a positive balance of €69 million. This figure reflects the revision of estimates of certain risks associated with the distribution of postal savings products issued in previous years and also takes account of the conclusion of voluntary protection initiatives undertaken for the "Obelisco" and "Europa Immobiliare I" real estate funds.

Net impairment losses/(reversals of impairment losses) due to credit risk of €22 million in 2020 (€9 million at 31 December 2019, -€13 million) reflect the impairment of loans and receivables and financial assets.

After taking account of taxation for the period, totalling €200 million, which, compared with the previous year (down €34 million), has benefited from the effect of opting for the Patent Box regime (€23 million), net profit for BancoPosta's assets for the year amounted to €629 million, up 2.9% on the previous year (€611 million).

BANCOPOSTA RFC'S WORKFORCE

Average number in full-time equivalent terms	2020	2019
Executives	33	32
Middle managers	296	304
Operational staff	81	90
Total	410	426

At 31 December 2020, 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 personnel 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 2020 was characterised by some additional organisational adjustments consistent with 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 redefinition of the perimeters of responsibility of the Territorial Marketing function and the redefinition of the perimeters of responsibility within the Affluent function, with a view to greater synergy and focus in the analysis of customer characteristics and needs.

In addition, in 2020, the workforce of the BancoPosta Function was provided with specialist technical, regulatory/compulsory and behavioural/managerial training courses for a total of approximately 38 thousand hours in the classroom, webinars or through an e-learning platform.



Following the start of the Covid-19 pandemic, Poste Italiane implemented significant measures aimed at protecting the health and safety of BancoPosta personnel (smart working for almost all personnel, constant supply of personal protection equipment, extraordinary sanitation of head office premises, etc.). For further information on the initiatives taken by THE Poste Italiane Group to protect its employees, please refer to the section "[Management of the Covid-19 pandemic](#)" in chapter 5 "Risks and opportunities".

Financial position and cash flow

Statement of financial position

Assets (€m)	31 December 2020	31 December 2019	Changes	
Cash and cash equivalents	6,404	4,314	2,090	48.4%
Financial assets measured at fair value through profit or loss	72	70	2	2.9%
Financial assets measured at fair value through other comprehensive income	42,638	36,799	5,839	15.9%
Financial assets measured at amortised cost	52,028	39,792	12,236	30.7%
Hedging derivatives	78	73	5	6.8%
Tax assets	130	312	(182)	-58.3%
Other assets	2,631	2,492	139	5.6%
Total assets	103,981	83,852	20,129	24.0%

Liabilities (€m)	31 December 2020	31 December 2019	Changes	
Financial liabilities measured at amortised cost	86,110	70,379	15,731	22.4%
Financial liabilities held for trading	20	15	5	33.3%
Hedging derivatives	8,243	5,552	2,691	48.5%
Tax liabilities	979	662	317	47.9%
Other liabilities	3,153	2,953	200	6.8%
Employee termination benefits	3	3	-	0.0%
Provisions for risks and charges	213	327	(114)	-34.9%
Valuation reserves	2,278	1,083	1,195	n/s
Reserves	2,353	2,267	86	3.8%
Net profit	629	611	18	2.9%
Total liabilities and equity	103,981	83,852	20,129	24.0%

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

Cash and cash equivalents amounted to €6,404 million at 31 December 2020 (€4,314 million at 31 December 2019, +€2,090 million) and included, for a total of €3,042 million, cash at Post Offices and at cash transportation companies, as well as balances on the account with the Bank of Italy for interbank settlements of €3,362 million, up €2,548 million on the previous year. The change in this item mainly reflects the increase in current account deposits (related to the Covid-19 pandemic), which gave rise to temporary excess liquidity on the account opened with the Bank of Italy, intended for interbank settlements, and not yet invested.



Financial assets measured at fair value through profit or loss of €72 million are mainly attributable to 32,059 Visa Incorporated (C series) shares and 2,199 Visa Incorporated (A series) shares.

The item Financial assets measured at fair value through other comprehensive income amount to €42,638 million (€36,799 million at 31 December 2019, +€5,839 million) and are attributable to investments in 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 €52,028 million (€39,792 million at 31 December 2019, +€12,236 million) and relate to investments in securities issued by the Italian government and those guaranteed by the Italian government, totalling €33,255 million (€25,064 million at 31 December 2019, +€8,191 million) and sundry receivables of €18,773 million (€14,728 million at 31 December 2019, +€4,045 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 €9,327 million (€7,558 million at 31 December 2019, +€1,769 million); (ii) guarantee deposits of €7,494 million (€5,660 million at 31 December 2019, +€1,834 million); (iii) trade receivables of €987 million (€843 million at 31 December 2019); (iv) receivables relating to the balance of amounts resulting from the processing of payments to and from third parties via Poste Italiane for €901 million (€650 million at 31 December 2019, +€251 million).

Hedging derivatives with positive fair value at 31 December 2020 amounted to €78 million, up from €73 million at 31 December 2019.

Tax assets amounted to €130 million, a decrease of €182 million compared to €312 million recorded at 31 December 2019 as a result of changes in deferred tax assets in 2020 related to financial assets measured at fair value through other comprehensive income, as well as the provision for risks and charges.

Other assets of €2,631 million at 31 December 2020 relate to tax assets following the tax withholdings and items in progress that will be settled after the end of the year.

The principal liabilities are represented by financial liabilities, hedging derivatives, tax liabilities, other liabilities and provisions.

Financial liabilities measured at amortised cost amounted to €86,110 million (€70,379 million at 31 December 2019, +€15,731 million) and include: (i) amounts due to customers of €75,295 million (€63,193 million at 31 December 2019, +€12,102 million) attributable to deposits through current accounts and repurchase agreements; (ii) amounts due to banks of €10,815 million (€7,186 million at 31 December 2019, +€3,629 million) also relating to current account transactions and repurchase agreements.

Financial liabilities held for trading, amounting to €20 million, mainly 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 with negative fair value amounted to €8,243 million (€5,552 million at 31 December 2019, +€2,691 million).

Tax liabilities amounted to €979 million, an increase of €317 million, compared to €662 million at the end of fiscal year 2019, due to changes in deferred taxes in fiscal year 2020 related to financial assets measured at fair value through other comprehensive income.

Other liabilities amounted to €3,153 million (€2,953 million at 31 December 2019, +€200 million), mainly include items of a tax nature by way of substitute tax, items in progress and payables to Poste Italiane for rendered services regulated by Operating Guidelines.

The provision for employee termination benefits, amounting to approximately €3 million, is in line with the amount at 31 December 2019.

Provisions for risks, which include amounts set aside to cover disputes and charges with personnel, customers and third parties in general, as well as various risks arising from BancoPosta's operations, amounted to €213 million, down €114 million on 31 December 2019. The change in this item reflects the revision of estimates of certain risks associated with the distribution of postal savings products issued in previous years and also takes account of the conclusion of voluntary protection initiatives undertaken for the "Obelisco" and "Europa Immobiliare I" real estate funds.

BancoPosta RFC at 31 December 2020 amounted to €5,260 million (€3,961 million at 31 December 2019, +€1,299 million, +32.8%) and includes: (i) the BancoPosta RFC reserve, totalling €1,210 million (in line with the figure at 31 December 2019); (ii) the Reserve for Retained Earnings, totalling €1,143 million (up €85 million, following the General Meeting's resolution of 15 May 2020 to allocate 2019 profit from BancoPosta RFC); (iii) the Valuation Reserves, totalling €2,278 million, primarily reflecting the change in the value of the reserves for Financial assets at 31 December 2020; (iv) net profit for the year of €629 million. The change in equity is mainly related to the change in the valuation reserve (+€1,195 million compared to €1,083 million at 31 December 2019).

BancoPosta RFC's internal control and risk management system

Internal control system

The elements that characterise BancoPosta's Control Area⁶⁰, understood as the general context in which company resources carry out their activities and perform their responsibilities, are primarily represented by:

- the Group Code of Ethics;
- the Organisational Model pursuant to Legislative Decree no. 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 guideline 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,

⁶⁰ Represents one of the most relevant components of the internal control system, i.e. a body of rules, procedures and organisational structures, which aim to prevent or limit the consequences of unexpected events and enable the achievement of strategic, operating objectives, compliance with the relevant laws and regulations, and ensure the fairness and transparency of internal and external reporting.

Compliance and Internal Auditing. 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 for the process of assigning and outsourcing BancoPosta RFC mentioned above.

In the early months of 2021, BancoPosta's Internal Auditing prepared the 2020 Annual Report, a document designed to provide the Company's governing bodies with regular information regarding the completeness, adequacy, functionality and reliability of BancoPosta's overall control system.

The Report was prepared on the basis of the findings of the audit activities carried out by the function and set out in the 2020 Audit Plan. The report contains information on the outcomes of the audit of the services contracted out by BancoPosta to Poste Italiane's 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 final 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 (2021) and Multi-year (2021-2023) 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 the Group Risk Management function of 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 2020, the Risk Appetite Framework (RAF) was revised. The 2019 Annual Report and the programme of activities for 2020 were submitted to the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as were the ICAAP (Internal Capital Adequacy Assessment Process)⁶¹ report and the Public Risk Report for 2019. These bodies also received quarterly reports on the performance of the effective risk profile versus the determined risk appetite. The principal types of risk to which BancoPosta RFC is exposed in the course of its ordinary activities are described below:

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

⁶¹ Bank of Italy defines the internal processes for determining capital adequacy in the Supervisory Provisions for Banks Part One - Transposition of CRD IV Directive Title III - Prudential Control Process Chapter 1 - Prudential Control Process



As regards the evolution of significant risks, the 2020 financial year was characterised by an initial reduction in the yields on Italian government bonds until February 2020, and a subsequent rise in March 2020, caused mainly by the uncertainty on the markets due to the Covid-19 emergency, which recorded levels above 2%. This increase in yields was then reversed by the ECB's interventions, to reach a level close to 0.5% on 31 December 2020.

The evolution of rates and spreads led to a change in net gains at portfolio level from around €1 billion at the end of 2019 to over €4.5 billion at December 2020. The BTP-Bund spread at the end of 2020 closed at about 111 bps, 49 less than in 2019.

In order to maintain the company's target of a leverage ratio of 3%, assessments of the most appropriate measures for strengthening BancoPosta's capital are underway.

The CET 1 ratio at December 2020 stood at 18.1%, confirming the 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 2020, in terms of economic value, BancoPosta RFC was exposed to a flattening in the rate curve. The entity of the exposure, measured using an internal model, remained on average below 14% of supervisory capital, thus well within the risk appetite framework for the year.

Lastly, with regard to operational risks, in 2020, 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 Interest-bearing Postal Certificates placed in the past, adjusting prudential provisions to risk provisions.

At its meeting on 24 March 2021, the Company's Board of Directors approved the updated Guideline on Financial Management, consistent with the new 2021-2024 Business Plan.

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 2020.

[BancoPosta RFC events after 31 December 2020](#)

Events after the end of the reporting period to which the 2020 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 2020.

[Outlook for BancoPosta RFC](#)

During 2021, the process of digitising the Postal Savings Products offering aimed at improving the customer experience will continue. In particular, initiatives will be launched to send personalised suggestions to the customer's reserved web area with the possibility of subscribing to Postal Savings Products via the purchase process on digital web and app channels.

In line with the regulatory developments envisaged by PSD2, the Account Information Services Providers (AISP) and Payment Initiation Service Providers (PISP) services will be released during 2021, which will respectively enable

accounts from different banks to be aggregated within Poste Italiane's digital platforms and payments to be made from other current accounts held by customers.

In the specific area of distribution of BancoPosta loans, a Prestito BP Online product will be launched during 2021 and customer engagement functions will be further implemented, making available automatic loan proposals with a high level of personalisation and new channels accessible remotely to make appointments at Post Offices with specialist consultants. In addition, with the aim of strengthening the multi-partnership model, a new collaboration with Santander will be launched in order to offer customers increasingly competitive products that meet their expectations.

BancoPosta plans to transfer its debit card business to PostePay S.p.A. during the current year. This transaction will take place following the removal of the restriction on BancoPosta RFC.

For the Business and Public Administration segment, as part of current accounts, a new current account dedicated to the Small Business Operators (POE) segment, called "BancoPosta Business Link", will be launched in the first four months of 2021: this specific offering will feature, among other things, a revamped online platform and a new App. With regard to the purchase of tax credits, Poste Italiane's offering will be further expanded with new credits, including those relating to lease payments for non-residential use, and with the launch of a service aimed at corporate customers.

For further information, please see the Business Outlook for the [Financial Services SBU](#) and [Poste Italiane Group](#).

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 2020 (BancoPosta RFC's Separate Report, Part H of the notes).

Separate financial statements

Poste Italiane S.p.A.'s statement of financial position includes the Supplementary Statement of BancoPosta RFC, prepared pursuant to art. 2, paragraph 17-undecies of Law 10 converting Law Decree no. 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 2020 (BancoPosta RFC's Separate Report, Part A of the notes).

ESG PERFORMANCE

INTEGRITY AND TRANSPARENCY



Main types of capital	Objectives	Indicator (KPI)	Target	Baseline	Implementation status 2020	Outcome
<ul style="list-style-type: none"> Human Intellectual Physical/Structural 	Certify the main Group companies in accordance with the ISO 37001 standard	% of significant Group companies certified to ISO 37001	100% by 2022	2018	50%	<ul style="list-style-type: none"> 8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Increase personnel training on the Group's ethical principles (including respect for Human Rights)	% of Group employees involved	100% by 2022	2018	95.4%	
	Verify ESG aspects in the supplier qualification process	% of suppliers belonging to significant product categories qualified according to ESG criteria	100% by 2022	2018	40%	
	Carry out sustainability audits (ESGs) along the supply chain	% of the Group's qualified suppliers subject to sustainability audits	100% by 2022	2018	35%	
	Implementation of the new Integrated Anti-Fraud Platform (PIAF) that combines fraud prevention objectives with improved customer satisfaction	% financial, insurance, digital products	100% by 2024	2020	New	
	Definition of ESG parameters in the participation requirements and in the evaluation criteria of the technical tender offers	% of product categories	100% by 2024	2020	New	

Objective achieved/
Objective achieved and updated

Objective not achieved

Deadline for achieving the objective that has not yet expired

Work with transparency and integrity

Main related types of capital



Human



Intellectual

NFS

Poste Italiane recognises ethics and transparency as the founding values of the corporate identity from which it derives its origin and which support the Company in driving a responsible business and managing relations with stakeholders in a direct and honest way. Compliance with regulations, internal and external policies and codes of conduct, respect for rules and the strictest fairness are of strategic importance for the Group and are the basis for avoiding any conflict that may arise between corporate and personal interests.

BOX - The 231 Model is a point of reference for the Poste Italiane Group's path towards integrity and transparency

Following the introduction of the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001, in accordance with the principles of integrity, transparency and legality that guide the Company's operations, Poste Italiane has embarked on a virtuous path of risk control and management. This process involves all employees, with the aim of creating greater awareness of the behaviours to be adopted, initiatives and choices. The workshop entitled "The Corruption Phenomenon and the Safeguards of Model 231", held at the end of October 2020, took place to disseminate the key principles present in the corporate culture guiding the Group's strategy. This workshop focused on the 231 Organisational Model and on how the model has made it possible to create a structured control and organisational process that guides Poste Italiane's sustainability strategy with an ever-increasing focus on corporate transparency.

In order to clearly define the values and social role with which the Company contributes to the processes of cohesion, inclusion and sustainability of the country, as well as the rules of conduct in the performance of professional activities, Poste Italiane Group has adopted a Code of Ethics for directors, supervisory bodies, management, all employees and all those who work, directly or indirectly, permanently or temporarily, to pursue the objectives of Poste Italiane. The Code is disseminated to all levels of the organisation with the aim of spreading its values, including through training and information initiatives, as the Company requires that all persons to whom the document is addressed become aware of its contents.

The Code enshrines the principles that inspire the culture, behaviour and way of doing business of the Company and its stakeholders, such as the principle of legality, impartiality and fairness, respect and development of people, transparency and completeness, confidentiality, quality, diligence and professionalism. In this document, Poste Italiane affirms its commitment to adopting criteria of conduct that exclude conflicts of interest with the Group and promote the ability to make decisions that are consistent with the Company's objectives; criteria that avoid corruption, money laundering and terrorism and that encourage conduct of integrity, while respecting the health and safety of workers and protecting the privacy of all the recipients of the Code.

In addition to the Code of Ethics, the Company adopted a Group Integrated Policy, which 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 the idea of achieving continuity and reconciliation of the related interests.

Moreover, Poste Italiane has set up a reporting system and an Ethics Committee with the task of managing reports and violations. In this regard, the Group has introduced the "Guideline on Whistleblowing", a document aimed at regulating the system through which reports can be made by personnel and third parties, with reference to acts or facts referable to violations of internal and/or external regulations, as well as illegal or fraudulent conduct that may determine, directly or indirectly, a financial or image damage for the Company. The Group has made a reference portal available to the recipients of the Guideline, the management of which is entrusted to the Whistleblowing Committee, which also performs the functions of the Ethics Committee being responsible for receiving, examining and evaluating the communications received. The Whistleblowing Committee envisages assigning the presidency 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.

BOX - Creation of the integrated Report website

With the aim of ensuring the widest possible dissemination of annual results both within and outside the Company, an entire section of Poste Italiane's website has been dedicated to the Report. In particular, it was decided to focus on an innovative multimedia tool, capable of presenting, through a fluid and immediate navigable graphic layout, the economic and financial results while emphasising the path of sustainability undertaken by the Group. The new portal is a means of expanding the target audience, using innovative communication methods and tools, promoting complementarity between the offline and online versions of the Annual Report and aligning the communication of CSR projects and policies with national and international digital communication best practices. The intention is to share with all stakeholders the evolution of the activities carried out to support the creation of value. A "full html" solution was chosen in which all the contents of the Report were transported in the online version with the utmost accuracy and attention to the customer's user experience in navigation, with a clear and attractive user interface.

Poste Italiane's internal system for reporting violations is further strengthened by the provisions of the Organisation, Management and Control Model, prepared pursuant to Legislative Decree no. 231/01 and approved by the Board of Directors in the first quarter of 2021. With reference to the management and monitoring of corporate risks, the Company, as part of its Internal Control and Risk Management System (SCIGR), has adopted and implemented a management system that, through an organic and integrated vision, is able to provide an unequivocal and effective response to the risks to which the Group is exposed, thus defining an integrated risk management process.

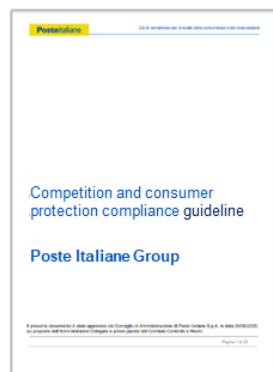
The integrated compliance model adopted by the Company fits into this context, creating operational synergies between the various compliance risk specialists and guaranteeing unified governance in the management of these risks, thanks also to a clear definition of the roles and responsibilities of the players involved in the process.



BOX - BancoPosta Fondi SGR obtains ISO 37001 certification

To confirm the attention that Poste Italiane Group pays to transparency and risk control issues and in line with its strategic ESG objectives, the ISO 37001 anti-corruption certification has been extended to BancoPosta Fondi SGR, the first asset management company obtaining such recognition. The certification was obtained following an analysis and verification of processes and of the integrated management system and concerns the activities of setting up and managing Undertakings for Collective Investment in Transferable Securities (UCITS) and the portfolio management and investment advisory service.

As evidence of Poste Italiane's commitment to the principles of integrity, preventing corruption and ensuring regulatory compliance, in 2020, the Company adopted a Group-wide Competition and Consumer Protection Compliance programme and drew up the "Guideline on Competition and Consumer Protection Compliance", which is the cornerstone of the programme.



The document provides indications on the regulations for the protection of competition and the consumer and defines the rules of conduct that all members of corporate bodies, executives, employees and all those who work to achieve the Group's purpose and objectives must observe. In particular, the objectives set out in the document concern:

ensuring compliance with competition and consumer protection rules, of which no violation is tolerated; strengthening awareness and disseminating knowledge about the importance of competition and consumer protection regulations; consolidating an operating and control environment that mitigates the risk of commission of antitrust and anti-competitive offences as well as violation of consumer protection regulations; providing guidance to prevent actions, behaviours and omissions that violate competition and consumer protection regulations, and outlining monitoring tools to identify any violations.

BOX - Poste Italiane and Guardia di Finanza together to ensure legality and transparency

In continuity with initiatives aimed at promoting growing attention to issues of transparency and legality, in 2020, Poste Italiane strengthened its collaboration with the Guardia di Finanza (Finance Police), signing a Memorandum of Understanding to combat economic and financial crime.

Posteitaliane



The agreement sees the Group concretely committed to the fight against tax evasion, avoidance and fraud, public spending offences, money laundering, forgery and payment fraud. In fact, the Company intends to make available to the Guardia di Finanza its wealth of information, in particular, the data in the "Identity Check" system, which is useful for combating offences.

With this initiative, Poste Italiane once again acknowledges its role of responsibility towards the public interest and undertakes to protect the entire community by safeguarding legality.

The Group's objective is to spread the themes of integrity and transparency and to this end, it invests in training and information activities for its employees, offering seminars and courses on transparency, integrity and anti-corruption, communicating its principles to stakeholders through the dissemination of the Code of Ethics, Policies and Guidelines.

In 2020, Poste Italiane confirmed its **legality rating**, receiving the highest rating of **three stars** from the AGCM, awarded to just **7%** of companies

BOX - Poste Italiane obtains ISO 26000 certification



In 2020, Poste Italiane obtained the UNI ISO 26000 assurance statement, an international standard for the adoption of sustainable development strategies and the promotion of virtuous choices and conduct in the ESG (environmental, social, governance) area. The assessment, to which Poste Italiane voluntarily submitted itself, was carried out by the independent organisation, DNV GL - Business Assurance, which analysed the Group's entire organisational structure in terms of the seven pillars of the UNI ISO 26000 guidelines: Governance, human rights, labour relations and conditions, environment, good management practices, specific user/consumer aspects, community involvement and development. Upon successful completion of the activities carried out, DNV GL issued Poste Italiane with a certificate of verification that recognises the Company's commitment and mature awareness of the various dimensions of Corporate Social Responsibility. In particular, Poste Italiane Group distinguished itself for its ability to identify and periodically review the priorities on which to focus, integrating them into the group's strategies and taking into account potential risks; the ability to take into consideration within its strategic, decision-making and operational processes, the requests of all stakeholders, integrating them into its governance system; the ability to plan and communicate social responsibility actions undertaken in a transparent and continuous manner.

Fiscal transparency policies

In January 2020, both Poste Italiane and the subsidiary, Poste Vita, were admitted to the Collaborative Compliance regime with the tax authorities, an award granted following a positive assessment by the tax authorities of the system for identifying, managing, controlling and mitigating tax risk. This institution, provided for by the Delegated Law for the reform of the Italian tax system (Law 23/2014) and introduced in Italy by Legislative Decree no. 128/2015, establishes a relationship with the financial authorities, one built on trust and collaboration. The goal is to increase the level of certainty on significant tax issues by creating an open line of communication so that issues that might give rise to risky tax scenarios are addressed in advance. Poste Italiane's admission to Collaborative Compliance consolidates the path inspired by the values of ethics, integrity and transparency also in the financial and fiscal area.

The Tax Control Risk Framework of Poste Italiane

Poste Italiane has developed its own tax risk management and control system, which, as part of the wider Internal Control and Risk Management System (SCIGR), meets the following requirements in line with legislation and best practices:

- the Tax Strategy in which the Group has defined its objectives and the approach adopted in managing the tax variable. The Tax 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;
- a system of delegated powers, roles and responsibilities regarding the processes of detecting, measuring, managing and monitoring tax risk, defined within a specific Guideline, as well as detailed in the relative operating procedures and in the tax risk map (i.e. Tax Risk Assessment);
- adaptation to major changes affecting the company, including changes in tax legislation;
- sending an annual report to the management bodies containing the results of the checks carried out and any action plans to be implemented to remedy the shortcomings that emerged from the monitoring. This report is also sent to the Revenue Agency for evaluation of the Tax Control Framework.

In line with its sustainability strategy and with the values set out in the Group's Code of Ethics, Poste Italiane Group has always managed taxation in full compliance with the principles of honesty, fairness and compliance with tax regulations, characterised by cooperative and transparent conduct towards tax authorities and third parties, in order to minimise any substantial impact in terms of tax or reputational risk. To this end, the Group has adopted a Tax Strategy⁶² within which the Company has defined its objectives:

- manage the tax variable by protecting the interests of all stakeholders, including the government, shareholders, employees and the community in which it operates, including at local level, being aware that tax revenue is one of the main

Poste Italiane and its subsidiary Poste Vita have been admitted to the Collaborative Compliance regime with the tax authorities

⁶² Poste Italiane S.p.A.'s Tax Strategy is available on the Group's website at the following link www.posteitaliane.it/it/strategia-fiscale.html

sources of contribution to the economic and social development of the country;

- always operate in compliance with tax regulations with regard to both the letter of the rules and the underlying rationale, monitoring and overseeing regulatory changes, including through continuous dialogue with the relevant institutions at national and international level;
- make decisions on tax matters in line with national and international best practices and with the guidelines dictated by sector bodies, as well as in line with its own strategic objectives and risk appetite;
- promote professional diligence in the management of tax-relevant activities and processes, and ensure that the related procedures are appropriate;
- ensure adequate technical training for all employees involved in the management of tax-related obligations and activities;
- establish complete and accurate information flows to management bodies and tax authorities;
- encourage the development of constructive, professional and transparent relations with the Tax Authorities, based on the concepts of integrity, collaboration and mutual trust.

The tax risk management and control system implemented by the Group requires top management to be kept constantly informed of the tax consequences of all strategic and operational business transactions, both planned and to be carried out, thereby ensuring that every decision taken on tax matters is consistent with Poste Italiane's tax strategy and that the Tax function is involved in the preliminary assessment of the tax impact of such transactions. The Tax function is divided into seven areas that are assigned distinct roles and responsibilities and they are: Tax Planning and Business Support, Tax Risk Management, Processes and Procedures, Regulations, Studies and Tax Substitution, Corporate Income, Indirect Taxes, Local Taxes and Litigation and VAT and IT Compliance.

Poste Italiane S.p.A.'s Board of Directors, subject to the opinion of the Control and Risk Committee, is responsible for assessing the adequacy and effectiveness of the internal control and risk management system. To this end, with specific reference to the tax risk management and control system, the Board of Directors, supported by adequate preparatory work by the Control and Risk Committee, examines at least once a year the report prepared by the head of the Tax function containing the results of the periodic review of this system.

Poste Italiane also coordinates with its companies to ensure that they operate in compliance with current tax legislation and in line with the Group's risk management and control system.

As previously stated when it entered the Collaborative Compliance regime, the Poste Italiane Group is committed to establishing relations with tax authorities that are based on the utmost transparency and cooperation, undertaking to:

- communicate in a clear and transparent manner to the Revenue Agency any changes in the tax strategy, in the medium/long-term tax planning and the possible risks related to the most relevant transactions;
- provide correct, accurate and timely information and respond promptly to questions and requests for information received by the Revenue Agency;
- resolve any problems in a timely manner prior to the filing of tax returns, and, if differences subsequently arise, work out an agreement with the Revenue Agency to resolve them.

Following Poste Italiane Group's entry into the Collaborative Compliance regime, the Group has adopted a well-structured set of procedures to govern the management of tax risk, including the activities, controls, roles and responsibilities defined within the processes.

Poste Italiane has also made monitoring updates to the relevant legislation the responsibility of the Tax function . More specifically, the task of the Regulations, Studies and Tax Substitution (NSSI) unit, which is part of the Tax function, is to: monitor the evolution of the national, EU and international tax system, in order to propose measures to guarantee the interests of the Group and the optimisation of operating obligations; guarantee the study, interpretation and dissemination of tax regulations, assessing their impact on the Company and the Group in collaboration with internal functions/companies. To this end, the NSSI unit, thanks to the continuous exchange with the operational structures of reference, receives suggestions and input that give greater consistency to the actions implemented in this area. As part of the monitoring of regulations, the Processes and Procedures unit, in conjunction with other internal functions, analyses the impacts on processes and systems deriving from changes in tax regulations, defining the related adaptation plans. Finally, the Tax Risk Management unit monitors, with reference to the compliance plans developed by the Processes and Procedures unit, the proper execution of controls and related activities.

Tax Risk Assessment

During 2020, an update of the Tax Risk Assessment was carried out, which entailed a review of the universe of Poste Italiane's tax risks, both in terms of existing risks and their assessment, as well as a revamping of activities and the related controls, partly in order to exploit potential synergies with other control systems within the Company. In general, the review of the Tax Risk Assessment covered the following points:

- introduction, elimination and modification of the tax risk map due to changes in tax legislation, the review of risks with a view to continuous improvement and changes in Poste Italiane's corporate structure;
- update of the qualitative/quantitative assessment of all fiscal risks. In particular, the use of the new risk assessment methodology developed in 2020 was envisaged for the performance of this activity;
- update of the activities and related controls identified to mitigate tax risks in response to changes in tax legislation, any shortcomings in the design of controls identified during testing or with a view to continuously improve in order to ensure the efficiency and harmonisation of Poste Italiane's existing control systems, while increasing the awareness of control owners regarding the methods of carrying out controls.

During 2020, the first monitoring activities were carried out on all the controls governing the risks envisaged within Poste Italiane's tax risk management and control system.

Communication and training on tax issues

During 2020, an information session was held for Poste Italiane's senior management, as well as the heads of the functions responsible for carrying out tax-related activities and controls, aimed at illustrating the key aspects of the Collaborative Compliance regime. This initiative forms part of a series of initiatives designed to reinforce and continuously disseminate the values of honesty, fairness and compliance with tax regulations within Poste Italiane, thereby encouraging the development of collaborative and transparent behaviour towards tax authorities and third parties, in order to minimise any material impact in terms of tax or reputational risk, also in line with the standards defined by the Group's Risk Management function.

In accordance with what is stated in the Tax Strategy and aware of the fundamental role played by training in an area characterised by rapid change, the Tax function trains and supports all personnel involved in the management of tax-related activities, not limiting itself to resources specifically dedicated to tax matters, in order to ensure that all personnel have the right skills and experience to fulfil their responsibilities.

During 2020, the courses delivered by personnel in the Tax function covered the following topics:

- the fiscal way to the recovery of work credits after the Relaunch Decree;
- basic training on the main VAT obligations in Poste Italiane;
- the Value Added Tax in the system;
- DAC 6 internal course;
- "GRC-RSA Archer" platform presentation.

In 2021, however, consistent with the ongoing health emergency, training events are being planned in the following areas:

- refresher courses on changes in tax regulations, aimed at the personnel of the departments responsible for fulfilling tax obligations and more generally for managing the tax variable;
- basic taxation courses for new employees, aimed at developing and strengthening their tax skills;
- training courses, both in the field of taxation and internal control systems, for personnel responsible for carrying out second level controls in order to increase their effectiveness.



Legality and incorporation of ESG criteria within procurement processes



Physical-structural

Main related types of capital

NFS

Poste Italiane promotes responsible supply chain management to ensure sustainability, functionality and traceability of procurement. The Company guarantees compliance with current regulations and company directives and bases its purchasing processes on pre-contractual and contractual relations oriented towards full respect for legality and transparency, placing central attention on compliance with agreements, payment methods and times. The Group makes sure to include, within its own fleet, suppliers possessing adequate quality characteristics and capable of ensuring the protection of workers and compliance with environmental standards.

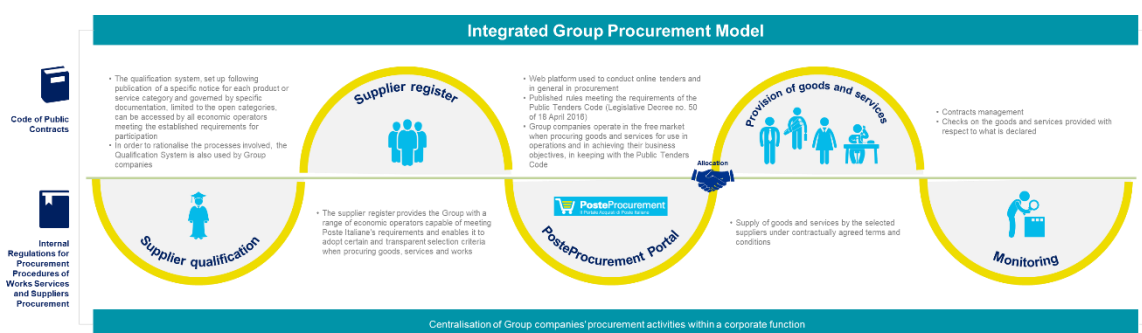
Poste Italiane guarantees equal opportunities to all suppliers, and the opportunity to compete in contract awarding procedures. Suppliers involved are required to comply with the EU and Italian legislation on competition, refraining from anti-competitive or unethical conduct that is contrary to the rules that safeguard competition. Poste Italiane Group requires its suppliers, including any subcontractors, as well as its partners, to formally accept the inspiring principles and criteria of conduct of the Group, described in the Group's Code of Ethics and Policies.

Poste Italiane requires its suppliers to adhere to the principles and standards of conduct set out in the Code of Ethics, and investigates the presence of requirements in line with ESG issues through sustainability audits

In 2020, in line with 2019, a continuous revision and update of the internal procedures which govern the procurement process have taken place, regarding contracts that are subject to the Public Contracts Code as well as those excluded from its scope of application. During the updating of the "Procedure for the authorisation and issue of purchase requests", the "target times" for the sending of the PR by the requesting functions have been regulated, as a tool to

guarantee the respect of the expected delivery times, functional to ensure the continuity of recurrent services and the start-up of new projects. In 2020, the "Procedure for managing the contractual execution phase" was issued, which governs the activities linked to the execution and management of passive contracts entered into by Poste Italiane Group, identifying roles and responsibilities involved.

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, the procedures constitute documents for the governance and regulatory compliance oversight of Poste Italiane's contract awards. 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. In order to ensure efficient and integrated management of the supply chain and improve relations with suppliers, promoting confidentiality, authenticity, competitiveness, integrity and availability of data exchange, purchases are managed through the "Poste-procurement" Purchasing Portal, a web platform used for all procurement activities and for the management of the Supplier Register.



The Group Risk Management function within the Corporate Affairs is responsible for identifying all the 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. In particular, the relationship with suppliers can generate strategic and reputational risks. The objective of risk management is to limit the risks deriving from transactions with third parties, ensure adequate supplier rotation and minimise losses deriving from non-collectible receivables, through a process of continuous monitoring of the degree of exposure to risk. Boosting prevention of illegal activities, via integrated analysis of internal and external information, enables detection of direct and indirect relations that highlight possible critical issues. Moreover, due to the health emergency, the Company has included in the supplier assessment the Covid-19 risk analysis taking into account both the specific sector to which they belong, through the classification of economic activities adopted by the Italian National Institute of Statistics for national economic statistical surveys (ATECO code), and the April 2020 guidelines prepared by the Government-INAIL task force for the assessment of production sectors.



Supplier qualification procedures

In line with current regulations (art. 134 of the current Public Contracts Code), in 2006, the Company established its own Supplier Register, with the aim of simplifying procurement procedures, ensuring homogeneity among the subjects selected in each product sector 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

product category. For each product category, the Supplier Register may be accessed at any time by submitting a request accompanied by the necessary documentation.

All suppliers seeking qualification for the Supplier Register are required to meet general requirements (moral and professional suitability), as well as specific business, financial, technical and organisational requirements. In this way, the Group aims to strengthen the governance of the purchasing 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. This speeds up contracting times and ensures governance on the most relevant issues.

Thanks to the dematerialisation and digitisation of the liabilities cycle: **50,000** documents dematerialised. **25%** of the time of crossing the tenders saved

In line with the principles of transparency, Poste Italiane is committed to providing a high level of disclosure of its procurement process. Pursuant to Law no. 190/2012 entitled "Provisions for the prevention and suppression of corruption and illegality in the public administration", the Group publishes, periodically, information relating to the procurement procedures indicated by the law and, on a voluntary basis, also the procurement procedures not expressly mentioned in the legislation. To do so, the "Open and Transparent Contracts" portal was created and can be consulted on the Company's website.

75.9% of suppliers have an **ISO 14001** or **EMAS** certified environmental management system

Selection of suppliers

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, paying utmost attention to quality, respect for the environment, safety and social implications 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 system⁶³.

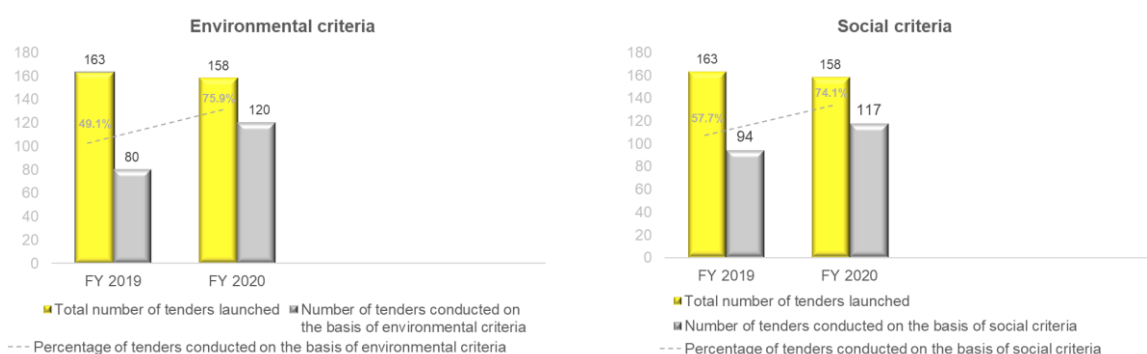
Number of tenders carried out on the basis of environmental criteria **+27** percentage points compared to 2019

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 Group's growing attention to ESG issues is shown by the numbers achieved. In 2020, in fact, there was an increase of 27 percentage points, compared to 2019, of tenders carried out on the basis of environmental criteria (75.9% vs 49.1%) and an increase of 16 percentage points, compared to the previous year, of procedures carried out on the basis of social criteria (74.1% vs 57.7%).

Number of tenders conducted on the basis of social criteria **+16** percentage points compared to 2019

⁶³ In 2020, there are zero instances of supplier non-compliance with environmental and labour rights policies.



In line with the action of continuous strengthening of the procurement strategy based on the selection of products and suppliers capable of guaranteeing the best sustainability performance, with the establishment in December 2019 of the Green Procurement function, the process aimed at the stable integration of sustainability parameters in the technical evaluation of offers was started. In this context, the main reference parameters for evaluating offers were identified - and proposed at the 2020 Multi-stakeholder Forum - in relation to Environmental, Social and Governance aspects and sustainable innovation, with the aim of following up the definition of a structured process for monitoring the degree of sustainability of the supply chain, through the identification of specific indicators. Moreover, 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, applying, where required, the indications on the "Minimum Environmental Criteria" (MEC), established with specific Ministerial Decrees.

The path undertaken in the area of purchasing provides for the inclusion of environmental, social and governance aspects, investigating the possession of specific requirements through sustainability audits to which suppliers will be subjected. The methodology is characterised by the adoption of a highly personalised approach, which translates into the definition of an *ad hoc* questionnaire by sector and size, and the definition of a scoring process structured in three different levels, which provides for the attribution of a rating for each relevant risk, for each dimension analysed and a total ESG rating. These elements provide the following strengths to the model:

- assessment focused on the supplier's relevant ESG risks, thanks to the use of a specific questionnaire for each economic sector (risk-based approach);
- robustness of the analysis deriving from the use of a quantitative algorithm, which guarantees the attribution of a rating strongly representative of the level of risk coverage guaranteed by the supplier;
- multi-level view of risk, with the ability to analyse ESG risk at the aggregate level, at the level of individual E/S/G aspects, and at the level of individual risks;
- clear identification of areas for improvement on the basis of the rating given to the way individual risks are managed;
- facilitated compilation of the questionnaire, characterised by multiple closed answers with the aim of facilitating and making compilation immediate;
- reliability and recognisability of the proposed methodology, based on internationally recognised studies that are renowned best practices in relation to the area under analysis;
- expendability of the proposed model by Poste Italiane, which may consider making it a proprietary model and offering it on the market once it has been registered with the appropriate trademark.

Aiming at increasing awareness of its suppliers over time and accompanying them on a path of sustainable growth, Poste Italiane plans to gradually introduce environmental and social parameters into its tenders over the years, thus ensuring a gradual expansion of the scope, coverage and weight of ESG criteria on the tender score.





Main related types of capital

PEOPLE DEVELOPMENT

Main types of capital	Objectives	Indicator (KPI)	Target	Baseline	Implementation status 2020	Outcome
Social-relational Human	Provide continuous training to all Group employees	Hours of training provided	25 million by 2024	2018	14.3 million hours	
	Increase the quota of middle managers and white-collar staff involved in the MLAB development plans (Managerial LAB for the development of middle managers who have further growth potential) and POP (Professional Orientation programme that identifies and develops talented young people)	% of middle managers and % of employees involved in development plans	20% of middle managers and 25% of employees by 2022	2018	13% employees (POP) 9.9% managers (MLAB)	
	Certify the main Group companies in accordance with the ISO 45001 standard	% of the Group's production units certified	100% by 2021	2018	100%	
	Increase the number of prevention initiatives for employees	Number of initiatives	+40% by 2021	2019	18 initiatives	
	Increase the number of educational and professional orientation initiatives for employees' children	Number of initiatives	+15% by 2022	2019	9 initiatives	
	Increase the number of participations in soft skills development programmes developed on the occasion of care activities	Number of registrations	+ 20% by 2021	2019	27%	
	Reduce the number of Group employees' occupational injuries	Number of injuries	-740 events in the PCL area by 2024	2020	<i>New</i>	
	Reduce the occupational injury frequency rate for Group employees	Injury frequency rate	-8% by 2024	2020	<i>New</i>	
	Maintenance of Occupational Health and Safety Management Systems and related ISO 45001 certifications at Poste Italiane and the main Group companies	% of Poste Italiane Group units with a certified OHSMS	100% every year	2020	<i>New</i>	
	Environmental monitoring for the determination of the annual average concentration of radon gas in the air, aimed at assessing the risk of exposure to ionised radiation, in accordance with Legislative Decree no. 101/2020	% of Poste Italiane buildings monitored	100% by 2024	2020	<i>New</i>	
Implementation of a new corporate welfare model: development of screening programmes for the prevention of illnesses and corporate welfare programmes to protect the health and safety of Poste Italiane's personnel and aimed at improving their welfare and well-being	% employees involved	100% by 2024	2020	<i>New</i>		

Objective achieved/
Objective achieved and updated

Objective not achieved

Deadline for achieving the objective that has not yet expired

Staff training and development

Main related types of
capital

NFS

The Poste Italiane Group is aware that human capital is a key element in creating competitive advantage and achieving the Group's objectives, and believes it is essential to invest in the promotion of training programmes for its personnel, identifying training as a key factor in ensuring the ongoing development of professional and personal skills and in making the most of each Group employee. With this in mind, the Parent Company is committed to offering training courses for its employees, also by developing new training and knowledge sharing methodologies that have facilitated and guaranteed learning continuity in the emergency context due to the Covid-19 pandemic.



Within its Code of Ethics, the Company expresses its willingness to recognise and value the contribution of each individual employee, committing to guarantee to each of them, without distinction, equal treatment in work opportunities and professional advancement.

The Group sees in the continuous and innovative training of its personnel an important lever to achieve a competitive advantage on the market

The training activities are part of a broader project outlined in the 2024 Sustain & Innovate Plan, which envisages the provision of approximately 25 million hours of training in the five-year period 2020-2024, in line with corporate principles and the needs of the market, customers and regulations. With the aim of ensuring the smooth running of training courses, the Corporate University was set up in 2015, a Human Resources function divided into different Academies specialised by business content based on the different skills to be cultivated. The function has the task of defining and guaranteeing the entire training process (including operational training), also making use of territorial structures, the operating mechanisms and organisational ownership of training and operational training activities, according to logics oriented towards ensuring the effectiveness, efficiency and conformity of the expected results, introducing and foreseeing specific indicators of quality control and training effectiveness.

In 2020, in the emergency context due to the Covid-19 pandemic, the Corporate University reshaped its training plan by making available to employees a fully online training offer, made possible also thanks to the recent launch of the new training platform (HCM Oracle). At the same time, Poste Italiane adopted the Microsoft Office365 package throughout the Company, enabling the creation of training courses in Webinar or Virtual Classroom mode, ensuring the continuity of the training offered to employees. The Adoptions Office 365 training path has been provided to guarantee transversal knowledge of the Teams tool (and in general of the O365 suite). Thanks to the resilience shown by Poste Italiane Group in the difficult emergency context, a total of around 5.9 million hours of training were provided in 2020. The 2020 training actions include the Soft and Digital Skill training catalogue, the Business Continuity and Emergency Management training path, the Remote Working training path and the Financial Education training path.

**5.9 million of hours of training provided
in 2020**

Poste Italiane's training model is based on three backbones:

- basic training, provided to the entire workforce, regardless of their role, aimed at developing a shared corporate culture on topics of transversal interest (financial education, digital skills, language training);

- role training, aimed at proposing specialised training contents provided to the various professional figures according to the specific role covered in order to maintain and improve performance in carrying out their duties;
- training for development, aimed at proposing *ad hoc* training contents for the best resources included in development paths to support them in more complex roles.

During the period, in order to make the most of its internal wealth of knowledge, the Corporate University paid particular attention to the establishment and development of the internal Faculty, Poste Italiane's teaching personnel made up of expert colleagues, carefully selected and qualified to become trainers and instructional designers and to make their skills and passion available for the training and development of other colleagues, which at the end of 2020 totalled 500 resources.

In 2020, provision of:
37,000 hours of managerial training
2,584,400 hours of technical-specialist training
3,253,500 hours of training on compliance

In order to monitor training activities and the reporting of mandatory training to the control functions, the Group has provided for periodic monitoring of the progress of the training plan in terms of hours, attendance, intervention areas, trends and monitoring of the use of specific training campaigns in progress, guaranteeing periodic information flows to internal and external company and control functions. In addition, Poste Italiane Group is paying particular attention to training on regulatory compliance, with a total of 3.250 million hours provided in 2020. The main initiatives implemented are mentioned below.

BOX - Compliance training

Legislative Decree 231/2001

From October 2020, the new online course "The Decree 231 in business ethics" is in progress. It describes, through the stories of its protagonists, the general contents of Legislative Decree no. 231/2001 and the tools that Poste Italiane has adopted to comply with the principles and provisions of the Decree. The course is part of the mandatory training programme and is therefore intended for all Poste Italiane Group personnel, with the exception of letter carriers, who will receive the same training in documentary form. The training initiative illustrates general topics of Decree 231 that are also of interest to the Subsidiaries. Nevertheless, it is the responsibility of each Subsidiary to assess any additional training needs in this area, taking into account the specific activities carried out by its employees and the operational and organisational peculiarities of the Company.

IT security

Launched in January 2020, the online course "IT security" illustrates the most sensitive areas of the topic, highlighting its importance in relation to the many aspects of professional life on which it impacts. The course is also valid for the purposes of achieving the 30 annual hours of compulsory professional updating for Insurance Brokers (IVASS Regulation no. 40/2018).

Anti-money laundering and anti-terrorism

Launched in April 2020, the online course "The Anti-Money Laundering Legislation", available on the new HCM Learning platform, aims to provide personnel with the necessary knowledge to operate, with awareness and in full compliance with the provisions of the law, in all phases in which the system for preventing and combating money

laundering is articulated. The course is an integral part of the Anti-Money Laundering Plan, and is valid for the purposes of achieving the 60 hours for basic training and the 30 hours annual compulsory professional updating for Insurance Intermediation personnel (IVASS Regulation no. 40/2018). For resources operating in the investment sector (consultants/informants), it is valid both for the 60-hour ESMA path, and for the 30-hour update training path, regulated by the ESMA/2015/1886 Guidelines of 22 March 2016 and the new Intermediaries Regulation no. 20307 of 15 February 2018 published by CONSOB.

Sustainability and corporate policies

Two courses are reported in this area:

- "Documental Management", launched in February 2020 and intended for all Poste Italiane Headquarters personnel, down to the third organisational levels, describes the "Document Management" procedure, which is fundamental to ensure that Poste Italiane's Corporate Regulatory System achieves its objectives. The Regulatory System regulates on the one hand the reference principles, architecture and life cycle of regulatory documents and, on the other, the roles and responsibilities of the various players involved in the document management process. It is therefore essential that these players, when drafting or updating company documents, know and apply the rules defined by the "Document Management" Procedure;
- "Business and Human Rights Protection", launched in September 2020 with the aim of promoting and disseminating the Guiding Principles adopted by the United Nations on Business and Human Rights. The initiative consisted of 11 modules and was aimed at all personnel, with the exception of letter carriers, to whom the course was presented in documentary form.

Dangerous goods (ADR legislation)

In order to ensure the regulatory compliance of the services provided by Poste Italiane regarding the transport of dangerous good, the online course "ADR regulations: overview and application methods in Poste Italiane" is available from January 2020. The training initiative provides an overview of the European Agreement concerning the international carriage of dangerous goods by road, known as ADR. Starting from an analysis of what the ADR agreement regulates, the methods by which this agreement is applied at Poste Italiane are described. The initiative is intended for the following figures:

- distribution centre workers such as letter carriers, internal parcel handlers, distribution centre managers, emergency workers, transport workers, quality managers and supervisors;
- figures working in sorting centres, such as manual and mechanised parcel sorting personnel, goods acceptance personnel, including those delivered by Large Customers, supervisors, sorting centre managers and emergency personnel;
- post office workers, such as counter operators who accept parcels, internal parcel handlers, post office managers, supervisors and emergency workers.

The main managerial training initiatives focused on the following aspects:

- innovation and economics, with reference to Industry 4.0 and digital mindset issues through periodic meetings with internationally renowned experts on business topics and access to external platforms for the proposition of market best practices;
- engagement, with reference to the themes of inspiration and visioning through periodic "inspirational" paths with external testimonials on organisational managerial behaviours (management of complexity, courage,

energy, inclusion, etc.), accompanied by subsequent moments of specific in-depth study through the "educational workshop" formula;

- leadership, for the development of managers' communication skills and to which experiential training courses have been added, in synergy with the main Italian business schools, for the development of skills in managing complex situations, results orientation, generation of the context and complex thinking.

Initiatives dedicated to new managers continued in 2020 to develop key skills such as systemic vision, customer focus, ability to work in a team, leadership, cooperative orientation, decision-making in complex contexts and innovation. Finally, particular attention has been paid to spreading growing sensitivity and awareness of the value of differences and inclusion through a programme called "Diversity&Inclusion", which includes training initiatives in support of the company's policy on gender, inter-culturalism, disability and generations.

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.

BOX - Diversified skills development within Poste Italiane Group

Mail, Parcels and Distribution

In addition to the training programmes to update and verify skills (in line with IVASS and ESMA regulations that enable the processes of consulting and sales), an important project was developed dedicated to improving the remote sales proposition for the new Distance Offer to customers in the Post Office Network. The Group has also invested heavily in developing front end digital skills on processes and new products offered to customers, in particular, with a focus on digital payments (Code). With regard to the logistics segment, training activities dedicated to letter carriers continued and training activities were launched to support the profound transformation of logistics processes, linked to the implementation and dissemination of lean production methods and tools, to support the development of a service culture based on continuous improvement. At the heart of its ongoing training programmes, the Group has ensured support in maintaining and strengthening technical skills and developing competencies in the various corporate roles.

Financial Services

In the area of financial services, the Group is committed to ensuring the development of the skills of personnel working in the BancoPosta function in order to support the new requirements expressed by the market, with particular reference to the development of specialist technical skills and a significant strengthening of soft and digital skills. Training focused on regulatory issues in support of the business, specialised technical issues and managerial behavioural training, with the latter activity focusing in particular on strengthening organisational behaviours useful for dealing with the Coronavirus health emergency.

Insurance Services

The objective pursued with regard to insurance services was to ensure the training and updating of the skills of the various professional personnel employed by the Poste Vita Group (Poste Vita, Poste Assicura and Poste Welfare

Servizi), both in order to adapt to new remote working methods (collaboration tools and systems) and in compliance with specific industry regulations, as well as compulsory training (occupational safety).

Payments and Mobile

Within the Payments and Mobile Business Unit, the process of change management and innovation already undertaken in previous years, beginning with the establishment of PostePay, continued. The project includes remote learning interventions, virtual experiential activities, micro-learning briefs, cross-functional project-work, focused on the four capabilities at the basis of the new mindset: Managing Chaos, Critical Thinking, Cp-makship and Take Action with specific actions on different company targets.

The Group has considered it of fundamental importance in its training path to ensure the continuity of professional updates and the acquisition of specialist and basic know-how, mainly delivered online, with a strong focus on initiatives in the areas of regulatory compliance, safety in the workplace and basic language training, as well as in relation to the forthcoming adoption of the new SAP ONE ERP S4/HANA system.

Poste Italiane has shown its commitment to providing training to support Quality and Anti-corruption certification processes and compliance with regulatory obligations.

Continuous performance improvement

Poste Italiane constantly monitors the following main indicators: quality (using questionnaires to investigate employee satisfaction with the various aspects of the service), effectiveness (using learning tests at the end of training activities) and efficiency (calculated as the ability to achieve the above objectives through consistent use of available economic and organisational resources and the quality perceived by employees).

Already in 2019, Poste Italiane Group activated a study to correlate training with the company's business KPIs, thus defining an additional level of evaluation of the effectiveness of training in accordance with the ROI Evaluation Process Model.

The development system

The Development and Performance Management Function supports the growth of the business through the enhancement of all Poste Italiane people, seizing their potential, developing their talent, supporting their motivation, consolidating their experience through growth opportunities. All these actions are the real engine of change towards the centrality of the person and the enhancement of the capabilities of each individual.

Poste Italiane's well-established Development System is based on the following three pillars, which integrate an articulated set of processes, tools and methodologies:

1. **Scouting:** to map the pool of talented resources and plan their development in relation to the different level of expendability on target positions;
2. **Management planning:** aimed at identifying development priorities with a view to succession and the reduction of managerial risk;
3. **Development:** to accompany people in their growth and accelerate the development of skills in relation to company and business needs.



The overall objectives pursued in the year 2020 in the area of people development have been heavily influenced by the unpredictable scenario due to Covid-19. Therefore, the priorities were reviewed and the main activities of the plan were redesigned in an innovative and *ad hoc* manner to ensure continuity of the existing processes. Thanks to the revisiting, mainly in a digital perspective, of the main development paths, it has been possible to:

- enhance people and their professional development to create a pipeline of talents at various levels of seniority, through the knowledge of their experiences, skills, aptitudes, potential and motivation;
- accelerate the evolution of digital processes, systems and tools to promote new ways of working, interacting and collaborating;
- support leadership development projects with particular reference to programmes aimed at female inclusion;
- contribute to business transformation objectives through *ad hoc* designed initiatives;
- improve engagement and motivation, through participation processes in a "bottom-up" logic.

BOX – Unleash your talent

The first edition of "Libera il tuo talento" (Unleash your talent), the creative contest launched by CEO Matteo Del Fante and aimed at all Poste Italiane colleagues, ended in 2020. The initiative was designed to allow all the personnel 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. 300 employees, through the sharing of experiences, skills, curiosity, inventiveness and vision, discussed the theme of environmental sustainability, which was the theme of this first edition. The project developed in various steps that saw the formation of working groups established remotely to propose innovative ideas on the theme of the contest. Approximately 60 projects were submitted in the first phase, then selected and addressed in subsequent phases. After the various selection steps, - 6 finalist teams continued their journey through classroom training on agile working methodologies and Design Thinking, which allowed "unconventional" team work, aimed at exploring the starting ideas. With the support of inter-functional tutors, each group produced a business plan and a video-pitch, which were carefully evaluated by the technical jury and the Innovation Committee. The work carried out by the teams, in spite of the difficulties due to the delicate historical moment that has influenced the pace and methods of work, has been of the highest level. During the final event, held in digital conference, the video pitches were shown and each team was able to receive feedback from the representative of the business function most impacted by the project. The first place was awarded to Team 22 with the project "Green E-ticket", an idea that serves to consolidate among customers a simple daily practice to eliminate paper waste, digitising the reservation in the Post Office through SMS or app. Second place went to the "Green & Go" project, based on a programme of education and incentives for eco-sustainable driving with the aim of reducing CO₂ emissions. In third place was the idea of developing rooftop gardens.

The enhancement of people and the promotion of professional development were pursued through digital implementation of scouting programmes aimed at identifying potential, skills and expertise that can feed the talent pipeline at various levels of the organisation. The programmes have been created around a digital backbone that spans and supports all process steps. Specially created platforms allow optimal access from all fixed and mobile digital devices. The digitisation of programmes, in addition to making their delivery times more efficient, has led to a reduction in their environmental impact, in terms of CO₂ emissions and the elimination of paper.

The redesign mainly concerned the following initiatives:

- **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 Assessors, certified to conduct the assessment and subsequent development sessions in fully digital mode. In 2020, 19 editions were carried out, with the participation of 108 young employees, equally divided by gender.
- **MLAB:** is the process of intercepting solid professionals and managers, with consolidated experience in the role of manager to be developed in positions of greater complexity; the path has been entirely revised in a perspective, realising during the year 14 editions with the participation of 82 managers, equally divided by gender.

Both programmes were evaluated positively by the participants, in terms of level of usefulness, degree of professionalism of the assessors and satisfaction with the IT tools made available for use.

In 2020, an evolutionary review of Performance Management was launched, which in recent years has been consolidated as one of the most widespread development processes in the Company, involving 100% of the company population, with unique numbers in the panorama of Italian companies. The current more challenging external context, which requires increasing engagement and motivation of people, combined with new social and health challenges, has contributed to push towards change, bringing to the fore the concepts of responsibility, autonomy and flexibility, drivers of the new process. Its evolution was made possible by the introduction of a new technological platform with new functionalities and targeted tools, such as self-assignment of objectives, self-assessment and continuous feedback.

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, the Company has launched a "Digital HR Transformation" programme, proposing a fully online training offer adequate and consistent with the new way of working, in-depth analysis on the topics of Blockchain, Lean Culture and Data Analysis, and others entirely dedicated to the new Distance Offer to customers, with the aim of supporting Post Office Network personnel in the presentation of business proposals remotely.

In line with the leadership development projects, the Mentoring project, which contributes to the building of the Leadership Community of Practice, continued and, compared to 2019, saw the number of female managers as Mentors double. Mentoring is the place where managerial best practices are disseminated and an opportunity for dialogue with diversified role models and consists of a process of accompaniment in which the Mentor supports the Mentee in the pursuit of professional objectives, offering advice, encouragement and opportunities for dialogue. A total of 90 Mentors and 150 Mentees were involved during 2020.

Individual Business Coaching is an additional tool to support managerial growth, complementary to Mentoring paths. The programme was managed by a digital backbone carrier, which allows all phases of the process to be managed remotely. The initiative is aimed at Managers taking on wider responsibilities, who have prospects for expanding the role in the short term or who have potential to be strengthened with a view to future investment. A total of 98 participants were involved in 2020. In addition to coaching and mentoring, a counselling course was set up to support a number of managers working in the areas most exposed to the Covid-19 emergency.

The course was divided into two individual meetings, dedicated both to personal support to visualise how the emergency was dealt with, and at managerial level, to gain awareness and capitalise on the lessons learned, providing concrete and practical support to face the future. A total of 51 participants were involved in 2020.

The Human Resources function is increasingly customer-oriented, with the aim of enabling the evolution of processes, systems and operational tools to meet new challenges. In this broad context of business transformation through training and *ad hoc* projects, "Percorsi di sviluppo sul territorio" (Development paths in the territory) is included, an initiative that, in line with what was done in 2019, sees an internal and itinerant training path on the themes of organisational development, seen at 360° as a compass for management choices, professional growth and career. The "Office 365 - Teams" platform was the main support tool for the implementation of many project activities. In 2020, the project involved a total of 69 participants.

BOX - "Insourcing and re-employment" how Poste Italiane enhances the value of its resources

In recent years, Poste Italiane has embarked on a process of transformation linked to the digitisation of products, services and processes, and the diversification of investments into new business areas, which has led to the need for new skills and resources within the Group. For this reason, with the aim of enhancing the value of the human capital present in the company, at the end of 2020, Poste Italiane launched the "insourcing and re-employment" project, which achieves the replacement of resources employed in production sectors for which the number of employees is greater than actual needs, in new or strategic activities. Participation in the initiative is on a voluntary basis and is supported by a training programme aimed at developing the skills necessary to make placement in the new sectors of operation effective. In addition, the project represents a useful tool for the re-employment of "workers in fragile conditions" who, unable to carry out their duties on site due to the ongoing health emergency, have the opportunity to carry out different activities.



Poste Italiane has always been attentive to actively listening to its people in order to improve their way of being in the Company. For this reason, the NoidiPoste Community has become over the years an established channel of internal communication aimed at creating, facilitating and improving the interaction between the Company and its Employees,

facilitating the sharing and management of information requests, promoting the corporate culture, supporting the brand reputation, encouraging Employees to actively participate in corporate life.

Staff welfare and well-being



The Company has always placed the well-being of its employees at the centre of its interests with the aim of constantly improving their condition and that of their families. In 2020, the Group committed to assuming greater responsibility for taking care of the well-being of the people who work in the Company, through actions aimed at consolidating the welfare system and paying increasing attention to aspects related to the protection of the fragile, reconciliation, support for the younger generations and issues of high inclusion relevance. Due to the health emergency, many of the activities carried out were reshaped and implemented online, thus experimenting with new forms of interaction and involvement of personnel throughout the country.

The Group places people and their needs at the centre of its welfare strategy, implementing initiatives aimed at promoting the well-being of employees and their families

The interventions promoted aim to stimulate an improvement in the state of well-being of employees, allow easier living conditions and encourage better work performance. By promoting these activities, the Group aims to increase and strengthen the engagement of its personnel, which has always been considered a key element in ensuring a positive corporate climate and guaranteeing social well-being and productivity levels in line with business objectives.



Over 2020, the Group strengthened its communication channels with its employees, offering a simplification of services useful for the working and everyday life of its personnel. In a context characterised by social distancing, stimulating interpersonal relationships among employees was fundamental to maintaining a high sense of corporate belonging.

89 workers awarded with the **"Stella al merito del lavoro" (Star of Labour Merit)** for their particular expertise and hard work.

BOX - NoidiPoste, the innovative mobile channel in support of Poste Italiane's employees

NoidiPoste is the app dedicated to Poste Italiane Group personnel and, from 2020, also to former employees, which aims to connect colleagues and former colleagues, tell them about the company and facilitate the services it offers. It is the company communication channel with the highest number of accesses, with an average of over 3.5 million views per month, equal to over 60% of the total views of the company Intranet. Reaching 100,000 downloads in 2020, the application confirmed its role as an indispensable tool for the professional and personal lives of employees, adding new services including: holidays (over 600,000 accesses per month), payslip, job posting, meal vouchers, column and TG Poste, with an average of 18,000 users per day. In addition, the Meal Vouchers and Job Posting services have been integrated, allowing users to check the remaining balance on their Ticket Restaurant card and to apply for a new job directly from their device.

The app is not just an information tool, but it also aims to be a listening channel: in the "Your opinion counts" section, *ad hoc* surveys are proposed on various topics to find out the opinion of the Community and guide the development of services designed to improve the professional life of personnel.

It is a process of involving Poste Italiane's people in listening and discussing activities, in different ways, with the aim of enhancing personal interests, promoting new opportunities for aggregation, discovering needs and ideas

about initiatives, products and services, and analysing the Community's point of view regarding the changes affecting the Company.

Since the launch of the initiative, 16 surveys have been administered on different topics (from welfare to mobility management, from communication to new Poste Italiane products and services), with over 25,000 questionnaires completed.

In 2020, in particular, 5 surveys were provided:

- **"DilloaNoidiPoste 2020"**

Your contribution is important for our company: join the community dedicated to the co-creation and improvement of Poste Italiane's products and services;

- **"Poste Guidare Sicuri"**

Survey dedicated to Poste Guidare Sicuri, the new car protection offer reserved for employees and pensioners of Poste Italiane Group;

- **"Corporate volunteering: an internal survey promoted by Sodalitas and Poste Italiane"**

By virtue of the collaboration with Fondazione Sodalitas, with which the company has been working for many years on issues of Corporate Social Responsibility and social welfare, the survey on Corporate Volunteering is now underway;

- **"2020 Home-Work Mobility Survey"**

Annual survey that analyses employees' home-work travel habits in order to identify, in the medium and long term, sustainable mobility solutions to reduce CO₂ emissions in the interests of employees and the community;

- **"Let's continue together"**

Listening survey to find out experiences and expectations regarding the company's communication during these months of health emergency.

Thanks to surveys and polls presented to employees, the NoidiPoste App has increased its functionalities, including the holiday service (600 thousand accesses on average each month) and the social media service. The App also enables daily viewing of TG Poste, the new communication initiative directed at employees launched in 2020.

In continuity with the process of involving the Group's people, the initiative was extended to all the personnel who interface with retail and business customers on a daily basis in the MP, MIPA, PCL and DTO functions, and to all the people in the Company who work together to structure the new product offerings and service models of the Business Units and Companies in Poste Italiane Group. To continue on the path of engagement with the entire corporate population, in November 2020, a feature was released that alerts users, via notification, of a response from the Internal Communication account or a colleague to a comment posted on the Intranet or App. The high level of personnel involvement is demonstrated by the numbers: more than 70 thousand comments received, of which more than 16 thousand in 2020. During the health emergency, interaction on Poste Italiane's digital channels recorded over 7 thousand comments, enabling the dissemination of useful information to promote safety, protect the categories most at risk and manage the offices in the best possible way.

With a view to strengthening relations with its employees, Poste Italiane has implemented innovative projects and methods aimed at intensifying internal communication activities within the Company, and has received numerous international awards.

Distributed **180,000 hard copies** of the monthly **Postenews**; produced **5,130 articles** and recorded an average of **40,000 visits per month** on the Poste News website

BOX - Postenews App

In February 2021, the Postenews App was launched, a quick and easy way to stay in touch with the reality of Poste Italiane, through a schedule of daily news with services and video reports from within the Group and beyond.

The application offers updates on topics such as logistics, savings, economics, institutions, safety, security, environment and digital,

allowing, in addition, to follow the TG Poste, which provides the most important news of the day and Poste Italiane. The app includes a section dedicated to Small Municipalities, where news about small communities is published every day, highlighting the different territorial realities, the faces and stories that tell about the very close relationship between the women and men of the Group with their communities and institutions.



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BOX – TG Poste, the new communication initiative of Poste Italiane



In light of the period of health emergency dictated by the Covid-19 virus, the Group implemented a new communication tool aimed at employee dialogue and engagement, to strengthen ties and increase the sense of belonging to the Company. The initiative involved the creation of a Poste Italiane news programme, broadcast daily and available on the company Intranet, on the app and in live streaming through the Postenews section of the Poste.it website and on the screens in Post Offices. "Italy is changing, TG Poste tells about it" is the claim of the initiative, which proposes news from inside and outside the Company: news and press review, stock market and Poste Italiane share news, news from the various sectors of the Company and interviews with managers. The initiative aims to be a new space that integrates corporate content with the language of journalism, thus offering in-depth knowledge of the Group. TG Poste is broadcast from a technological and innovative TV studio set up inside the Rome EUR headquarters.



Work-life balance

The Company identifies work-life balance as a source of well-being for its employees. With this in mind, the Group has strengthened its focus on the social and family aspect of workers, in order to support the role of parents, with an integrated action that has provided guidance for young people and support for families.

BOX - Educational entertainment platform for the children of employees

The Company has strengthened its focus on the social and family aspect of its employees to support the parental role and launched, in October 2020, an online entertainment platform "Virtual Academy" aimed at the children of employees in the age group up to 11 years. A project that offered educational content and study support and introduced listening spaces with personalised counselling sessions for parents, run by experts in the field to deal with the daily problems of family life. In the three months of activity, the number of subscribers was over 500, distributed throughout the country, with access to content that exceeded 2,000 total uses. An educational welfare programme that valued the digital component of learning and evolved consistently with the need for restarting and actively involving families.

As part of the actions taken to support spatial and temporal flexibility of service and the strengthening of welfare tools that make it possible to reconcile personal and family needs with professional ones, remote working experimentation was extended to additional organisational areas, increasing employee engagement and making work processes more efficient, consistent with the Digital Transformation and Change Management programmes undertaken by the Company.

BOX - Parenting support



In 2020, the corporate day-care service continued at Rome and Bologna offices, dedicated to the children of the Group employees and a number of third-party users from municipal entities. The service, extended to over 90 families, following the Covid-19 pandemic and the institutional prescriptions deriving from the lockdown, had a temporary suspension from March to July, which was integrated with virtual modalities aimed at guaranteeing educational continuity in support of children's growth and family conciliation. The service resumed in September, in line with the organisational and management indications for prevention and health protection outlined by the competent bodies. The educational project, characterised by attention to the values of eco-sustainability and inter-culturality, was supported by the introduction of new ways of dialogue aimed at fostering the educational alliance with families to meet the real needs of the moment, through innovative ways of communication. In particular, seminars to support parents on current issues have been held, also online, and a new web platform has been activated for the management and interactive communication with families on the activities of the day-care, providing a virtual room and simplifying administrative processes.



Health and prevention

During the period, a series of awareness-raising initiatives were implemented with the aim of preventing illnesses, identifying the main risk factors and good practices for a healthy lifestyle, combining these projects with the provision of free specialist national services aimed at cancer prevention at the company's premises or at external medical centres. Due to the contingent situation caused by Covid-19, the service carried out in the company offices was

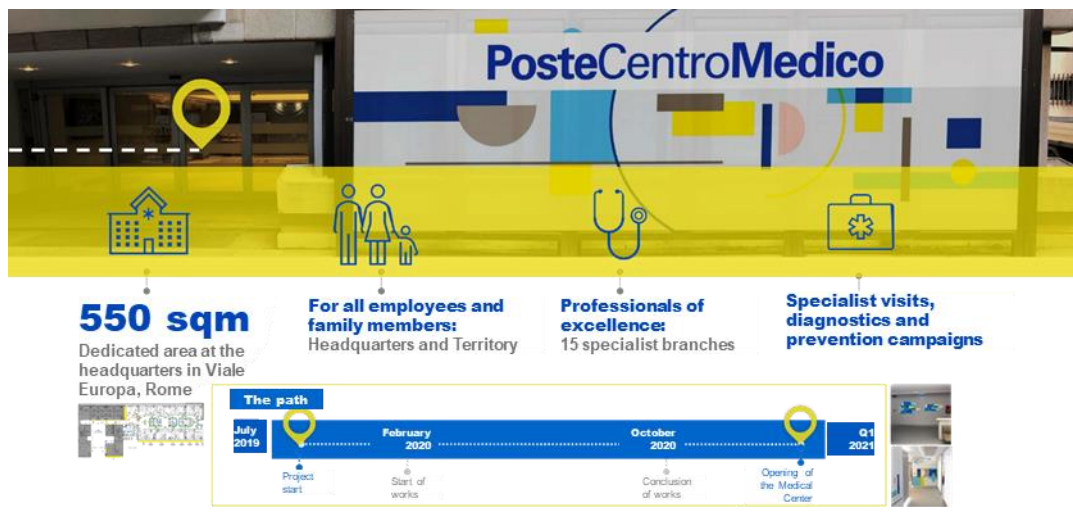
reorganised and reshaped in compliance with current regulations in order to ensure the safety of the population participating in the initiative.

BOX - Poste Italiane launches "Poste Centro Medico"

In line with its health and prevention programme, Poste Italiane has launched the "Poste Centro Medico", a centre of excellence for specialist examinations and diagnostic services for the prevention, care and well-being of employees. The first opening in Rome, at the Group's headquarters, is part of the broader plan to focus on



and protect the health of the company's population, and will welcome the best specialists from the most important national health facilities, ensuring a medical service that fully meets the needs and requirements of users. Poste Centro Medico was conceived as the first centre in Italy for the NoidiPoste community. However, it also extends to employees' families, through even more advantageous rates for those who have signed up for Health Plan coverage.



In December 2020, the Company initiated a Covid-19 testing campaign ensuring that all employees could undergo a free swab starting 12 March 2021. Through the numerous measures adopted, Poste Italiane has confirmed its traditional vocation of being close to the territory. Every person in the Group, by adopting correct behaviour and responsibly following the instructions of the Government, collaborates and takes an active part in combating the spread of the virus and safeguarding their own lives and the lives of others, at the same time protecting the future of the Company and even more so of the country.

BOX - The Company close to employees in the health emergency

In order to reinforce measures to protect the health of workers during health emergencies, non-executive personnel who are members of the Poste Vita Fondo Salute supplementary health care fund are entitled to free supplementary health care services. In particular, both the Basic and Plus options of the above-mentioned Health Plan have been supplemented with specific coverage for those infected with the Covid-19 virus. In detail, there is a daily allowance for hospitalisation for Covid-19 positivity of €100 per day up to a maximum of 45 days; a daily allowance for intensive care of €200 per day, up to a maximum of 21 days, and a flat-rate compensation of €1000 in case of home isolation. These protections, which also relate to the household, have been extended free of charge until the end of March 2021 regardless of the health package subscribed to.

In addition to the above-mentioned coverage, there is also coverage for expenses incurred for antigenic and molecular swabs. In particular, Poste Italiane has provided, with retroactive effect, a refund for preliminary swabs to access the services provided by the Health Plan, for swabs for suspected Covid-19 pathology (up to a maximum of €40 for each swab carried out) and a refund for the end of quarantine (up to a maximum of €40). The maximum reimbursement per year/assisted person is €600, the reimbursed cost will be deducted from the maximum amount of €600 foreseen for the "specialist outpatient visits" coverage.

All the above supplementary coverage is recognised provided that, at the time of the event, the patient and any family members are enrolled in the Health Fund. With a view to integrated welfare, these initiatives complement the Covid-19 diagnostic test campaign promoted by Poste Italiane.

Poste Italiane has set up a supplementary healthcare fund for non-executive personnel and Group companies. By strengthening the corporate welfare system, the plan integrates the services provided by the National Health Service with a network of high-level services, skills and professionalism. In addition, in view of the growing importance of welfare as people leave the workforce and reach a mature age, Poste Italiane ensures that the Group's pensioners can continue to benefit from the guarantees offered by Poste Vita Fondo Salute.

BOX - The "Health Plan" online courses

Actions to raise awareness of a healthy lifestyle were implemented during 2020. With this in mind, a series of online seminars was held for employees and their families, aimed at increasing the culture linked to the importance of primary prevention through meetings with experts, which touched on topics of great importance such as viruses and epidemics, the link between nutrition and the prevention of the main diseases due to incorrect lifestyles. Particularly noteworthy was the appointment that provided for the exploration of smoking aimed primarily at adolescents, with the aim of making clear what are the damages caused by tobacco consumption.

In addition, in continuity with as was done in 2019, letter carriers are provided with uniforms that follow the principles of ergonomics, design and quality of materials. These uniforms have the "green" OEKO - TEX Standard 100 certification, which guarantees the health of personnel and the protection of the environment, ensuring the careful ecological and healthy control of the product.

During 2020, a new feature has been developed and installed on the hand-held devices provided to letter carriers that will allow them to send a voluntary distress call in the event of need for medical intervention, through the prolonged pressing of a physical or virtual button. The report is sent to SR Milano for verification and possible dispatch of assistance. In addition, in view of the presence within the post office network of around 4,200 single-operator POs and around 3,000 two-operator POs, where people work "alone", in order to identify any situations of illness and promptly activate the relevant assistance, an automatic illness detection device (no movement, man down) was designed and put out to tender, to be installed inside post offices from the beginning of 2021.

30,000 letter carriers equipped with the help request app and **+7,200 Post Office operators** impacted by the automatic illness detection system

Culture and education

Through its welfare plan, Poste Italiane Group aims to contribute to enhance an 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. In this context, the Company develops educational and professional orientation actions dedicated to the children of employees, such as the STEAMcamp (Science, Technology, Engineering, Art and Mathematics) courses, for children aged between 11 and 15, which allow them to experience innovation and distinctive skills for the jobs of the future. The STEAMcamp online project has been designed and implemented as a workshop course aimed at developing the ability to create new worlds, design games, imagine stories and explore new realities. At the end of the experience, new "STEAMcampFamily" paths have been implemented, designed to involve not only children, but also parents, in the reflection on the professions of tomorrow and the change of the present. STEAMcamp Family had the objective of strengthening the generational "joining" processes of "parents-children" with respect to the digital gap generated by the emergence of new technologies.

As part of the initiatives in support of the new generations, school orientation actions have also been carried out in favour of the children of employees - in the 3rd and 4th years of high school - and young people from vulnerable social realities, through the Next Generation programme, in which young people have participated in a hackathon and an innovation hub, challenging themselves on the issues of digital innovation. The challenge launched by the Company, entitled "*Next Generation: POST-iamoci*" had the objective of stimulating reflections and ideas aimed at improving the relationship between parents-children-grandparents, enhancing the intergenerational dimension and the inclusive component of the digital world. It was a virtual co-working mode between students and business professionals to encourage the contamination of generational styles.

In the area of multicultural exchanges, scholarships for stays abroad were awarded to deserving children of employees, supported entirely by the Company to promote the importance of international education and inter-culturalism. Due to the health emergency, the summer grants have been suspended and will be provided in 2021.

In addition, in the area of personal services, access to products and services for employees and their families at preferential conditions has been provided, with particular attention to the development of solutions dedicated to the areas of reconciliation aid and support for educational and language preparation, aimed at the children of employees and at achieving internationally recognised certifications. In addition, during the summer period, day care centres for children and young people were offered at dedicated facilities.

For the purposes of developing and managing the main welfare initiatives, the Group has adopted specific procedures and internal policies over time. Poste Italiane also regularly intercepts the emergence of new needs, including through participation in inter-company networks and thematic working groups for the development of benchmarks and the

exchange of best practices, using questionnaires and surveys, both internal and external, to measure employee satisfaction.

Financial and non-financial benefits for personnel

Financial benefits

The main financial benefits paid to executive personnel are listed below.

- **Life insurance and coverage for disability and invalidity:** the Company takes out, in the interest of the executive, an insurance policy that guarantees an additional sum over and above normal remuneration in the event of death, permanent invalidity and accidents occurring even if not in the course of work.
- **Healthcare:** 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.
- **Pension:** the company contributes to the financing of the PREVINDAI Supplementary Pension Fund in order to provide pension benefits in addition to the compulsory pension.

The main financial benefits due to non-executive personnel are listed below.

- **Parental leave:** more favourable treatment than that provided for by law (art. 43 National Collective Labour Contract).
- **Healthcare:** the Company provides a supplementary healthcare plan with a contribution paid by the Company for the "Basic" package (art. 79 National Collective Labour Contract).
- **Pension:** payment of contribution to the FondoPoste by the Company (art. 79 National Collective Labour Contract).

Non-financial benefits

To complete the remuneration package, Poste Italiane Group provides executives and certain types of managers with additional non-financial benefits, in compliance with applicable regulations and taking account of market practices. These benefits are subject to specific guidelines, which require the application of common criteria depending on the uniform category of employee concerned. Examples of non-financial benefits attributed to executives are the company car for mixed use and the medical check-up, also provided for facility managers.

During the period, the marketing of the third-party motor liability offer, "Poste Guidare Sicuri", continued for the Poste Italiane Group's employees, pensioners and family members, and work continued on launching the offer on the open market.

Relations with social partners

As part of its commitment to the well-being and protection of workers' rights, Poste Italiane believes it is essential to maintain an ongoing dialogue with employee representatives, both in the case of ordinary operations and in the event of significant organisational changes.

Dialogue with the social partners is managed via periodic meetings with the Labour Unions. With the aim of guaranteeing compliance with current regulations, the Group enters into agreements with the latter and for its employees governed by the bargaining procedures set out in the National Collective Labour Contract (CCNL) and the Consolidated Law on Representation, facilitating the creation of a positive corporate climate. Through the aforementioned approach, the Company is able to guarantee adequate and fair solutions on issues that may have significant impacts on the organisation, on the business and, in particular, on human capital, a fundamental asset for the Company.

In compliance with current legislation, the Group is committed to ensuring the well-being and protection of the rights of its workers and their freedom of association and collective bargaining, and, as enshrined in Poste Italiane's Code of Ethics, it ensures impartiality and independence in promoting its relations with Labour Unions (OO.SS.).

The Group maintains an ongoing dialogue with social partners and is committed to ensuring the welfare and protection of the rights of its workers

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. In particular, the Company is required to provide the national Labour Unions that are signatories to the National Collective Labour Contract with prior information, indicating at the same time the date of the start of the discussion, which is aimed at seeking possible solutions to govern the social effects. The negotiation process will be completed within and no later than 25 working days, including Saturdays, following the date set by the Company for the first meeting, during which the Company cannot implement the planned projects and the Labour Unions will refrain from any direct action. After 25 days, in the event of a negative outcome of the aforementioned discussion, the Parties may make their own independent determinations. In the event of a positive outcome, on the other hand, the Company provides specific information to the competent territorial structures of the Labour Unions. Prior to the start of discussions at the territorial level, the RSUs (Unitary Labour Union Representatives) must be consulted, a phase which must be completed no later than 13 working days, including Saturdays, from the date on which the hypothesis of agreement was signed. Subsequently, the Parties shall meet at a territorial (regional) level to carry out a joint examination, to be concluded within 7 working days, including Saturdays, following the end of the consultation of the RSUs.

100%
of employees covered by collective bargaining agreements

Health emergency from Covid-19

In March 2020, following the spread of the Covid-19 epidemiological emergency, the Company and the Labour Unions signed some agreements aimed at ensuring, through the adoption of preventive measures, the safety of people and the containment of the virus.

On 23 March 2020, in order to monitor the evolution of the situation and adopt extraordinary measures to implement the measures taken from time to time by the competent Authorities, an OPN Committee (Joint National Body for Health and Safety at Work) was established at national level with the task of applying and verifying the rules identified in the "Shared protocol for the regulation of measures to combat and contain the Covid-19 virus in the workplace" signed by the Government and Social Parties on 14 March 2020. The OPN Committee works in close synergy with the Joint Regional Bodies in order to enhance the knowledge of the territorial specificities and to favour effective and timely coordination between the centre and the territory. In this regard, the Committee paid particular attention to the safety measures suitable to allow the performance of work activity (e.g. mask, gel, gloves, respect for social distancing, cleaning and sanitisation), encouraging the use of remote working and reorganising work activities to reduce as much as possible the presence of workers on duty and therefore their concentration within the workplace. Furthermore, in order to adopt an integrated approach to the assessment and management of the risk associated with the pandemic emergency, the Company, in agreement with the National Secretariats of the Labour Unions and the OPN Committee, has prepared specific Protocols for the main organisational areas as well as the additions to the Risk Assessment Document (DVR) of the Production Units and the related Operating Safety Instructions, updated in accordance with the various regulatory provisions that have been introduced and consistent with the Guidelines issued by INAIL.

A further Agreement was signed also on 23 March 2020 which, taking into account the company's organisational restructuring, temporarily suspended all actions regarding active labour policies, to be reactivated as soon as the conditions allow for it. In this regard, taking into account the progressive easing of the restriction measures ordered by the Government and the gradual reactivation of business processes, in May 2020, the Company reactivated some levers of active policies such as the transformation from part time to full time in the national context, the request of letter carriers in the south of Italy and the counter job posting.

On 29 July 2020, the levers of active policies and related numbers valid for the year 2020 were defined in an agreement with all Labour Unions. The agreement provides, for the Post Office Network, for 500 part-time counter operators (250 FTEs), 440 proposed conversions from part-time to full-time (220 FTEs), 220 proposed national voluntary redundancies, 480 new counters and 650 new hires of specialists. With regard to Mail, Communication and Logistics, 1,000 proposals for conversion from part-time to full-time (500 FTEs), 700 proposals for national voluntary mobility and a number of stabilisations of fixed-term contracts that will be defined on the basis of the posts (part-time/full-time) that will not be filled or that will be discovered as a result of the conversion and mobility processes.

On 22 December 2020, taking into account the imminent natural expiry of the Agreements signed on the subject of Active Employment Policies, the Parties, with reference to the stabilisations envisaged by the agreement of 29 July 2020, signed an agreement to extend to 30 April 2021 the recruitment on permanent contracts for Delivery activities. Moreover, without prejudice to the need to meet the Company's organisational requirements and confirming the overall numbers envisaged for 2020 in relation to the stabilisation process, as an extraordinary measure, the Parties agreed to adopt further useful measures, on the one hand, to take advantage of the opportunities for full employment of personnel currently on a part-time basis (part-time/full-time conversions) and, on the other, to further facilitate the mobility processes on the north/south route (transfer request).

On 30 April, the Company and the Labour Unions signed an agreement on recourse to the Solidarity Fund for employees of Group Companies that apply the National Collective Labour Contract for non-executive personnel of Poste Italiane. The activation of the Solidarity Fund, which represents an alternative social security buffer instrument to the CIG redundancy payments, will make it possible to cover absences resulting from the suspension or reduction of work activities, linked to the need to proceed with the sanitisation of workplaces, as well as those resulting from the time required to supply protection/safety devices. For these absences, the Company has made itself available to guarantee 100% of the fixed and continuous pay due, taking on the responsibility of supplementing the salary that the Solidarity Fund recognises in the maximum amounts provided for the social security buffers; the periods will also be considered useful for the maturation of direct, indirect, immediate and deferred economic and regulatory institutions (e.g. holidays, paid leave, former bank holidays, accruals of 13th and 14th months, employee termination benefits) and will not lead to any reduction in the score in the territorial and national mobility procedures. With the same understanding, it has been defined that personnel will have until 30 September 2021 to recover the permits granted by the Company to meet the needs of employees who, in relation to the health emergency, have been unable to work (children under 14 years of age, family members living together in situations of disability or immunosuppression, cancellation of public transport, etc.). As an alternative to recovery, the workers concerned may opt, at their request, for the use of holidays, paid leave or leave for cancelled bank holidays.

On 21 December 2020, the Company and the Labour Unions signed a further agreement which, in application of the provisions of article 12 of Legislative Decree no. 137/2020 (Ristori Decree), provides for the possibility of further access to the benefits of the Solidarity Fund, expressly identifying the many cases in which access is possible. Also in this case, the Company shall integrate the benefit provided by the Fund up to 100% of the ordinary remuneration due to each worker for each day of actual suspension/reduction of activity and the periods of suspension of work shall be useful for social security purposes, for the accruals relating to the additional months' salary and severance pay, as well as the shares of the Result Bonus, and shall not be calculated for the purposes of the rankings for voluntary mobility.

In addition, with reference to the period of time between the end of the first phase of recourse to the Solidarity Fund benefits as per the Agreement of 30 April 2020 and the reference date provided for, in the context of access to the Fund, by the Minutes of 21 December 2020 the Company will pay for the periods of non-servicing attributable to the cases of workers defined as "long-term positive", for whom the ASL or the general practitioner, after at least 21 days of isolation, have issued a certificate of return to the community and who, however, in the absence of a negative swab, have not been able to return to service at the site; or, workers who tested positive for Covid-19 and subsequently tested negative, but have not been able to return to duty at headquarters due to delays in the MCT's opinion, as a result of which the workers have taken recuperative leave or unpaid leave.

On 14 April 2020, the Company signed with Assidipost-Federmanager an agreement on support initiatives for the institutions most involved in the health emergency and for colleagues and their families affected by the contagion. The agreement provided that executives, on a voluntary basis, could have donated part of their gross salary and holidays. The Company will supplement the donations with its own contribution in return for the availability shown by the executives.

On 30 December 2020, an agreement was signed with Assidipost-Federmanager whereby, in anticipation of the final allocation of the sums collected as a result of the aforementioned April agreement, an amount of €40,000 will be donated by the end of the first half of 2021 to each family of colleagues who died as a result of Covid-19.

In order to protect people infected by Covid-19, the coverage offered to employees by the Group Health Fund was extended, regardless of the type of package subscribed, and also extended to their families, if included in the health

coverage. On 1 December 2020 and 14 December 2020, the Company and the Labour Unions signed agreements that provide not only for the further extension of the supplementary benefits provided by the Fund until 31 March 2021, but also the possibility of reimbursing all workers and their family members enrolled for the swabs in cases where they are preparatory to accessing the benefits provided by the Fund, as well as in cases of suspected Covid-19 pathology in accordance with certain limits and conditions, including retroactively.

On 10 July 2020, the Company and Labour Unions signed an agreement that extended until 30 September 2020 of the possibility of adopting the agile work model, activated in relation to the health emergency related to Covid-19. The agreement also provided that, for actual organisational needs, "returns" can be arranged at the headquarters, communicated in advance by the Manager taking into account, however, the need to protect the health of the worker, in compliance with the provisions in force on social distancing and health condition of the workplace. The agreement signed concerns all Poste Group Companies that apply the National Collective Labour Contract for non-executive personnel of Poste Italiane SpA. On 8 October, in view of the continuing emergency phase, it was agreed to extend the terms for the use of agile work in Poste Italiane Group until 31 January 2021, also in accordance with the provisions of Law Decree 125/2020.

In the Minutes of the Agreement of 18 December 2020, the Parties confirmed the value of agile working as a structural organisational model that makes it possible to combine personal and family needs with professional ones and, at the same time, to protect employees in particularly vulnerable situations, while respecting the Company's productivity and increasing the focus on objectives and accountability for results. They agreed on the regulation of agile working in the Group companies that apply the National Collective Labour Contract for non-executive personnel of Poste Italiane S.p.A. The agreement provides that workers may voluntarily request to work in "agile" mode for a maximum of 3 days a week and 13 days a month, also identifying the place where they are to work for the planned days. This limitation does not apply to Customer Care and Back Office in the DTO area for which, due to the particular nature of the activities supervised, organisational solutions will be identified that allow alternating between the performance of the work service remotely and the return to the headquarters. The agreement, which provides for a transitional phase due to the health emergency still underway, is valid until 31 December 2021; before its expiry, the Company and the Labour Unions have already scheduled a specific meeting to carry out an overall examination of the matter and assess the methods for continuing the agreement, also in light of the discussions on the renewal of the National Collective Labour Contract. This agreement, which takes into account the results of the experimentation launched in 2019 in certain organisational areas, then widely implemented following the health emergency for Covid-19, is consistent with art. 27 of the National Collective Labour Contract of 30 November 2017, which introduced the institution of agile work in the Poste Italiane Group, identifying it as a solution of organisational flexibility that allows employees, through the use of technologies and in compliance with the objectives assigned, to work in different times and spaces than those usually established.

Active labour policies

The Group is committed to relations aimed at the welfare and protection of workers' rights, by signing agreements on labour policies. In fact, 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 resources was envisaged, compared with a number of voluntary redundancies regarding employees on permanent contracts amounting to at least 15,000. 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.

With reference to the initiatives aimed at guaranteeing the coverage and full operation of the delivery service, on 20 February 2020, the Parties signed an agreement for the activation of the special elastic clause for part-time personnel, pursuant to the current National Collective Labour Contract.

On 7 July 2020, an agreement was reached with the Labour Unions that defined, in line with the previous reorganisation agreements that affected the function, procedures to manage the employment repercussions arising from the implementation of the new organisational model of the Post office network commercial chain. This model focuses on a geographical logic and on strengthening the control of commercial activities at Branch level, moving from a system defined on individual channels/areas to a territorial model that aims to meet the overall needs of customers, while maintaining a dedicated commercial support on specific products/services (Loans and Protection) at Macro Area level. The implementation of the project is monitored through national and territorial labour union verification tables.

At the end of July 2020, the Company presented the Labour Unions with a new classification of Post Offices, consistent with both the changes in the network's characteristics and the new business requirements, as well as a new organisational model for the network itself, based on a "Hub & Spoke" logic. In this respect, on 22 July 2020, the Parties signed minutes defining the launch of an experimental phase on the two projects mentioned above, involving a sample of 6 branches. With the agreement of 4 November 2020, having acknowledged the outcome of the trial, the parties extended the new "Hub & Spoke" organisational model and the new criteria for classifying post offices to the entire country, at the same time defining the criteria for managing the resulting impact on employment.

On 20 November 2020, the Parties reached an agreement to begin mapping and measurement activities aimed at developing the new "formula for measuring letter carrier performance" for the Mail, Communication and Logistics function, i.e. the algorithm that, taking as a reference the activities performed by letter carriers and the related times, defines their balanced daily performance. In addition, with reference to the stabilisation of production activities at the network nodes, it was agreed that, for the first phase, these will consist of permanent employment on a part-time basis with a reduction in work on an annual basis (formerly vertical). The parties have also agreed that, for part-time contracts in the delivery area as provided for in the agreements on Active Policies, work will be carried out in the periods 1 July / 30 September and 1 November / 31 January, rather than from 15 June to 15 September and from 15 November to 15 February. Finally, the Company once again confirmed its willingness to make use of the Elastic Clause.

On 3 December 2020, the Company and the Labour Unions discussed the initial results of the "Insourcing and Re-employment" organisational project, which envisages the company's orientation towards internalising processes and activities relating to Customer Care and internal users, Back Office and business support.

In order to provide a prompt response to the need to increase the level of customer service provided by the Post Office Network front end, on 14 January 2021, an Agreement was signed by which the Company confirmed that, without prejudice to the numbers agreed for the year 2020, the completion of the residual counters and the recruitment of part-time Counter Operators will be accelerated. In addition, the parties have agreed to implement additional active labour policies and, in particular, 300 special flexible clauses and, for the most critical areas, 100 part-time hires to be considered as anticipation of the active labour policies that will be defined for the Post Office Network in 2021.



Other agreements

In 2020, the activities of the Ente Bilaterale per la Formazione e Riquilificazione del Personale (Bilateral Body for Training and Retraining of Personnel) continued, which, through technical in-depth work, supported the development, presentation and activation of training projects, as well as the signing of agreements to enable the Company to access funding provided by Fondimpresa and the Solidarity Fund. Particular attention has been paid to online training and to its financial feasibility, in view of the important role that said training method has taken on in the context of the emergency situation related to the spread of the Covid-19 virus, as well as the increased use of the same by the Company to comply with government indications and to ensure the necessary safety and health protection measures for employees. For the same reasons, the Body also examined the possibility of using agile work to facilitate training initiatives.

On 23 July 2020, the agreement on the performance-related bonus for Poste Italiane and Poste Vita Group companies, Poste Assicura, EGI, BancoPosta Fondi SGR and PostePay, was signed by the Labour Unions and validated by the labour union representation (RSU) National Coordination. The agreement, which has a one-year validity, allows to further emphasise the contribution made by personnel towards the achievement of corporate objectives in 2020. The agreement confirmed the option for employees to allocate all or part of their performance-related bonus to the Open-end Fund for Supplementary Assistance Poste Vita, Fondo Poste or other supplementary pension funds or to opt for welfare services with high social impact. Compared to the previous edition, the growth of adherents to the programme was 48%.

In January 2020, a discussion (still ongoing) was started with the Labour Unions for the renewal of the National Collective Labour Contract. In this context, three commissions have been set up to revise the contractual text with reference to the system of industrial relations and labour union rights, the regulation of the employment relationship and the system of supplementary health care. Pending the definition of the renewal of the National Collective Labour Contract, an agreement was signed on 18 February 2020 for the recognition of an amount, paid in April 2020, by way of all-inclusive contractual entitlements covering the entire year 2019.

On 11 February 2020, following Poste Welfare Servizi's willingness to apply Poste Italiane's National Collective Labour Contract instead of the Trade Agreement, the Parties reached an agreement which defined the economic and regulatory treatment to be applied to its own workers as well as to those impacted, from 1 March 2020, by the sale of the business unit relating to Poste Welfare Servizi's ICT management activities to Poste Italiane.

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 Personnel 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.



Collective commitment

In line with the values of solidarity, closeness to people and attention to corporate sustainability, taking into account the unprecedented collective effort in which the entire country is engaged in the face of the SARS-COV-2 virus, Poste Italiane has reduced the "Management By Objectives 2020" bonus for all its management by 50%, in favour of the combat against the pandemic.

50% MBO bonus deduction
in support of the combat against the
pandemic

In addition, Poste Italiane and the national Labour Unions signed an agreement to set up an "Ethical Hour" for the Civil Protection Department. This initiative enables Poste Italiane Group employees to donate, after formally signing up, an amount equivalent to the net remuneration of one hour's work, through a deduction from their pay slip. Poste Italiane Group, in turn, will contribute to the initiative through a donation equal to the amount collected from employees.



Occupational health and safety

Main related types of capital



Human

NFS

The protection of Occupational health and safety is a fundamental value, which all people must be inspired by in carrying out their daily activities. For this purpose, Poste Italiane Group has identified organisational responsibilities and adopted specific policies to ensure adequate supervision of all occupational health and safety aspects. The Group takes all the necessary measures to reduce injuries, workplace injuries and occupational illnesses, promoting the psychophysical well-being of people through policies, prevention programmes, information and awareness campaigns.

In 2020, about **224,000** hours of training on Safety in the Workplace were provided.

The Integrated Policy and the Group Health and Safety Policy define the key elements of the occupational health and safety management systems adopted, including:

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

Poste Italiane is focused on a safety culture in the Company, to reduce injuries and promote continuous improvement of the management systems adopted

The constant monitoring and control of injuries contributed, also in 2020, to the implementation of various initiatives on prevention and on occupational health of workers and protection of the workplace. From this point of view, the Occupational Safety Management Systems, which have already been adopted for some time in accordance with the regulations in force, confirm the conviction that an effective management system makes it possible both to coordinate the safety of workers in an organic and systematic manner and to implement and develop the company's safety policy by monitoring the risks of all operational processes.

Poste Italiane Group carries out a risk assessment, investigating all potentially dangerous situations related to processes, tasks and workplaces and, once the related impact has been identified, assigns the associated risk level to each factor analysed. This assessment is carried out on the basis of the way in which the work is carried out and the exposure of personnel to any associated risks, also taking into account any protection measures already in place for the job, in compliance with the criteria defined by the technical regulations in force, technical standards and rules of good practice and company guidelines.

Systematic control of all possible hazards applicable to and correlated with workplaces and processes is guaranteed by the preliminary compilation of a check list annexed to the company procedure "Risk Assessment Document Management". The Employer refers to the skills of the Prevention and Protection Service to supervise and carry out the risk assessment with the consequent drawing up of the Risk Assessment Document (DVR) as well as of all the relevant specialist technical reports.

In addition to the compulsory training given to all Persons, the Operational Safety Instructions (IOS) are sent in a controlled form, in which there is a description of the dangers applicable to the work processes of interest and the organisational, preventive and protective measures aimed at reducing the corresponding risk level. The IOS contain a detailed description of the roles and duties of all the main players in safety management, and also provide for the obligation (deriving from Legislative Decree 81/08) for Workers to report to the Person in Charge and/or to the competent Workers' Safety Representative the presence of any hazards or dangerous situations at work, just as the Persons in Charge and the Delegated Managers have the obligation to acquire such reports and to act in line with the

company procedures identified for the management of such critical issues according to the times and methods corresponding to the level of risk associated with them. Given the importance of this issue for Poste Italiane Group, information, education and training mechanisms have been adopted for all workers, in order to adequately manage (i.e. in accordance with the protective measures set out in the Risk Assessment Document and in the relevant company procedures) any work situations that could result in occupational injury or illness.

The analysis of near-misses and accidents occurring in the workplace is carried out consistently with the specific processes codified within the health and safety management systems adopted. Each production unit of the Parent Company and the Group companies also carry out activities of investigation and continuous monitoring of accidents and in particular of the accident phenomenon in order to identify and eliminate, or in any case manage, the factors that can generate accidents, with a view to continuous improvement.

In order to ensure that all employees are provided with the highest possible level of health oversight, the Group has established a network of doctors who, working within specific territorial boundaries, perform the tasks required by article 41 of Legislative Decree no. 81/08 (visits, inspections, regular meetings and consulting). The network is coordinated by a coordinating competent doctor who supports the Employers and the Prevention and Protection Service for the Governance aspects of health surveillance. Health surveillance activities throughout the country in 2020 showed a decrease compared to the previous year due to the state of national health emergency that led to an initial blockage. Starting from May 2020, the legislation has provided for the possibility of resumption by providing, at the same time, the deferability of some categories of examination and introducing the exceptional health surveillance for the so-called hyper-susceptible subjects with respect to a possible infection by SARS-COV-2 virus, as well as a verification of suitability prior to the return post illness by Covid-19.

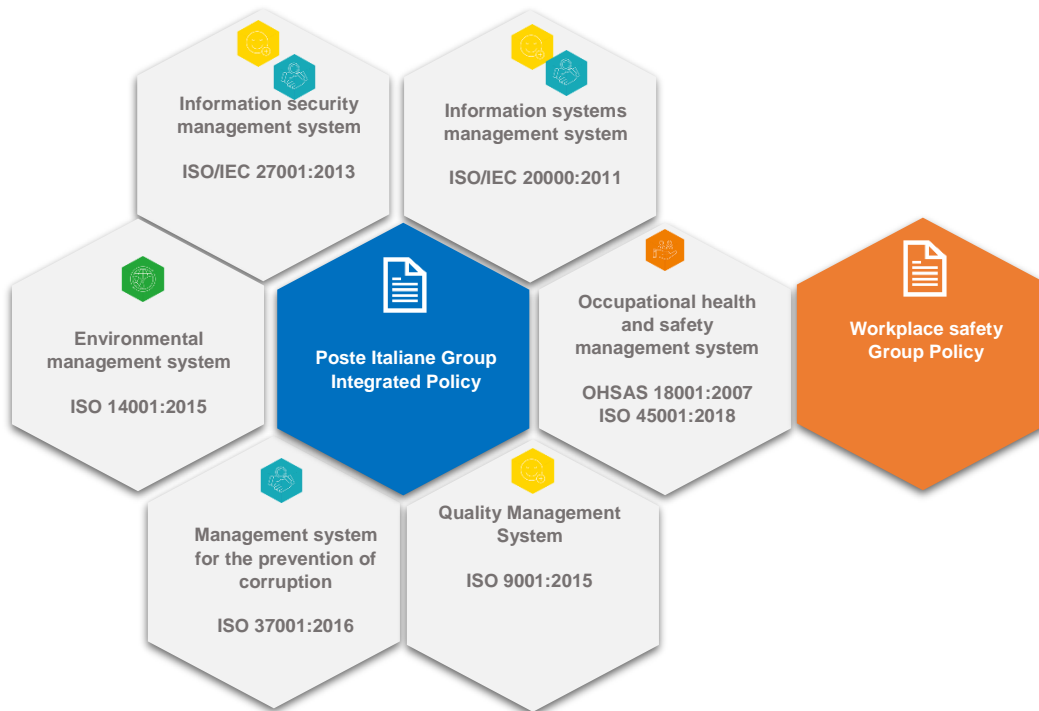
Among the main players in the management of Occupational health and safety, there are the Workers' Safety Representatives (RLS), which, as provided for by Legislative Decree no. 81/08, are elected directly by the workers. Poste Italiane Group's representatives have been elected by the company's Labour Unions and are periodically consulted during the drafting of the Risk Assessment Document and when organisational or process changes occur that may have an impact on occupational health and safety or, again, following the introduction of new risk assessment methods. The importance of adopting an adequate, timely and preventive consultation with the Representatives lies in the possibility of receiving an expert opinion and accepting company proposals on occupational health and safety for the timely fulfilment of legislative obligations and for the continuous improvement of workers' health and safety.

The Group promotes dialogue between workers and employers through the National Joint Observatory (OPN) and the Regional Joint Bodies (OPR), committees in which representatives of employers, Labour Unions and Workers' Safety Representatives (RRLS) take part, both at national and territorial level. The Company, through the Committees, promotes the involvement of all interested parties to share initiatives on occupational health and safety, to start the process of consulting the RRLS on risk assessment and to address specific health and safety issues that have emerged also from reports by workers. The meetings of the Joint Bodies do not follow a pre-established schedule but are convened whenever the need arises.

Every year Poste Italiane S.p.A. allocates budgets dedicated to the implementation of improvement plans for aspects related to health and safety in the workplace. During 2020, investments were made for the maintenance of the real estate assets and for the continuous improvement of their structural plant engineering aspects. Equally important are the resources used for the management and maintenance of the company fleet, the implementation of education, information and training campaigns, health and safety audits/controls, health surveillance and the development and maintenance of systems/applications to support the management of this issue.

BOX - BS OHSAS 18001 Certification

In 2020, Poste Italiane obtained certification of its Occupational Health and Safety Management System (OHSMS), in accordance with the BS OHSAS 18001 standard, in the Group's production units of the Post Office Network, Mail, Communication, Logistics, Business and Public Administration, BancoPosta and Chief Operating Office. The management model BS OHSAS 18001, now ISO 45001, is one of the pillars of Poste Italiane, as it allows controlling and mitigating business risks related to health and safety at work. In this way, the extension continues of the Integrated Organisation and Management Model of the various "Company Management Systems", which pursues the objectives of customer and stakeholder satisfaction and, specifically, the safety of Poste Italiane's employees and workers in the workplace, in accordance with the Company's strategic guidelines.



Poste Italiane has defined a multi-year plan for the adoption of health and safety certifications throughout the company. In 2020, the process of certifying the occupational health and safety management systems of all the Parent Company's production units was completed, in accordance with the plans and strategic objectives set. Group companies also aim to adopt and certify occupational health and safety management systems. In 2020, the main Group Companies certified are: EGI S.p.A., Poste Vita S.p.A., PosteAssicura S.p.A., SDA S.p.A.; Postel S.p.A., Poste Air Cargo S.r.l., Bancoposta Fondi S.p.A., Postepay S.p.A. The objective is therefore to achieve and maintain the certification of all the production units of Poste Italiane S.p.A. and Group Companies.

As part of its occupational health and safety management system, periodic checks and controls are carried out at each production unit of the Parent Company and at Group companies. In particular, the verification and control activities carried out by the Company focus on:

- audits of occupational health and safety management systems (including environmental controls) with the aim of verifying compliance of the systems with the reference standards;
- operational checks and raising awareness of the health and safety of personnel working at sites, in particular operational checks at Delivery Centres and Post Offices aimed at assessing the overall state of safety in terms of infrastructure, systems and working processes;
- Technical Audit, control activity aimed at analysing and evaluating the state of OHS compliance of sites, with particular reference to plant/structural aspects.

The Group has adopted various systems to monitor and control the effectiveness of the health and safety policies adopted. Among these:

- GISLA (Computer, Occupational Safety and Environment Management)
- *Docent* platform for training management

- GIW for computerised Accident Management
- SSA (Safety Self-Assessment)
- Real Gimm (share for the management of maintenance impacting health and safety)
- File Maker (share for the management of real estate works impacting health and safety)
- EDVR (Electronic management of Risk Assessment Documents)

The performance and objectives set in the audits are constantly monitored and reviewed during the Management Review provided for in the health and safety management systems adopted. The activities carried out by the Company to achieve the objectives of its management system include continuous training of workers, awareness campaigns and personnel involvement, plant-structural site improvements, continuous improvement and certification of management systems, monitoring of risks in relation to processes and workplaces, implementation of improvement plans and periodic checks on compliance with current legislation.

BOX - Poste Italiane signs a Memorandum of Understanding with the Automobile Club of Italy

In line with Poste Italiane's focus on occupational safety issues, in October 2020 the Company signed a Memorandum of Understanding with the Automobile Club d'Italia (ACI) with the aim of training employees on road safety and safe driving and renewing the entire company vehicle fleet by 2022, reducing emissions by over 40%. The agreement reached between the parties envisages the creation of thematic communication campaigns and the planning of courses, internships and awareness-raising days to ensure ever greater safety at work for Poste Italiane personnel. The initiative undertaken with ACI has defined an important step in the Company's sustainability path, reflecting the Group's growing sensitivity to issues of safety in the workplace and sustainable mobility.

The emergency scenario presented in 2020 has led to the need to adopt even more precautionary prevention measures with a view to guaranteeing the health and safety of all People but at the same time ensuring the continuity of the obligations provided for by the regulations and international standards on the subject, such as compulsory training and health surveillance. With reference to health and safety training in the workplace, in view of the emergency, the need has arisen to redesign and adapt training packages in the form of distance learning (FAD) in order to ensure social distancing. In this regard, the Group has started to implement the distance learning method through the use of e-learning training platforms for the courses envisaged by the State-Regions Conference Agreement, thus enabling the continuation of activities, except for the practical training of emergency teams.

In addition to compulsory training, the Company also deemed it important to continue planning and drafting *vademecums* for workers, supervisors and executives, implementing a massive communication campaign aimed at all employees on hygiene and prevention measures in relation to infection by Covid-19 made available through all internal channels (Intranet, mailings, company notice boards, flyers, etc.). The prevention and mitigation measures adopted made it possible, even in such an emergency scenario, to provide about 224,000 hours of occupational health and safety training.

In implementing the relevant emergency management regulations, Poste Italiane Group has set up a protocol for exceptional health surveillance, ensuring medical and health assistance to so-called "hyper-susceptible" workers, i.e. those most exposed to the risk of infection, by virtue of their age and state of health, regardless of their exposure to specific sector risks. This surveillance was implemented thanks to the network of competent doctors engaged throughout the country who supported employees falling into the category of hyper-susceptible with useful

indications/prescriptions for the containment of the risk of infection. Among the various prevention and protection initiatives introduced by the Company, two stand out, which during 2020 have in particular made it possible to implement an important monitoring of the level of risk of contagion from the SARS-COV-2 virus:

- epidemiological investigation, on a voluntary basis, with the use of random serological tests of the company population, through which it was possible to better understand the spread of the illness within the working context of the Group in a specific territory (Lazio). The campaign, which was also an important tool in terms of prevention not only for the Group, but more generally for the Country System, was carried out in collaboration with the Policlinico Universitario del Campus Biomedico, an important health facility both in terms of science and hospital;
- the massive screening project using rapid swabs, aimed at prevention while waiting for the vaccine, called "Work in safety way", which provides for the administration, on a voluntary basis, to all Group employees of rapid nose and throat swabs useful for intercepting probable cases of positivity.

The verification and application of the protective measures adopted to mitigate the risk of contagion are carried out by the Coronavirus Risk Crisis Committee, established on 21 February 2020 in line with article 13 of the Anti-Contagion Protocol of 24 April 2020 (Annex 6 of the Prime Ministerial Decree of 26 April 2020) shared between all the Company Parties, and through a specific agreement within the National Joint Observatory (OPN) for occupational health and safety. The Committee, chaired by Poste Italiane's Chief Executive Officer and Co-General Manager, and attended by the relevant technical structures and all the Employers pursuant to art. 2, letter b) of Legislative Decree 81/08 of the Poste Italiane Group, meets on an ongoing basis and, based on an analysis of developments in the contingent situation, takes decisions regarding information, organisational and preventive measures for the health and safety of workers, implementing them promptly. Poste Italiane has equipped itself with the organisational tools necessary to implement a unified and nationally orchestrated line of action on containment and prevention measures to deal with the global health emergency. For the management of the emergency, two structures have been identified within Corporate Affairs to coordinate the Group's activities: Corporate and Real Estate Protection, which in turn made use of the Group's other operational functions, involving around 500 people at the Central HQ and throughout the country.

All of the Company's properties, and in particular the entire network of post offices and mail distribution centres, were completely cleaned and disinfected using chlorine and alcohol-based sanitising agents, and specialist sanitising companies were engaged for sanitation, through a tight schedule that involved hundreds of different locations every day. In accordance with company protocol, in the offices where cases of infection with the virus were found, before reopening to the public, a thorough sanitisation process was carried out to the highest standards using products containing sodium hypochlorite, ozone or hydrogen peroxide. The devices for sanitising the company fleet have also been activated, which, through micro-nebulisation of disinfected solutions, are able to thoroughly sanitise the internal surfaces of the work vehicles. The Company ensured the purchase and installation in every logistics site of chemical toilets for exclusive use of external couriers and installation of thermal cameras to detect body temperature at the headquarters (temperature control for all areas of forced access at the Rome EUR management offices, which houses over 6,000 employees), in the entire network of Post Offices, in logistics offices open to the public and in all other work environments with more than 150 employees, including logistics HUBs. With an extraordinary commitment both in terms of production and organisation, built and assembled in record time were

Implemented a **cleaning and sanitation** plan that impacted **13,000 sites** and **67,000 company vehicles** in two cycles

Carried out **5,583 interventions** on **air conditioning** systems to improve the efficiency of the air exchange system and sanitised **67,500 filters** per month

sustainable plexiglass barriers (polymethylmethacrylate - PMMA), protective panels installed at all Post Offices that did not have them and protective screens for consultants and Postepay corners, to protect personnel and customers, as well as an additional 300 barriers in acceptance centres dedicated to business customers. In addition, all counter operators in service, as well as letter carriers and couriers, have been provided with all the necessary security equipment.

In the space of a few weeks, Poste Italiane was the protagonist of an extraordinary reorganisation that led to the adoption of agile work by about 16,500 employees, about 81% of the resources working in central and territorial personnel functions. In order to ensure accurate management of the new working methods, a special task force was set up within the Human Resources department to coordinate the reorganisation process. Poste Italiane's commitment to facilitating remote working has translated into a real technological and training "immersion". Over 3,000 new PCs have been provided at home and, for the first time, the Company has allowed employees to use their personal devices in accordance with the Bring Your Own Device (BYOD) practice, which envisages the possibility of accessing the Company's information resources even through devices owned by the employee, provided that security conditions on these devices are guaranteed.

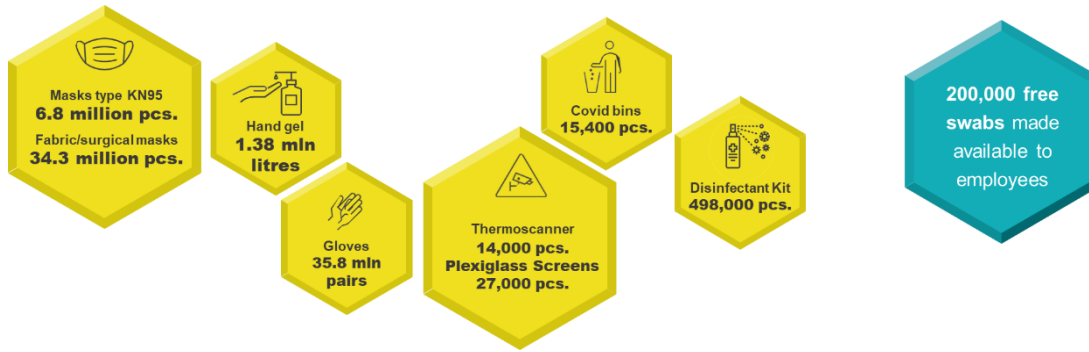
**Agile work for
16,500 employees**

The Company, in line with the reference regulations, suspended all training courses that required attendance and provided for the cancellation of all internal and external public events, the suspension of international, national, infra-regional and regional trips, unless they cannot be postponed, and the suspension of access to third parties (consultants, service providers and visitors) in the management offices, as well as the closure of internal coffee shops and company canteens. In order to facilitate the flow of information and allow colleagues working in the territory to regularly report the specific needs of each office, a double channel of information has been activated: a dedicated web portal to allow a precise verification of the actions prepared by the Company at central level and a toll-free number to request additional information.

In the context of commercial relations, the Company has communicated the reference information on the management of risks or from contagion by means of reference posters containing behavioural guidelines and by means of formal communications as part of the coordination action between the parties concerned (workers and customers) that the Employer carries out through the company's Prevention and Protection Service, drawing up the Interference Risk Assessment Document. This document, the drafting of which involves all interested parties, both internal and external to the Company, integrates the protection measures envisaged for specific work activities with further actions to mitigate risks arising from interaction with customers.



21 e-mails were sent to all employees, **4 video messages** were sent by the Chief Executive Officer and **18 posters** were created on the subject of Covid-19; more than **60 communications** were sent to the labour unions and **1 million views** were reached on the internet





Main related types of capital

DIVERSITY AND INCLUSION

Main types of capital	Objectives	Indicator (KPI)	Target	Baseline	Implementation status 2020	Outcome
Human	Increase women's involvement in personnel development plans	% of women involved in personnel development plans compared to the average achieved in the two-year period 2016-2018	4% by 2022	2019	14%	<p>4 QUALITY EDUCATION</p> <p>5 GENDER EQUALITY</p> <p>10 REDUCED INEQUALITIES</p>
	Adopt a specific strategy to ensure the strengthening of female representation in the coverage of middle management positions	% of women in middle management positions	2% by 2022	2019	0.6%	
	Investing in mentorship programmes for the development of a new leadership style in line with gender-equality policies	% of female mentors trained	50% by 2021	2019	In 2020, 41 women were trained (+407%)	
	Increase mentoring programmes in order to encourage generational cooperation and the exchange of knowledge	% of mentors to support the younger generations	+15% by 2021	2019	More than 50% of mentors to support the new generations	
	Implement structured listening programmes through surveys and communities aimed at detecting the needs of the different generations	no. of surveys conducted	2 by 2022	2019	1	
	Strengthen caring measures towards colleagues with chronic diseases and/or serious pathologies through corporate awareness plans and the availability of services aimed at inclusion	% of the detected target reached by the caring measures identified	40% by 2022	2019	Survey of the entire company population to identify the target	
	Extend the subtitling service to all videos made and published on the Intranet	% of videos published on digital channels with subtitles	100% by 2021	2019	80%	
	Specific employer branding on Diversity and Inclusion, in synergy with universities	Number of universities involved	4 by 2022	2019	1	
	Define training and communication campaigns aimed at overcoming stereotypes and prejudices (unconscious bias)	no. of communication and awareness plans implemented	2 by 2022	2019	1	
	Carry out training and awareness actions on the protection of Human Rights	% of the company workforce	60% by 2021	2019	31.4%	
Social-relational	Define listening and communication campaigns to develop corporate awareness and culture on the issues of Diversity and Inclusion	no. of integrated communication campaigns (internal/external) no. of surveys carried out on the Intranet	3 integrated communication campaigns 5 surveys by 2021	2019	1 1	
	Create an ad hoc Community on Diversity and Inclusion to spread a growing sensitivity and awareness of the value of diversity and inclusion at all levels of the organisation.	% of company population involved	100% by 2022	2020	New	
	Equal Salary Certification	Achievement of certification	by 2022	2020	New	

Objective achieved/
Objective achieved and updated

Objective not achieved

Deadline for achieving the objective that has not yet expired

Protection of human rights



Human



Social-relational

NFS

Poste Italiane, which has always been by the side of the country, is aware that it can play an important role in affirming the principles of sustainable development among businesses. To that end, the Group adopted a Code of Ethics and a series of corporate policies and guidelines concerning the protection of human rights, including: the Group Policy for the protection of Human Rights; the Diversity Policy for administrative and auditing bodies of Poste Italiane; and the Group Policy Diversity and inclusion, which promotes the value of diversity and an inclusive culture within the Company.

Poste Italiane aims to be an active economic entity in safeguarding the well-being of the people working in and for the Company, and of those who live in the community in which it operates. With this in mind, the Group assumes ever greater responsibility for safeguarding human rights, respecting and actively disseminating the principles laid down in the regulations and standards issued by international organisations of reference.

Poste Italiane has joined the CEO Guide for Human Rights, the national association of professionals involved in the management of sustainability in enterprises

The Company's Corporate Policy for the protection of Human Rights, in line with the Group's Code of Ethics, confirms the Company's commitment to safeguarding the rights of all the people in its value chain, with particular attention to certain categories of stakeholders such as its own workers, suppliers and partners, local communities, customers, migrants, children, people with disabilities, and victims of discrimination and any form of violence. The document describes the Group's commitment to aligning its corporate processes with the main international standards and best practices, promoting the principles enshrined therein and periodically reporting on the performance achieved, in terms of management and monitoring methods, identified risks and management and mitigation actions. Poste Italiane's commitment also focuses on the prevention and repudiation of all forms of discrimination and violence and forced or child labour, intensifying the company's interest in promoting the well-being of the individual.

The Group's primary objective is to encourage the development of a corporate culture based on respect for and appreciation of diversity which, in all its forms and manifestations and at the various levels of the organisation, is considered one of the greatest resources that gives value to the Company as a whole. The conscious management of diversity in an inclusive manner, in addition to creating shared social value, determines a competitive advantage for the entire Group and is in fact an enabling element for the involvement and commitment of people to the company's objectives.

Programmes for the promotion of diversity and social inclusion are part of a broader context that aims to ensure the valorisation of individual differences and the promotion of balanced organisational models that can stimulate dialogue and bring out the characteristics of each person, favouring the reduction of situations of individual fragility.

This path aims to develop and 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 may prevent people from being included in the labour market.

In line with the provisions of the Group's Code of Ethics and the Company's policy on the protection of human rights, Poste Italiane has drawn up a specific Policy on Diversity and inclusion that clearly outlines the Company's approach

in terms of its mission, strategy and the practices implemented to stimulate a collaborative and supportive working environment open to contributions from the entire workforce, regardless of their differences. In this sense, the Group aims to contribute to the growth and increase of the trust of People and the communities in which it operates, and to encourage diversity in all its aspects so as to be able to make the most of the opportunities that may arise from it, generating value in the workplace and consequently obtaining a competitive advantage in business.

The Group sees diversity as a value to be protected and encouraged with concrete and pervasive actions in all organisational and management processes, based on the respect and value of people, so that everyone feels included and can give the best of themselves. In particular, the Policy defines the 4 aspects of diversity for Poste Italiane:

Gender

The Company values gender equality and the elimination of every stereotype, discrimination or prejudice to create the best conditions in which individuals can fully express themselves. The Poste Italiane Group is committed to a constant 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 working together within the organisation. From this point of view, considering 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 people 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.

Inter-culturalism

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.

In order to facilitate the operational implementation of the contents of the Policy, the Company has set up inter-functional working groups for each dimension identified: gender, generations, disability and inter-culturalism, with the task of developing a structured plan of initiatives, associated with performance indicators, in line with the strategic objectives of reference.

BOX - Training paths on unconscious bias

In order to promote inclusion as a cultural path capable of generating social value, a series of managerial training sessions dedicated to "unconscious bias" has been launched to effectively manage cognitive distortions based on prejudice and cultural stereotypes. The course, which involved managers working in central and territorial functions, aims to create shared knowledge and awareness through which participants will be called upon to become ambassadors, in their own reality, of an inclusive approach that values diversity through example and daily actions. In order to raise awareness at all levels of the organisation, online courses have been organised for the entire personnel on the issues of prejudice, stereotypes, discrimination and the mental automatisms that can condition choices, reasoning on how to identify, dismantle and reduce them.

Poste Italiane's diversity and inclusion programmes, in line with the provisions of its corporate policy, will be monitored using indicators developed annually in liaison and collaboration with the Group's Risk Management function in the Corporate Affairs area, in line with the guidelines for development of the corporate sustainability plan. To this end, a cross-functional task force made up of representatives of all the company functions involved will be set up to appreciate scenarios, objectives and evaluation metrics to be made visible and transparent in public company documents, to be disseminated both within the organisational context and to stakeholders, through the main internal and external communication channels.

The Policy is made available to all stakeholders on the Company's website, and communicated to all employees through specific training sessions, based on the roles and responsibilities. With reference to updating, this is assessed at least annually in light of evidence emerging from assessments and monitoring of national and international trends.

BOX - Ongoing commitment to human rights for a more inclusive and sustainable Company

As a leader in the sector and a player that actively contributes to the growth of the country's social and economic fabric, Poste Italiane plays an essential role not only in respecting the rights of male and female workers, but also in defining, implementing and promoting strategies aimed at developing such practices raising awareness nationwide. Poste Italiane aims, through training, to promote the knowledge and dissemination of the guiding principles adopted by the United Nations Human Rights Council such as values, history, legal instruments, protection systems, responsibilities of companies and institutions. With this in mind, in September, in continuation of the managerial training workshop "Business and Human Rights: the role of Businesses for Sustainable Development" started in January 2020, an online course on "Business and the Protection of Human Rights" was activated for all personnel. The online course was designed by Corporate Social Responsibility, Welfare and Corporate University, based on content provided by SIOI (Italian Society for International Organisation).

Issues related to diversity and inclusion are managed by the People Care and Diversity Management function, introduced in 2019 in the Human Resources and Organisation area which, in coordination with the Group Risk Management function, operates as an activator and promoter of cultural and organisational change. Moreover, the Company maintains active participation in inter-company working groups on these issues, enhancing the value of collaborations with leading sector associations.

In addition, in order to ensure alignment with market trends and best practices, the HR Research Centre was set up to share and socialise experiences and introduce innovative approaches to support an inclusive culture. The Study Centre dialogues with other companies, associations and institutions to verify the evolution of best practices.

With the "Framework Agreement on harassment and violence in the workplace", the Company establishes its commitment and duty to maintaining a working environment where everyone's respect and dignity are guaranteed and interpersonal relations are encouraged, based on the principles of equality and mutual fairness, with all forms of harassment or violence in the workplace condemned.

In line with the provisions of the Memorandum of Understanding with the Ministry of Equal Opportunities, which the Group signed several years ago, Poste Italiane is committed to promoting effective and incisive awareness campaigns on aspects of gender-based violence and monitoring their impact on the local area: in this regard, the monitors of the 7,000 Postamat ATMs display institutional messages to raise awareness of these issues, as well as the 1522 toll-free number and the app for preventing and combating violence, stalking and mistreatment.



With reference to this, as for what the Group did during 2019, together with the two main protection organization operating at a national level, the anti-violence network "D.i.Re." and the voluntary association "Telefono Rosa", the integrated model of intervention in favour of the economic and working autonomy of women victims of violence was launched through the activation of an *ad hoc* fund from special resources resolved during 2020 by the Group's Sponsorships and Donations Committee. This project is based on the realisation of paid vocational training courses aimed at the job placement of women coming out of anti-violence centres on the national territory. On the one hand, Poste Italiane provides financial support for retraining and work placement courses, and on the other, by raising awareness in the Group's supply chain, it enables the identification of job positions that can be filled by professionals selected by anti-violence centres.

Poste Italiane awarded "2020 CSR Coup de Coeur" for the promotion of paths aimed at the economic independence of women victims of violence

Pursuing the aim of making women victims of violence economically independent, the 2021 programme of activities was launched to ensure that women are also self-sufficient in housing. The initiative involves allocating some of the Group's unsold properties to social housing for women coming out of violence. Ten housing units have already been identified for use in early 2021.

Diversity and inclusion are values that Poste Italiane considers to be of primary importance, which are promoted and pursued also from its governing bodies. For this reason, the Group has adopted a "Diversity Policy of Poste Italiane's administrative and control bodies", which is the document with which the Company declares its responsibility to adopt a perspective of this value.

44.4% of the Board of Directors of the Parent Company is made up of women

The Policy identifies criteria that ensure the Board of Directors has a qualitative and quantitative mix that is functional to effectively fulfilling the tasks and responsibilities allocated to the management body, through the inclusion of members who provide sufficient diversity in terms of the competences required to effectively understand current business, risks and opportunities associated with long-term company activities.

Without prejudice to the requirements of professionalism, integrity and independence, as well as the situations of incompatibility and/or forfeiture provided for by the law, regulatory provisions and the By-laws, the Policy addresses issues relating age and seniority of office, gender and geographical origin and international experience, while

maintaining the requisites of professionalism, integrity and independence and the situations of incompatibility and/or forfeiture, provided for by the law, regulatory provisions and the By-laws.

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.

46% of middle and senior women managers in 2020

The Board Review carried out in the first few months of 2020 revealed an adequately balanced and enhanced profile in line with the relevant legal provisions and with recent developments in the qualitative practices of the administrative body in terms of experience, diversity in its various meanings and professional skills, which are balanced to ensure effective coverage of the role within the Board and the Committees.

Equal career development opportunities



Poste Italiane considers respect for individuals and their professional development to be essential values and is aware that the relational, intellectual, organisational and technical skills of each employee represent a strategic resource for the Group. The Company promotes 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 expresses its 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 the distinctive skills of people, in all forms and manifestations, at the various levels of the organisation represent fundamental strategic levers to support the growth of the Group's business.

Enhancing diversity is fundamental to increase the engagement of People in corporate objectives, the correct management of which creates a competitive advantage for the Company and generates shared social value.

The Group's objective is to value diversity, ensure constant dialogue with its employees and promote an inclusive corporate culture that condemns all forms of discrimination

For several years, Poste Italiane has been one of the subscribers of 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 promotes a series of values oriented towards the creation of a working environment that can foster inclusion and pluralism, where equal opportunities are recognised for each person and where individual skills are valued. Recognising these values, the Group is committed to promoting equity and social cohesion, thus stimulating the sustainable growth of the Company.

Poste Italiane remains committed to promoting diversity, continuing to implement the provisions of the Memorandum of Understanding with the Ministry of Equal Opportunities in order to achieve a more effective and joint communication, awareness-raising and dissemination campaign to promote diversity:

- 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

In a context of cultural awareness on the importance of women's presence in the world of work and support for active parenthood, the "MAAM" initiative continues in 2020, a digital programme aimed at strengthening the skills related to the experience of parenthood also useful when returning to work.

The MAAM project saw the participation of about **700 employees** in 2020

Registration to MAAM is aimed at both women on maternity leave and newly parents (mothers and fathers) of children aged from 0 to 3, as well as managers whose personnel involved in the initiative. Approximately 700 moms and dads participated in the programme in 2020, with male participation increasing by +15% over 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 programme will continue in 2021, under the name "Lifeed" and will be usable on all devices.

Poste Italiane entered the **top five** of the **gender equality** ranking of companies belonging to the FTSE MIB index of the Milan Stock Exchange, drawn up by **Equileap**



Developing women's leadership

Poste Italiane intends to promote gender equality issues and the professional growth of women within the Company. With this in mind, since 2012, the Group has been a supporting member of Valore D, the association of companies that promotes diversity, talent and female leadership in support of greater gender balance. This collaboration has made

it possible to take part in managerial training, skill building and role model interventions, and inter-company mentorship projects to promote the professional growth of women towards managerial roles, to collaborate in inter-company working groups on issues of diversity management, reconciliation and female employment, and to offer testimonials to induction and inspiration programmes for young middle school students.

In 2020, the Company joined, for the second consecutive year, the InspirinGirls programme, promoted by Valore D with the sponsorship of the Ministry of Education. The project aims at fostering reference models free from gender stereotypes, through the dialogue between middle school students and so-called "role models". During school closures due to the Covid-19 health emergency, in-person events were converted to online mode through virtual spaces dedicated to teachers, students, and role models.



The great attention that Poste Italiane pays to equal opportunities and the development of women in the Company has led the Group to be recognised as one of the best employers of women in Italy. This was confirmed by the research "Italy's Best Employers for Women 2021" carried out by Istituto Tedesco Qualità ITQF in collaboration with the Media Partner La Repubblica Affari&Finanza. The 200 best employers for women in Italy have been identified by listening to the web in an innovative way and using artificial intelligence. In particular, the results of this study are the outcome of an extensive analysis for which 45 topics were considered, including women, equal opportunities and employment.

Alliance among generations

Poste Italiane intends to promote the exchange of skills between different generations. In line with this vision, two editions of the "FishBowl Generation" programme were created, an innovative format that aimed to develop a listening process on the guiding values, languages, prevailing behaviours and styles of relationships adopted in professional contexts by colleagues of different ages, in order to identify practices and methods useful for fostering an alliance between different generations. During the two editions, about 120 employees participated. The analysis made it possible to obtain an initial representative survey of behaviours and reference practices to be reinforced and disseminated in the work contexts, in order to encourage proximity and active relationships between the different generations that exist in the Company.

In addition, an online training course entitled "Managing Emotions" has been planned for all employees, the aim of which is to undertake a path of awareness of the impact of emotions and actions from an intergenerational perspective, in order to tackle obstacles and activate useful resources to promote exchange among people of different generations.

BOX - 4Weeks4Inclusion

As part of the initiatives launched to promote the inclusion and protection of diversity within the Company, in November, Poste Italiane took part in "4Weeks4Inclusion", a cross-company initiative that involved the personnel of 27 large Italian companies in diversity and inclusion issues for four weeks. The objective, pursued through webinars, digital workshops and thematic online creative groups, is to create awareness and share the inclusion practices adopted by the various companies, related to gender, generational, disability, vulnerability and intercultural dimensions. Poste Italiane contributed to the initiative by organising a seminar on social welfare with the aim of examining how corporate volunteering initiatives and openness to social realities and the local area can trigger virtuous inclusive processes. In addition, on the occasion of the day for the elimination of violence against women, the Company coordinated and then disseminated internally a webinar, dedicated to the prevention of

harassment in the workplace, as a space for reflection to strengthen awareness of signs of discomfort in the workplace.

Enhancement of disabled personnel

With the aim of enhancing diversity and social inclusion, the Company has developed a trial initiative aimed at hiring deaf personnel fluent in Italian sign language, to work at special counters for deaf customers in post offices in large cities. Poste Italiane also provides for the use of Italian Sign Language interpreters to translate the most relevant messages and news items on digital communication channels into sign language, and to support training activities or management interviews with deaf colleagues.

With this inclusive view, in 2020, the Group continued its efforts to remove architectural barriers from its offices in municipalities with fewer than 5,000 inhabitants, in order to make them more easily accessible to all.

Supporting vulnerability

As part of the caring initiatives aimed at employees with situations of fragility, an inter-company research project was launched in collaboration with Fondazione Lavoroperlapersona, with the aim of promoting the social and work inclusion of all employees suffering from serious illnesses and to support the company in identifying actions aimed at enabling these workers to continue to carry out their work activities in the best possible way. The objective of the research was to undertake a listening process to identify the main cultural, organisational and managerial implications related to a condition of vulnerability and to detect the sensitivity on the issue of all the people working in the Company. In the first phase of the programme, analysis focus groups were set up, coordinated by the Foundation's researchers, involving a panel of colleagues with a serious illness, their bosses and Human Resources representatives. The perceptions and experiences of the entire company population were then collected through voluntary and anonymous surveys. This initiative, which follows on from trials of the *PosteHelp* project launched in the regions of Lombardy, Lazio, Campania and Sicily, will make it possible to plan and develop responses in line with the real needs of the business population.













In addition, a course on Fragility Management has been planned, open to all personnel, in order to have a shared vision of the subject at company level. The programme offers video clips on the main issues concerning disabilities and fragility that are experienced in the family, such as the management of time and space, life balance and moments of pause.

BOX - Poste Italiane's support to food collection

Also for 2020, the Company has joined the National Food Collection Day, the initiative 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, in relation to the reorganisation due to the health emergency of the initiative, took part by making its own communication network available in order to raise the profile of the new collection methods.



SUPPORT FOR LOCAL COMMUNITIES AND THE COUNTRY AS A WHOLE

Main types of capital	Objectives	Indicator (KPI)	Target	Baseline	Implementation status 2020	Outcome
 Physical/Structural  Social-relational	Continue financial, postal and digital inclusion and education projects	No. of events	258 by 2021	2020	 New	    
	Certify the financial advisory service and the skills of people operating in accordance with the ISO 22222 standard	% of ISO 22222 certified financial advisors	100% by 2022	2018	 500 advisors trained	
	Financial, Postal and Digital Education programmes in Small Municipalities	No. of events	193 events by 2020	2019	 Postal financial education programmes were carried out for 424 small municipalities	
	Free payment and POS services for Small Municipalities	No. of POS	250 by 2020	2019	 465 POS	
	Increase the Group's support for initiatives in the "well-being and social inclusion" category	% of well-being and social inclusion investments	+10% by 2021 ¹	2019	 26 initiatives	

¹ The baseline year was postponed to 2021 as the health emergency had a significant impact on the implementation of the initiatives. Despite this, Poste Italiane's commitment and great effort resulted in the realisation of 26 initiatives in the area of well-being and social inclusion for an economic value of 6532 thousand.

 Objective achieved/
Objective achieved
and updated

 Objective not achieved

 Deadline for achieving the objective that has not yet expired

The Company has always accompanied the local communities where it is present on a daily basis towards modernisation and digitisation processes, thereby promoting the well-being of citizens and socio-economic development, with the aim of creating a positive impact on the community through organic and widespread social inclusion initiatives. Thanks to its widespread network of Post Offices, the Group is committed to promoting the well-being of its citizens and steering the country towards progress and innovation through the development of high quality products and services. The Company pays greater attention to the most vulnerable groups, due to their physical, mental, family, economic, ethnic and social conditions. In fact, the Group promotes an inclusive approach and constant dialogue with citizens, authorities and third sector associations, at both local and national level, in a continuous process of reconciling relative and legitimate interests.

The Group's objective is to have a positive impact on the entire national territory, exploiting its proximity to citizens to offer inclusive products and services in the interest of the community's well-being

With a view to being close to the territory and the community, the Group has adopted a Policy on Community initiatives, which describes the Company's commitment to promoting socio-economic initiatives in Italy. The Policy follows as already stated in the Ethical Code, the Integrated Group Policy in terms of anti-corruption and the Group Policy for the protection of Human Rights, underlining the attention of the Company towards the most vulnerable categories of people and the needs of the community. To this end, the Company, by involving its stakeholders and maintaining continuous dialogue with them, succeeds in creating shared value in the long term.

The Policy describes the main areas of intervention towards which the Group turns, that, in line with those described in the Group Policy for the protection of Human Rights, concern greater integration of the categories most at risk of exclusion through dedicated products and services, culture and education, economic sustainability and social connection, through collaboration with central and local administrations, the Third Sector and Communities to meet the needs of the most disadvantaged categories.

Box - Poste Italiane partner of the "Atlas of Territories" series of meetings

In June 2020 was the launch of the cycle of meetings "Atlas of the Territories", presented by Poste Italiane and Fondazione Giangiacomo Feltrinelli in virtual form, and structured in four stages to discuss the aspirations and possibilities for change starting from the great themes of health, solidarity, housing and territorial fragility of internal areas. The pandemic crisis has highlighted more clearly the gaps, fragilities and contradictions between and within territories and has highlighted the need to embrace more resilient, sustainable and inclusive models of development. The various meetings have welcomed the testimonies of researchers, local administrators, health workers, social workers and artists who, highlighting experiences and stories of their territories, have encouraged dialogue and the sharing of alternative models for restarting.

Poste Italiane is also committed to contributing to the achievement of the Sustainable Development Goals defined within the 2030 Agenda of the United Nations, in detail: to end all forms of poverty (SDG 1); to provide quality, equitable



and inclusive education and learning opportunities for all (SDG 4); to encourage sustainable, inclusive and lasting economic growth, full and productive employment and decent work for all (SDG 8); to reduce inequality (SDG 10).

Consistently with the provisions of the Code of Ethics and the values defined in the Company's guidelines, investments in favour of the community are made in full compliance with the principles of integrity and transparency. The procedure governing corporate processes regarding sponsorships and donations establishes the methods by which Poste Italiane may carry out sponsorships and donations in favour of partners, organisations, associations and local institutions operating in the local area. Contributions, as also stated in the Integrated Policy, must not be used to conceal acts of corruption or any other conduct not in line with the principles of the Group. The granting of contributions by the Company is a process that is subject to a due diligence of relevance of the initiatives, notoriety of the potential partner, alignment with corporate objectives and expected benefits. The Sponsorships and Donations Committee evaluates all requests for sponsorships and donations and is chaired by an external Chair with high standards of professionalism, integrity and independence.

In order to proceed with the material disbursement of the contribution, the consistency of the initiative with the content of the contract, the regularity of the activities and the proper execution of contractual obligations are evaluated.

Poste Italiane has adopted a monitoring tool that allows the identification of specific KPIs to measure the benefits that initiatives have generated both for the community and for the business, adopting as a reference the standard of classification and measurement proposed by the London Benchmarking Group (LBG model), which establishes specific criteria for managing, measuring and reporting on community involvement, according to principles of transparency and participation.

Box - Poste Italiane alongside the Lazio Region for the requalification of an area of the Tiber river

In continuity with its initiatives to support the social context in which it operates, in December 2020 Poste Italiane, together with Lazio Region, presented a project to redevelop an area of the Tiber River. The project presented by the Group envisages environmental and landscape requalification the area, with a view to relaunching the Tiber the surrounding areas. Upon completion of work, the new area will be available to primary and secondary schools for guided tours through cultural itineraries focused on the history of communications and the Italian postal system, and for outdoor activities able to stimulate students' creativity and sociability.



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In 2020, Poste Italiane's attention to the community and the territory focused on the fight against the spread of the SARS-COV-2 virus, on aid to the territory to reduce the negative impact of the measures imposed by the global health emergency, on proximity to Small Municipalities and to the new generations.



The state of emergency related to the Covid-19 pandemic has also had an impact on the calendar of events of which Poste Italiane is a sponsor. With the aim of maintaining the commitments undertaken, the Group has proposed to its

partners, where possible, alternative methods that could also guarantee territorial coverage, using digital solutions and remodelling projects remotely.

Box - Poste Italiane adheres to "Adotta una Casa Buona" (adopt a good house) project

As part of initiatives aimed at supporting the most vulnerable categories of people, Poste Italiane has joined the "Adotta una Casa Buona" project promoted by "La Caramella Buona Onlus", an association that has been active for 24 years in preventing and suppressing the abuse of minors and women. The adherence to the project has allowed the Group to adopt a first reception house in the province of Frosinone, increasing the free hospitality of mothers and children in emergency and danger situations.



Box - Poste Italiane delivers medicines at home

Thanks to the agreement with 4k s.r.l., the leading company in home delivery of medicines, Poste Italiane is making its capillarity and logistics network available to offer an essential service to people who are unable to leave their homes: thanks to this initiative, citizens can order medicines at home from their local pharmacy, which are delivered instantly within 90 minutes.

The service is active in Bergamo, Bologna, Brescia, Carpi, Catania, Como, Ferrara, Genoa, Imola, Livorno, Mestre, Milan, Modena, Padua, Reggio Emilia, Rome, Rovigo, Savona, Teramo, Turin, Varese and Vicenza.

For Poste Italiane, this agreement marks its entry into the Pharma sector, which will expand the Group's value chain.

Close to Small Municipalities

Poste Italiane aims to be, through its widespread network of Post Offices, a link between institutions, the territory and the country's services. The Group contributes to the growth of Small Italian Municipalities, providing free Wi-Fi coverage, a green fleet for the postal service and the removal of architectural barriers in Post Offices. Poste Italiane Group reiterated its closeness to the communities that populate Italy's national fabric by participating, as a sponsor, in the Assembly of the Uncem (Unione Nazionale Comuni Comunità ed Enti Montani - National Union of Mountain Municipalities and Communities) organisation, held online at the end of October 2020. During the discussion, the topics of green-economy, innovation and digitisation were addressed, instrumental in overcoming digital, social and territorial gaps. The Company, in the person of Giuseppe Lasco, Co-General Manager of the Group, took part in the discussion, giving its own testimony on the path of support to the territory and to the Small Municipalities that Poste Italiane has undertaken in recent years.

Zero Post Offices closed
in 2020

Box - Commitment to Small Municipalities - concrete Actions

Thanks to its widespread presence throughout Italy, Poste Italiane is a point of reference for the community, especially in areas considered to be peripheral, to which it is committed to offering timely services, physical presence and proximity to citizens. In line with the country's relaunch programme and in continuity with the seven commitments set in 2019, Poste Italiane has promoted several initiatives to support Small Municipalities. In terms of strengthening the physical and digital infrastructure, in 2020, the Group committed to not closing any Post Offices, a move that goes against the market trend that sees, instead, the closure of businesses in small towns. In addition, Poste Italiane continued to install post boxes in Small Municipalities, with a total of 9,857 new installations in 4,778 Municipalities, and 300 Smart post boxes in 231 Municipalities. With the aim of reducing the digital divide, 5,692 Wi-Fi spots have been installed, thus reaching the goal of covering 100% of the Small Municipalities.

In 2020, 1,327 new ATMs were installed in 1,320 Municipalities, 7,096 video surveillance systems were installed in 2,584 Municipalities and 2,830 schools in 2,280 Municipalities were enabled to participate in the "Risparmio che fa scuola" programme. In addition, at Poste Italiane's head office, within the Corporate Affairs function, a dedicated Office has been set up to support Small Municipalities, which can be reached via the email address piccolicomuni@posteitaliane.it, and which administrators can contact to request information and promote initiatives.

With regard to the expansion of services, in continuity with 2019, in Municipalities without a Post Office, it is possible to access the Group's main services through the door-to-door service provided by Letter Carriers; moreover, thanks to the agreement with the Italian Tobacconists Federation entered into force in 2018, it is possible to find PuntiPosta at Tobacconists. In addition, "PuntoPoste da te" lockers have been installed for collecting consignments and returns, paying postal slips and collecting mail.

In order to guarantee economic and social sustainability, even in Small Municipalities the aim is to renew means of transport towards solutions with a reduced environmental impact, reaching, in 2020, 1,308 municipalities served by the green fleet.

Box - Letter Carriers tell the story of Small Municipalities

During 2020, the Rai Uno programme "Linea Verde Radici" told the story of life in small Italian villages, showing their gastronomy, customs and traditions. In each episode, the journalist is accompanied by a Poste Italiane letter carrier who acts as a guide to discover the beauty of the place.

The letter carriers tell of the strong relationship with the people and the characteristics of the places visited.

The involvement of letter carriers in the daily life of the territories is evidence of Poste Italiane's commitment to Small Municipalities.

Cresco Awards sustainable cities 2020

With a view to being close to the more peripheral realities, in 2020 the Group participated in the "Cresco Awards Sustainable Cities 2020", promoted by Fondazione Sodalitas in collaboration with ANCI (National Association of Italian Municipalities) and with the patronage of the European Commission and the Ministry of the Environment. The award highlights the commitment of Italian municipalities on issues of sustainable development of the territories. The winning small municipalities have promoted eco-sustainable activities and active citizen participation.

"Valori ritrovati" (Rediscovered values): a project of circular economy

In continuity with the Memorandum of Understanding stipulated with Caritas in 2018, and renewed in 2019 for a further 5 years, the initiative "Valori ritrovati" (Rediscovered Values) continues in 2020, a circular economy project that aims to allocate the so-called "anonymous parcels" or "abandoned parcels", to families in need, through the "Empori della Solidarietà", the circuit of supermarkets managed by Caritas that provides free basic necessity products. The initiative proposes a concrete solution for the preservation of value and its redistribution, thus strengthening the Group's proximity to the territory.

In continuity with 2019, in September 2020 some unclaimed goods were sold in the "Mercatini dei Valori ritrovati" (Found Values Markets), run entirely by volunteers, including some Poste Italiane employees. The proceeds contributed to the creation of a solidarity fund that aims to support the employment inclusion of adults in difficulty.

Corporate volunteering

The Coronavirus emergency has had detrimental consequences on people's psychological well-being, causing states of malaise exacerbated by the context of isolation caused by the lockdown. Pathologies such as anxiety and depression have been even more amplified in those who have experienced extreme hardship, as in the case of those affected by the violent earthquake in central Italy in 2016. Poste Italiane and the Italian Red Cross, as part of the "Sentieri di Prossimità" (Paths of Proximity) project, have made teams of psychologists and social workers available to the populations of the four regions hit by the earthquake. Committees in the crater regions printed thousands of copies of the flyer to promote the support service and volunteers distributed them house to house as they carried out their services, such as delivering groceries and medicines. The project, which until the outbreak of the pandemic took place directly on the territory, has been managed through technology. The experts were contacted directly by phone by those

who needed help and thanks also to the 24-hour assistance service of the Italian Red Cross, it was possible to reach more users in need. At the end of the pandemic, Poste Italiane volunteers will also be trained in rescue operations such as cardiopulmonary resuscitation, the use of defibrillators and life-saving paediatric manoeuvres. 100 semi-automatic defibrillators known as AED (automatic external defibrillator) will be installed in the earthquake crater areas, located outside 95 post offices, which will represent strategic points of reference in case of emergency. Poste Italiane Group's goal is to leave no one behind, particularly in areas where the population has already experienced the feeling of isolation and abandonment due to the violent earthquake of 2016.

In December 2020, Poste Italiane joined the project "Riscriviamo il futuro" (Let's rewrite the future), the campaign created by Save the Children to offer education, opportunities and hope to children and adolescents during the health emergency. Through an ambitious programme across the country, the Group and Save the Children have undertaken to support around 100,000 children and adolescents up to 17 years of age who live in deprived neighbourhoods or come from the areas most affected by the pandemic, offering them opportunities for learning and socialising. At the same time, parenting courses have been set up for families that have suffered most from the effects of the crisis, with the aim of improving the well-being and living environment of the youngest children.



Despite the great difficulties that have characterised the work of all economic operators due to the Covid-19 emergency, Poste Italiane has been able to provide an important response to the territory.

The P.A.I.N.T. project

Consistent with the initiatives to support Small Municipalities, in November 2020 the project P.A.I.N.T. (Poste e Artisti Insieme Nel Territorio), started over after a period of interruption due to the health emergency. The project, launched in 2018, involves the redevelopment and decoration of the external walls of post offices by street artists from all over Italy. The aim of the initiative is to promote the creativity of artists, to educate people about beauty and, at the same time, to make Post Offices more welcoming and closer to the areas that host them. Moreover, through P.A.I.N.T. the Group confirms its sensitivity towards environmental protection by adopting, for the realisation of the murals, technologies based on natural materials that help to reduce polluting emissions.

From the project, 8 docufilms have been made, broadcast on Sky Arte, which tell the story of the creation of the various works.

Close to young people

The partnership agreement between Poste Italiane and Fondazione Politecnico di Milano aims to bring the academic world closer to a major Italian company. The two players created a challenge that featured students. Specifically, the challenge involved 150 students, 9 Poste Italiane tutors and 6 university tutors in the search for innovative ideas on the themes of Green & Sustainability, New Urban Logistic Model and Smart City. The mentoring activity decreed the project "Yellow Footprint" winner of the challenge, an idea that outlines the Smart Office of the future, focusing on the transformation of Poste Italiane in a digital company. Growing digital autonomy of customers, the definition of partnerships with companies promoting environmental and social sustainability and the reinterpretation of some of the Company's spaces in a green context are the guidelines provided by the young winning students.

BOX - "Recruitment and training: the best answers to enhance young people"

The economic shock caused by the pandemic has put economies around the world into serious crisis. Poste Italiane has gone against the trend, offering a hopeful view of the future. Hiring, in fact, has not stopped. The Group has not only worked hard not to interrupt productivity, but at the same time has offered new employment opportunities. In the first six months of 2020 alone, approximately 180 recent graduates were placed in the role of Specialist Financial Consultants and Specialist Mobile Consultants. For them, a training plan has been foreseen for their inclusion in the role at a distance, with various steps articulated in different didactic modalities: webinar, on-the-job accompaniment, e-learning. The Welcome Day, in digital mode, was an opportunity to share with new colleagues an overview of the company, the peculiarities of the role of the consultant, the necessary relationship of trust to establish lasting relationships with customers.



Dialogue and transparency in relations with the authorities

Main related types of capital



Social-relational

NFS

The service provided by Poste Italiane and the Group's widespread presence throughout Italy require constant collaboration with national and local institutions in order to promote shared initiatives in the interest of the community, encouraging the sharing of economic and social development projects and awareness of the Group's activities, as well as Poste Italiane's position on important legislative issues.

Poste Italiane has always maintained structured and ongoing relations with Authorities and Institutions, through systematic and transparent dialogue, promoting effective and correct cooperation, in the strictest compliance with laws and regulations, and adhering to the principles of fairness, professionalism, cooperation and transparency set out in the Group's Code of Ethics.

Poste Italiane encourages transparent, fair, professional and collaborative dialogue with institutions, in order to promote socio-economic initiatives in the interest of the community and business continuity

Collaboration with central institutions is intended to establish an ongoing dialogue and discussion and to promote shared socio-economic development projects in the interest of the community. The legislative report makes it possible to assess the impact and possible consequences of a given legislation, providing useful insights for decision-making. In addition, the activity is aimed at making the company's position known in relation to issues of interest to public decision-makers.

In 2020, the dialogue with central institutions was continuous and transparent. The Company presented its interests on various issues, including those of legislative relevance, promoting a proactive approach. During the year, the dialogue with the institutions focused on the health emergency due to the Covid-19 pandemic where the Company, through legislative dialogue and analysis of the measures concerning the epidemiological emergency, dedicated itself to supporting the competent functions in taking the relevant measures to support business activities and protect the health of employees, customers and the community.



The 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 realisation of investment and initiatives aimed at the offer of 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 issues⁶⁴. Meetings are formalised in the reports collected on a monthly basis.

Promoting dialogue with local institutions enables Poste Italiane to have an active role within the community and encourages the sharing of local development projects. The objective is, therefore, to contribute to providing an efficient service to citizens, to meet the social needs of customers and, at the same time, to increase the

325 meetings with
local administrators

⁶⁴ Poste Italiane is a member of Confindustria on the basis of a specific agreement that regulates membership procedures, the benefits deriving from the status of associate and the definition of the contribution regime. The current agreement for the three-year period 2020-2022 envisages, among other things, strategic initiatives aimed at promoting a new corporate culture involving business models and choices geared towards innovation and economic and social sustainability. For 2020, Poste Italiane's support amounted to approximately €3.2 million.



competitiveness and continuity of the Group's business. To this end, dialogue with representatives of local institutions was promoted in 2020 in order to increase awareness of and trust in the Company.

Among the main central institutions and regulatory and supervisory bodies the Company with which the Company interacts 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'Economica e delle Finanze - MEF), the Ministry of Foreign Affairs and International Cooperation (Ministero per gli Affari Esteri e della Cooperazione Internazionale - MAE) and the European Policies Department of the Cabinet Office. In this regard, as part of its relations with the MEF, on 20 February 2020, Poste Italiane's Board of Directors approved the renewal of the three-year agreement for 2020-2022, which aims to regulate treasury services and the movement of funds on behalf of the State.

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. 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.

Dialogue and collaboration with institutions during the emergency

2020 was an unusual and completely unexpected year, a difficult period full of fear and uncertainty that forced the whole world to change its habits and that highlighted the importance of solidarity and closeness to the territory and citizens. In such a complex year, Poste Italiane continued to engage in constant dialogue with institutions, seeking shared solutions to meet the social needs of the community. The Group immediately established contacts with the government bodies responsible for managing the crisis, sitting on a permanent basis on the Civil Protection's Operations Committee, managing relations with the Prefectures and the police forces involved at local level, participating as the central operator for the country's economic and financial system in the meetings of CODISE, the structure for coordinating operational crises in the Italian financial centre chaired by the Bank of Italy, and COBAN, the Committee for operational continuity in the distribution of euro banknotes.

Poste Italiane stood by its citizens during the first wave of the health emergency, working with the Italian government to provide the Inps bonus and anticipating ordinary and special redundancy payments to BancoPosta and Postepay Evolution customers who requested them, signing an *ad hoc* partnership with BNL Finance. In agreement with several Regions, masks were distributed free of charge in millions of homes through the postal service and, on the occasion of high school exams, on behalf of the Civil Protection, the Group delivered protective devices to 3,600 schools throughout the country.

BOX - Poste Italiane's platform to promote the vaccination campaign

In order to contribute to the realisation of the vaccination campaign, in February 2021, Poste Italiane launched the new platform for tracking and administration of vaccines against Coronavirus, providing the nation with its logistics and IT facilities. The platform allows citizens in the regions that adhere to the Poste Italiane systems to book their vaccine online, through the call centre, by going to the Postamat and inserting their health card, or directly using the hand-held devices provided to letter carriers. The administration platform is already active in 6 regions: Sicily, Marche, Calabria, Abruzzo, Basilicata and Lombardy.



In 2020, the Group signed an agreement with the Carabinieri whereby all citizens aged 75 and over could request to receive their social security benefits free of charge at home, delegating the Carabinieri to collect them. The agreement was part of a broader effort by the two institutional partners to counter the spread of Covid-19 and mitigate its effects, through the adoption of extraordinary measures aimed at avoiding the movement of people, particularly those at greater risk. In addition, the Company explicitly requested the MEF, the Civil Protection, the Ministry of Labour, INPS and the Bank of Italy to identify a gradual payment method for pensions.

In order to guarantee the management of possible crowds outside Post Offices, Poste Italiane has stipulated contracts with over 500 security companies and made contacts with all the prefects, the Postal Police, the Carabinieri and the Civil Protection. In addition, the Group has carried out constant communication activities with national and local institutions, addressed to the mayors and prefects of all the territories of the country with the aim of raising awareness among citizens (over 26 thousand direct communications to mayors and prefects), with particular focus on the "red zones".

80 prefectures (75% of the total) contacted to **intensify controls** in Post Offices and **+6,000** tablets equipped with a direct communication channel with the Carabinieri

BOX - Poste Italiane in the front line for vaccine delivery

With Italy's largest ground fleet, Poste Italiane has put itself at the service of the country to deliver vaccines. In fact, in the first months of 2021, Poste Italiane's SDA company delivered more than 1,500,000 doses of the vaccine. In order to continue distribution, the Group's fleet has been reinforced with 8 new refrigerated vehicles (with capacity increased to 8 cubic metres), compared to the 17 already in its possession. In order to guarantee the correct management of the cold chain, all shipments were packed in professional isothermal containers, able to maintain the temperature at -2°C for more than 36 hours. In addition, the vehicles have been equipped with two types of cold rooms: one capable of guaranteeing a temperature of 0 to 10°C, the other of maintaining a temperature between -20° and +40°C.

Delivered more than **1,500,000** doses of vaccine from the Group's fleet

This intervention for the good of the country demonstrates, on the one hand, the Group's logistical and organisational capacity to reach Italian citizens and, on the other, its great social commitment to the entire Community.



Financial inclusion

Main related types of
capital

Physical-structural



Social-relational

NFS

In 2020, following the difficulties exacerbated by the Covid-19 health emergency, Poste Italiane wanted to strengthen its commitment to people who, due to specific personal or physical conditions, do not have direct access to the fundamental products and services needed for their economic livelihood and social well-being, and this was made possible thanks to the widespread network that has always brought it close to the community.

In its Policy for the protection of human rights, the Group expresses its support for the protection of the rights of local communities, guaranteeing: accessibility and inclusion, committing to reaching with its products and services those areas and categories that may not have access to them. At the same time, it intends to engage in initiatives aimed at the dissemination and support of the right to study, economic sustainability and social connection, addressing, thanks to its network of resources, needs arising from forms of disadvantage.

Thanks to its widespread presence throughout the country, Poste Italiane is close to the community and is committed to it, guaranteeing products and services that are accessible to all and aim at social inclusion

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 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.

During 2020, in order to support the community in financial terms, Poste Italiane received thousands of requests to suspend BancoPosta mortgages and instalments on BancoPosta loans for small and medium-sized businesses and self-employed individuals with VAT numbers. In particular, in agreement with the lending banks, BancoPosta loan holders have been given the possibility of using the Solidarity Fund managed by Consap, for first home mortgages, up to a maximum of 18 months with a contribution covering 50% of the interest accrued during the suspension period while, for those that do not meet the requirements of the Fund, the possibility of suspending the mortgage for a maximum of 12 months has been provided.

During the period, the Group continued its programme to relaunch postal savings, accompanied by improvements in the quality and efficiency of the services offered to customers, including through the development of the digital channel. Specifically, online transactions on BancoPosta's current accounts for the purchase of Interest-bearing Postal Certificates on a 24-hour, 7-day-a-week basis have been extended, and the range of products on offer has been expanded with the launch of new Interest-bearing Postal Certificates that meet the different needs of Poste Italiane's customers, most of whom can also be subscribed to via the online channel. Among the aforementioned Certificates are:

- *Buono Rinnova*, a product for the re-investment of expired certificates, which for the first time can be subscribed to online;

- *Buono per Ripartire*, with a premium yield and dedicated mainly to customers with an interest in investing over the medium to long term (maximum duration of 16 years);
- *Buono Soluzione Eredità*, reserved for beneficiaries of inheritance proceedings concluded at Poste Italiane, which can only be subscribed at Post Offices;
- *Buono Obiettivo 65*, dedicated to customers who intend to supplement their future income through a certain annuity from 65 to 80 years of age.

In response to the Covid-19 emergency and in order to make it easier for Poste Italiane's customers to manage postal savings products remotely, two new subscription or offer methods have been activated:

- Telephone sales, through which customers can subscribe or redeem Interest-bearing Postal Certificates remotely through their consultant;
- Postal Savings Suggestions, through which customers can receive a subscription proposal in their reserved area for Supersmart Certificates and Offer, also agreed with the support of their consultant.



In order to raise awareness of the use of digital channels among the general public, also in view of the emergency context, a number of communication campaigns were launched during the year to promote online postal savings.

Finally, again with a view to improving the customer experience and encouraging the management of products for minors, including in the digital channel, a dedicated section has been implemented where parents can make deposits and subscribe to dematerialised Certificates for minors using their BancoPosta current account and/or Smart Book.

Box - Poste Italiane's offer grows to face the pandemic

In 2020, due to the Covid-19 pandemic, numerous legislative provisions were enacted to introduce urgent measures to support businesses in difficulty, and regarding access to credit, to protect households, micro, small and medium-sized enterprises. In this context, together with the partners for whom financing products are distributed, the Poste Italiane Group has guaranteed the application of all the initiatives provided for by the regulations, as well as those undertaken on a voluntary basis and promoted by individual intermediaries or trade associations. The Company has extended its offering by launching various promotions on BancoPosta loans dedicated to retail customers, also supported by specific communication campaigns, such as the one called "Riparti Italia", in order to give a new boost to the country's difficult economic situation. In particular, with reference to loans, during the last quarter of 2020, the "Black Friday" campaign was carried out, with the aim of ensuring more advantageous access to credit, and the "Ristrutturazione" (Restructuring) promotion was launched, in line with government provisions on tax incentives for energy efficiency measures. In support of small businesses, sole proprietorships and partnerships, a promotion has been made active, until the end of March 2021, which has provided for a reduction in the nominal annual rate (TAN) on Small Business loans for liquidity purposes. Moreover, in partnership with Mediocredito Centrale, the offer of a medium/long-term unsecured loan, assisted by the Central Fund Guarantee, in an amount equal to 100%, as provided by the Liquidity Decree and converted into Law no. 40 of 5 June 2020, was launched for Italian micro, small and medium-sized enterprises (including sole proprietorships), the business of which was negatively impacted due to the Covid-19 emergency.

With a view to digital and financial inclusion, and in line with the country's objectives, Poste Italiane has qualified as one of the 10 operators involved in Italy in providing digital identity to citizens, the so-called Sistema Pubblico di Identità Digitale (SPID), which aims to provide users with a single login system with which to access all Public Administration services. At the end of December 2020, approximately 11.9 million SPID identities were active, an increase of +190% compared to the same period in 2019. The Group holds over 80% of the identities issued in the Public Digital Identity System. Thanks to SPID, with a single password it is possible to obtain health bookings, school registrations, access to the public Wi-Fi network and business practices, thus bridging the distance between citizens and the Public Administration and making various procedures easier and faster.

Financial and digital inclusion of seniors and young people

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. With a view to making its products fully accessible to all categories, and in line with the principles of culture and education, in 2020 Poste Italiane committed to reducing the digital divide by offering digital training courses. Given the impossibility of delivering in-person courses due to the health emergency, the Group offered online training "pills" and CyberSecQuiz to allow users to test their knowledge of IT security.

In the same way, financial training briefs have been proposed to allow citizens to educate and inform themselves, so as to be able to make informed choices. In continuity with initiatives aimed at promoting financial inclusion, Poste Italiane participated in the fifth edition of "Il Salone dei Pagamenti", held online at the beginning of November 2020. The event was a useful opportunity to provide the Company's point of view on the digital gap issue, illustrating the Group's ongoing commitment to digital payments and encouraging the digitisation of the Public Administration.

BOX - Poste Italiane participates in "Mese dell'educazione finanziaria"

As part of the third edition of the Mese dell'educazione finanziaria (Financial Education Month) (#OttobreEdufin2020), promoted by the "Committee for the planning and coordination of financial education activities", Poste Italiane took part in the initiative by organising 6 in-depth webinars on the subject and making them available, through the "Edufin" web page, an educational series of ten video clips. The 6 webinars entitled "The Personal and Family Economy", have placed the focus on the topics of financial planning, supplementary pensions, protection, savings and investments and on the role of the consultant, with the aim of providing useful tools in terms of money management and becoming more aware of the needs and requirements that emerge from the dynamics of everyday life.

With regard to bringing young people closer to the financial world, in continuity with 2019, the initiative "il Risparmio che fa scuola" (A textbook way of saving) continued, a programme aimed at students that focuses on the theme of multidimensional savings as a value and tool for progress and personal development.

The programme is in line with the Ministry of Education, Universities and Research's (MIUR) goal of enhancing the economic and financial knowledge of students at all levels.

The topics proposed for 2020, as well as those for 2019, were developed on three thematic areas covered with a workshop, multi-disciplinary and multimedia approach: saving on a personal level; sharing; quality of life on a global level.

A free 25-hour e-learning training course on "Dynamic and multi-dimensional savings and economic citizenship" has been planned for all teachers to support the implementation of the course.

**Transfer of the tax credit**

In line with the provisions of the "Relaunch Decree" (Law Decree 34/2020, converted with amendments into Law 77/2020), in September 2020, the Group launched a service enabling individuals, businesses and self-employed professionals to transfer their tax credits to Poste Italiane, enabling them to obtain the related liquidity in a single payment, directly into their BancoPosta current account.

15,000 requests for the transfer of the tax credit

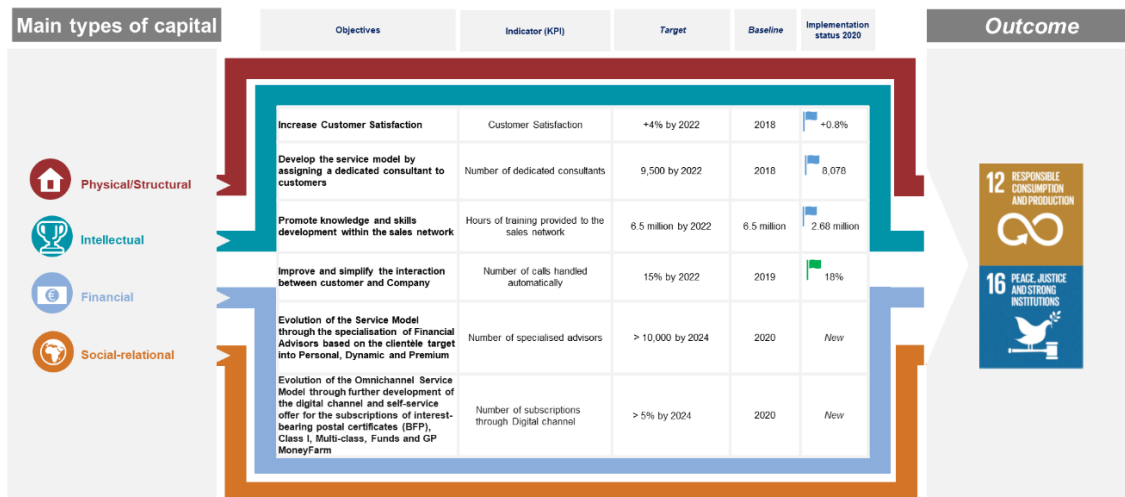
In particular, Poste Italiane plans to transfer the 110% Superbonus, the other Building Bonuses, the Holiday Bonus for accommodation facilities and, from February 2021, lease payments, sanitation and purchase of PPEs and Workplace Upgrades.

The service can be requested online at poste.it using Internet banking credentials or at all Post Offices and the request process is simple and immediate. It is also possible to simulate the value of credits in real time, using a simulator available both on the website, in the public area, and in the Post Office.

The launch of the service was accompanied by a promotion that provides, for customers who open a BancoPosta account up to 31 December 2021 and make the transfer, zero account fees for 6 months from the month of credit.



CUSTOMER EXPERIENCE





Quality and Customer experience



NFS

Poste Italiane places customer satisfaction as the central objective of its quality policies, reserving a fundamental role in the process of listening to all its customers. The Group constantly strives to improve the quality of its products and services, with the aim of guaranteeing a unique and distinctive experience for its customers and, at the same time, fully satisfying their expectations. In a constantly evolving scenario, permeated by mobile devices, social networking platforms, e-commerce and multi-channel, it is necessary for companies to establish relationships of trust and complicity with their customers, in order to intercept any change in their needs and behaviours.

With reference to the above, the Group's Code of Ethics provides an indication of the values that guide all company personnel towards correct and profitable management of relations with customers, such as: competence, courtesy, transparency, correctness and impartiality. In this way, Poste Italiane ensures that its customers are provided with exhaustive and accurate information on the products and services it offers, so as to enable them to make informed choices and avoid creating improper expectations.

Poste Italiane guarantees a high level customer experience, offering quality products and services and basing its relationship with its customers on trust and listening, in order to intercept and satisfy emerging needs

In carrying out its activities, the Company continuously monitors and contributes to the progress of the quality provided and the quality perceived by the customer. With regard to the first aspect, the objectives and performance of the services provided by Poste Italiane are monitored through a system of KPIs that encompasses all the services and products of the various business units, and provides management with a projection of progress and trends through periodic reports. An example is the continuous monitoring of waiting times in the Post Office through the wait manager, with the possibility to intervene in real time by means of an alert system. In this regard, the digitisation projects implemented by the Group have contributed significantly to increasing the quality of the services provided. With respect to the value attributed by the Company to the quality perceived by its customers, Poste Italiane has long had a customer experience objective for all recipients of the "Management By Objectives" (MBO) programme. Specifically, the "Customer experience Poste Italiane Group" indicator has been assigned to the Chief Executive Officer, the Internal Audit function and all personnel functions. This is a composite indicator that measures the quality perceived by customers regarding the Group's most important products, services and channels. In addition, with the aim of achieving increasingly significant progress with regard to the customer experience, the Company has adopted a listening model that makes it possible to identify the priority actions to be implemented through the analysis of the instant responses received from customers with regard to the shortcomings found in their relationship with the Company's products and services during their customer journey.

BOX - Poste Italiane towards a platform company model

In 2020, the new Digital, Technology & Operations function was set up with the aim of creating an ecosystem of innovative product and service solutions that, in a platform logic, aggregates services and customer experiences, maximising customer satisfaction while enabling synchronous mechanisms between IT and operation components, so as to respond quickly and effectively to business needs. With a view to continually improving the customer experience, this function guarantees the development and operational excellence of customer service activities and back office operations, as well as the design, development and operation of IT systems to support company processes and services, with the ultimate aim of simplifying the value chain by moving towards the platform company model. The new function also monitors and continuously improves customer satisfaction, guaranteeing the process of detecting recurring problems and identifying the reasons for such shortcomings, in order to then address them as part of the continuous improvement process. The newly established function includes Information Systems, Chief Operating Office and the Customer Experience Transformation function. Moreover, the IT support activities and processes carried out at a territorial level by the Post office network and Mail, Communication and Logistics functions in order to strengthen their governance and guarantee ever greater effectiveness and efficiency were centralised.

A further step towards greater customer satisfaction was made possible through the adoption of a Customer Feedback Management tool that allows surveys to be sent to customers regarding perceived quality, making the responses obtained quickly available to the relevant departments and highlighting the most recurrent issues highlighted by customers. Through this tool, an initiative was launched in October 2020 that allows operators, via a link in the counter systems, to access the compilation of a questionnaire in which they are asked to recount their daily experience inside the post office. In this way, numerous reports were collected with respect to procedures, environments, training and opening hours. In 2020, a Quality and Customer Experience Task Force was also set up across the Company, with the aim of actively monitoring critical issues reported by customers and directing corrective action.

237 improvement actions identified
between July and December 2020

In addition, it is important to highlight that Poste Italiane's Board of Directors expresses the propensity to risk associated with the lack of satisfaction of customer needs also with reference to indicators relating to Customer Experience, such as the complaint rate and the Poste Italiane Group Customer Experience.

-23% annual complaints received
compared to 2019

The punctual monitoring of the quality delivered and perceived by customers, in both relational and transactional terms, is the tool the Company uses to optimise its operational activities, thereby ensuring the provision of products and services with high quality standards.

Box - Poste Italiane on the customer's side: the Return Hub is created in Bologna

Poste Italiane considers the satisfaction of its customers as a fundamental point for the creation of value in the long term. For this reason, the Company has identified a structure dedicated to "abnormal parcels", i.e. those parcels that are damaged or returned because they do not conform to the original order. The Bologna Return Hub, inaugurated in July 2020, was therefore created with the aim of satisfying in a faster and more organised way all the requests for replacement or refund, quantified by Poste Italiane as about 40,000 shipments per day, contributing to the increase of the value provided by the Group's services.

Indicative of the Company's desire to meet the needs of its customers is the use of around 1,200 Quality resources in the Mail, Parcels and Distribution function, distributed at local and central level, who carry out targeted measurement, prevention and improvement activities to achieve the company's objectives.

In 2020, Poste Italiane brought the system for collecting and managing complaints under the Customer Support Services structure. This structure presents a model aimed at making assistance a competitive lever to support the business and the

33 million
contacts managed in 2020
(+18% compared to 2019)

development of relations with customers, with the aim of addressing their expectations through a series of customised solutions. Over the years, Poste Italiane has pursued the project with the aim of building a customer service journey for each business segment, enabling more efficient management of the customer experience over time with the progressive adoption of innovative technological tools. The gradual introduction within the Customer Support Services



of artificial intelligence, in 2019, allowed Poste Italiane to develop the "Poste Italiane Digital Assistant" tool, which made it possible to improve and simplify customers' interaction with the Company, guiding them and providing them with information and assistance in the event of complications in using the Group's services. Considering the significant increase in the number of contacts managed by Poste Italiane in 2020 due to the Covid-19 pandemic, the Digital Assistant proved to be indispensable, contributing positively to the possibility of managing such numbers.





Box - Poste Italiane's Digital Assistant evolves

Poste, the Digital Assistant of Poste Italiane, is the tool developed with the aim of improving and simplifying the interaction between customer and company through the use of artificial intelligence technologies. In the first months of 2020, the new VoiceBot functionality was implemented, a voice-guidance-based system capable of providing indications and answers in an immediate and easily understandable way. Following these developments, Poste Italiane integrated the use of the digital assistant with the instant messaging platform WhatsApp and planned to extend its functionality also in the App and through social channels. Poste is able to address many standardised and repetitive support requests, giving valuable time to employees in the Customer Service area to handle more complex and emerging situations, and proving particularly useful during lockdown periods due to the large number of files received.



Poste Italiane Group's Integrated Policy pays particular attention to the issue of quality. In fact, this Policy documents the Group's commitment to the continuous integration of quality within the company's development strategy, so that all the processes that contribute to the design, development and creation of a product or service are mapped within the quality management systems.

Poste Italiane Group attaches essential importance to building relationships with customers that are oriented towards the pursuit of maximum transparency and fairness, requiring from its people a constant commitment to the satisfaction of their expectations. With the aim of achieving these purposes, the Group Integrated Policy on quality provides that the companies of the Group, within the scope of their autonomy and independence, incorporate the principles contained within it, adapting them to their size and organisational and operational context and any regulatory provisions (e.g. Financial and Insurance sectors).

In order to ensure the maximum effectiveness and efficiency of processes, activities and resources, Poste Italiane adopted an Integrated Management System that brings together the most significant aspects of all the management systems adopted by the Group, in order to align business processes and make the widespread distribution of business procedures increasingly flexible. Specifically, Poste Italiane S.p.A. has implemented an effective Quality Management System, in compliance with the UNI EN ISO 9001:2015 standard, with which it carries out its activities according to the following principles:

- maintain adequate service quality, in particular by ensuring efficiency and continuity of service in accordance with the specific requirements;
- maintain the adequacy of the services offered to customers;
- respect time and optimise the cost/quality ratio of products and services.

The Quality Management System allows Poste Italiane to achieve continuous improvement in performance and increase the standard of competitiveness of the Company on the market, ensuring through its functions the maximum satisfaction of customer expectations. 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.

With respect to the quality of the service and products offered, the management model is based on dialogue with customers with the aim of establishing a relationship of harmony and identifying their needs in order to meet them in the best possible way. This attention is characterised by:

- sharing with Top Management periodical reports on quality indicators;
- detection of the level of customer experience relating to the various business units, measured twice a year by means of the Net Promoter Score (NPS), indicative of the level of customers satisfaction. These are CATI (Computer-Assisted Telephone Interviewing) surveys, conducted by an external research institute with customer samples representative of the target universe. In continuation with as was done in 2019, the Group further refined its customer hot listening activities through its multiple touch points for postal, financial and insurance services. Once a year, the NPS is also measured for the most representative competitors of the Poste Italiane Group's businesses;
- monitoring of the degree of customer satisfaction and gathering of opinions and suggestions to identify opportunities for improvement using the Customer Effort Score (CES) indicator, applied to the Group's channels (post offices, call centres and the web), which makes it possible to analyse how easily and in how long the Company solves problems;
- adequate management of complaints, aimed at identifying and remedying, through the necessary corrective actions, the causes that resulted in the inconvenience, with a view to continuous improvement of business processes.

Poste Italiane considers the management of complaints a fundamental activity in the interaction with the customer, as their regular monitoring and management can be an instrumental indicator to define the level of service of the Company. In addition, it constitutes an element that contributes to the assessment and management of operational and reputational risks and, in particular, the risks of non-compliance and conduct. The analysis of the progress of complaints is communicated to top management through specific reporting systems that the various Group companies carry out on a weekly and monthly basis. In this regard, it should be noted that each Poste Italiane Group company has implemented specific procedures defining the principles and methods for handling complaints, which are periodically submitted for approval by their respective Boards of Directors.

Dialogue with consumer associations

Poste Italiane attaches fundamental importance to small and large-scale discussions with Consumer Associations. The framework agreement signed with the latter in 2011, and renewed in 2018, has enabled the quality of the products and services offered to be strengthened over time, adopting an approach geared towards constructive and transparent discussions between the parties. By setting up the "*Cantiere Consumatori*", a permanent working and consultation group made up of a single representative from each Association and Group representatives, it has been possible to identify the best solutions for reconciling the Company's needs with those of its customers in corporate initiatives with a considerable impact on the latter.

At this location, Poste Italiane is able to preview future products and services for Consumer Associations, gathering feedback and evaluations that may be useful in refining its offerings.

Box - Dialogue means innovation: Punto Poste da te was created

In June 2020, from the elaboration of the ideas obtained thanks to the constant dialogue between Poste Italiane and the Consumer Associations the "Punto Poste da te" was created, a digital counter that can be installed inside any enclosed space that lends itself to the service. The Group's new creation is a clear example of a service that adapts to the needs of citizens, enabling them to manage shipments and payments directly from their homes or offices, improving the quality of the service and consequently the customer's experience with Poste Italiane. The innovative and entirely digital service has received the innovation award "Elected Product of the Year 2020", based exclusively on consumer vote, for the category shipping and collection services.

In the course of the experience with *Cantiere*, many successful initiatives have been created, such as the newsletter "Dialogando con i consumatori", an informative tool addressed to the territorial representatives of the Consumers' Associations, created with the aim of disseminating the issues addressed and the initiatives promoted at the discussion table. The newsletter, which is also available in the special section of the Group's corporate website, provides information on the main news from the world of Poste Italiane and acts as a driver for new ideas and recommendations, helping to strengthen the relationship of collaboration that has always characterised the two entities. In addition, in December 2020, the twelfth edition of "Dialogando con i consumatori", the annual campaign of meetings organised with territorial representatives of Consumer Associations, was held in webinar mode. The initiative took place in synergy with Consumers' Forum, an independent association that collaborates in the management of training updates for Conciliators and that awards certificates for refresher courses. The event was structured in 5 meetings that involved a total of 220 territorial representatives of the Associations, with the aim of providing training updates to the conciliators of the Associations and the Company, as required by the regulations of the sector.

In order to ensure efficient use of the products offered by the universal postal service (Legislative Decree no. 261/99) and describe the quality objectives that the Company is committed to achieving, the Group makes available on its website "The Postal Services Charter".

In addition, in order to guide consumers through the online purchasing process, Poste Italiane has made available to them the "E@sy commerce" manual, created in collaboration with nineteen Consumer Associations and Netcomm, the Italian E-commerce Consortium whose members include the most important national operators in the e-commerce sector.



Steps taken to support customers in dealing with the Covid-19 emergency

Poste Italiane has adopted stringent measures in line with the regulatory provisions issued by the Government, with the aim of protecting the health of its workers and customers and at the same time guaranteeing an essential service for the life of the country. The Group has remodelled its post office network in order to ensure the highest standards of health protection, ensuring that, in order to limit travel, a Post Office is open at least one day a week in each area, thereby providing continuity in the provision of services (e.g. delivery, pension collection, etc.). In this regard, the Group has signed agreements for the maintenance of the service guarantee, such as the one signed with AGCom, which provides for the possibility of placing all signed mail in the mailbox or alternatively collecting it from Post Offices but with doubled storage time compared to the standard procedure.

In addition to the ordinary signs, which define the behaviours to be adopted in order to reduce the risk of infection, horizontal signs have been applied on the floor (distance lines) in order to indicate the correct distance to be maintained within the postal sites. Poste Italiane has launched communication activities for customers, including through advertising campaigns and digital communications (email, Intranet and push app), and information has been posted

outside each office to inform customers of the actions taken by the Company to contain the virus, including details of: sanitisation activities, behaviour to be adopted as indicated by health authorities, staggered access to offices, safety distances to be maintained and the correct use of protective equipment. In addition, new channels for reporting claims have been implemented to make it increasingly easier for Group customers and employees, in addition to the paper-based channel already available, to speed up paperwork and avoid travel during health emergencies. In particular, the following new channels have been made available: from the Reserved Area (by accessing the poste-assicura.it site with credentials); by telephone channel (by contacting the Contact Center at 800.13.18.11) and by e-mail channel (by sending the report or the fully completed Claim Form to the e-mail sinistri@posteassicura.it).

In order to guarantee and provide further support to citizens, the Group has launched a process to simplify inheritance practices, initially offering the service to citizens in the regions most affected by the pandemic, such as Lombardy, Piedmont, Liguria and Valle d'Aosta, and then extending it to the whole territory. The service allows sending the claim online in a simplified way, thus avoiding having to go to the post office several times. With this request, citizens obtain the Declaration of Credit, the document necessary for the submission of the declaration of succession to the tax authorities. Once the declaration of credit has been received online, the heir or legal successor can go to the Post Office selected to submit the declaration of inheritance together with the original documents, thus considerably reducing the time required for the entire request.

Cybersecurity, IT Security and Privacy   Intellectual  Financial  NFS

In a global scenario in which technology plays a crucial role in the development and continuity of the company's business, Poste Italiane believes it is necessary to adopt effective security systems to protect the company's information assets, avoiding the possibility that its IT infrastructure may be subject to attacks and consequent data breaches. Through its information security systems, the Group ensures the proper functioning and provision of its services and guarantees the confidentiality of data and information, preventing any type of access by unauthorised parties.

Poste Italiane is committed to guaranteeing the protection of data and information belonging to the Company, its customers and other stakeholders, adopting technologically advanced protection systems and the measures provided for by the relevant regulations

With this in mind, the Corporate Affairs - Information Security function carries out monthly assessments of the company's cyber risk, adopting a methodology that assesses the risk from a purely technological point of view, based on technical security audits carried out on individual applications or groups of applications. In particular, Poste Italiane implements three types of preventive security activities:

- **Vulnerability Assessment** is the process of identifying, measuring and prioritising the vulnerabilities of a system. It is performed with special tools twice a year for each application;
- **Code Review (Static and Dynamic)** represents the process of checking the source code of an application to verify that the correct security controls are in place and that they are working as intended. By means of special tools, the verification is carried out of both the source code ("Static CR") and of the code in execution ("Dynamic CR");

- **Penetration Test** is the process of evaluating the security of a system or a network through the simulation of attacks that aim to gain undue access to the system. Being a time-consuming activity, it is performed on a specific perimeter of applications.

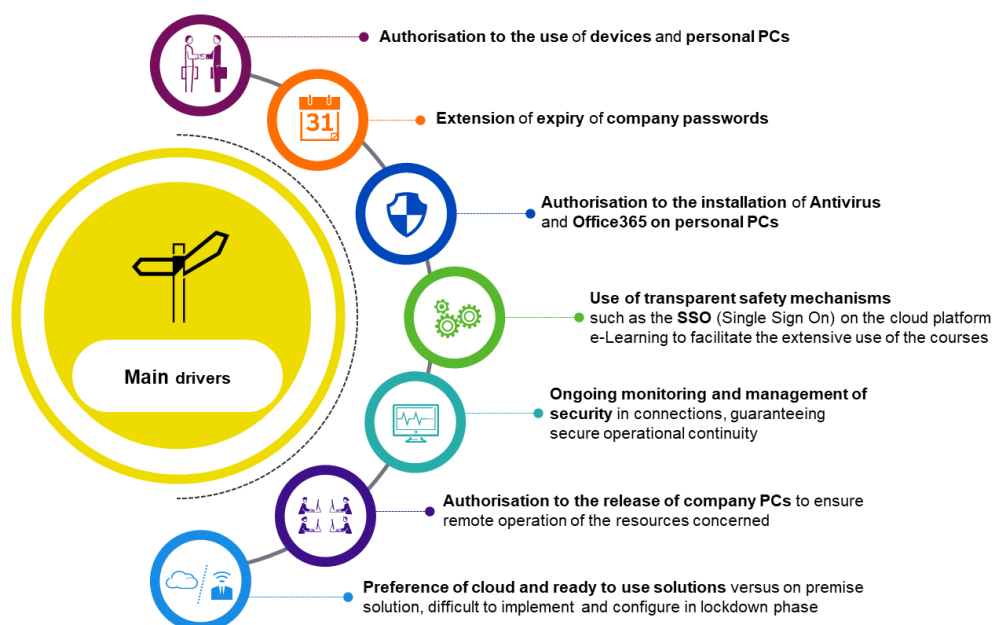
Following the above activities, the Company performs the cyber risk assessment taking into consideration two main aspects, Severity and Confidence. The first indicates the level of severity of cyber vulnerabilities; the second, on the other hand, indicates the level of reliability of the cyber risk value and depends on the degree of coverage of the checks carried out, in terms of the total number of analyses completed. Downstream of the entire analysis process, Recovery Plans are drawn up, i.e. the main corrective measures necessary to fill the safety gaps identified during the various analyses, including the technical ones. In the past, the management of Recovery Plans relating to the various security activities has involved the contribution of a number of Poste Italiane Group functions. In 2020, in order to make the process more streamlined and efficient, the Company developed a tool for the centralised management of Recovery Plans resulting from Penetration Tests, Secure Code Review, Static and Dynamic, IT risk analysis, audits or findings from ISO certifications. With this in mind, the Group launched a series of additional initiatives during the year:

- developed a **Security Planning**, defining and implementing a methodology for planning technical security audits (Penetration Tests, Static and Dynamic Code Review) deriving from regulatory/contractual requirements and from the Security By Design process;
- extended the **scope of Cyber Risk** analysis to include BancoPosta, PostePay, PosteVita, Poste Assicura, Poste Welfare Servizi and other compliance/security areas;
- set up the **Information Security Committee - DTO**, a periodic working table between the Information Security and Digital, Technology & Operations functions with the aim of jointly planning and directing security activities and identifying areas for improvement.



Covid-19: integrated management and business continuity of smart working

As part of the management of the impacts deriving from the emergency context, Poste Italiane took security aspects into consideration from the earliest stages of the pandemic, from which the drivers used to implement IT security strategies were defined.



In this regard, with reference to security monitoring and verification activities, Poste Italiane has implemented a series of measures and interventions to safely manage the Covid-19 emergency, ensuring continuity in its smart working model. Specifically:

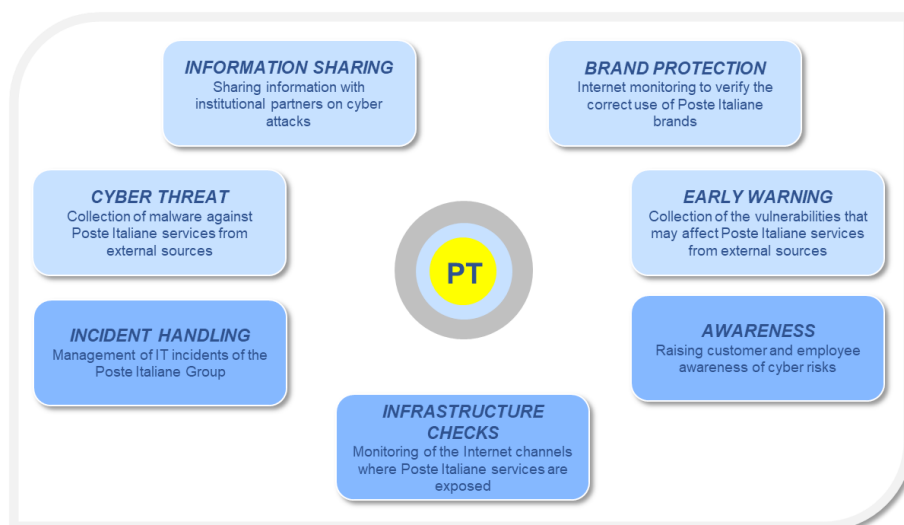
- continuous monitoring of the number of VPN connections, type, purpose and security of remote access to the corporate Intranet;
- monitoring of the level of updating, patching and security of the operating systems used, both for company PCs/laptops and BYOD (Bring Your Own Device);
- monitoring of third-party access and related security aspects;
- monitoring of AdS (System Administrators) accesses and related security aspects;
- verification and eventual blocking of remote connections coming from foreign IP addresses and/or not reliable in terms of security.

Computer Emergency Response Team (CERT)

In order to guarantee Group-wide supervision of cyber security and data protection activities, and to actively combat cybercrime, in 2013, Poste Italiane set up an *ad hoc* organisation called CERT (Computer Emergency Response Team). The team, which includes a number of IT security experts, carries out its functions by operating in real time, 24 hours a day, for risk prevention, the management of IT incidents affecting company systems and the development of actions in response to cyber events, thus strengthening the defence capacity of the entire Group. In addition, in order to create a widespread culture throughout the country with reference to IT security issues, the CERT takes on the task of creating moments of awareness, both inside and outside the Company. The organisation is part of a wider network of similar structures, of national and international scope, with which it constantly interacts to share information, indicators of compromise and attack models in general. In this context, Poste Italiane collaborates with CNAIPIC (National Centre Against Cybercrime for the Protection of Critical Infrastructure) of the Postal Police.

CERT has structured its services in such a way as to ensure the overall protection of Poste Italiane's business, acting on a number of levels:

- **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 corporate infrastructure and responds to potential IT events.



BOX - Digital Education Project

During 2020, Poste Italiane delivered, in person and through webinars, the basic introductory content to the technological and digital world with a focus on IOT, security and ethics. In particular, the Digital Education project aimed to contribute to the digital transformation underway in the country and reduce the digital divide. The first thematic cycle was dedicated to cyber security through the collaboration of colleagues from Poste Italiane's CERT, who guarantee and monitor the security of company systems on a daily basis. The topics covered various aspects including data management, encryption and passwords up to current topics such as blockchain. Participants were able to submit their questions through the chat, thus solving doubts regarding cyber security issues. Finally, at the end of the session, a questionnaire was proposed, thus stimulating the development of further thematic content among the participants.

Proof of the exemplary attention and security that Poste Italiane reserves for its customers and personnel is provided by the Business Control Center and the security pact with the Postal Police, as well as the agreements signed with institutions and the prevention actions carried out on a daily basis.

The Business Control Center is the area of the Headquarters where the controls of Poste Italiane's business processes take place. It is the technological fulcrum of the company. This structure is entrusted with a number of tasks, the four main ones being:

- real-time control, 24 hours a day, of the services provided by the Group;
- the protection of the safety of customers inside Post Offices and of personnel in all workplaces;
- combating fraud and cybercrime;
- experimentation of the services offered by the Company.

Within the organisation, there are seven technologically advanced control rooms that guarantee, through their work, the safe delivery of Poste Italiane's services and the correct communication to customers.

At the same time, in achieving the excellent results obtained by the Group in the area of IT security, a significant role is attributed to the historic collaborative relationship between the Postal and Communications Police and Poste Italiane. In order to cope with the changes in the scenarios and the new types of malicious events, over the years, the Company has had to rapidly readjust its operations, especially with reference to payment systems for e-commerce and financial and insurance services, for which it has been necessary to intensify the control and updating of physical and IT security structures. In detail, the agreement with the Postal Police envisaged activities aimed at preventing and combating offences relating to the products and production processes of the services offered by the Poste Italiane Group; surveillance at post offices during scheduled payment periods; the establishment of task forces to analyse new methods of computer fraud; and the development of new cyber security tools.

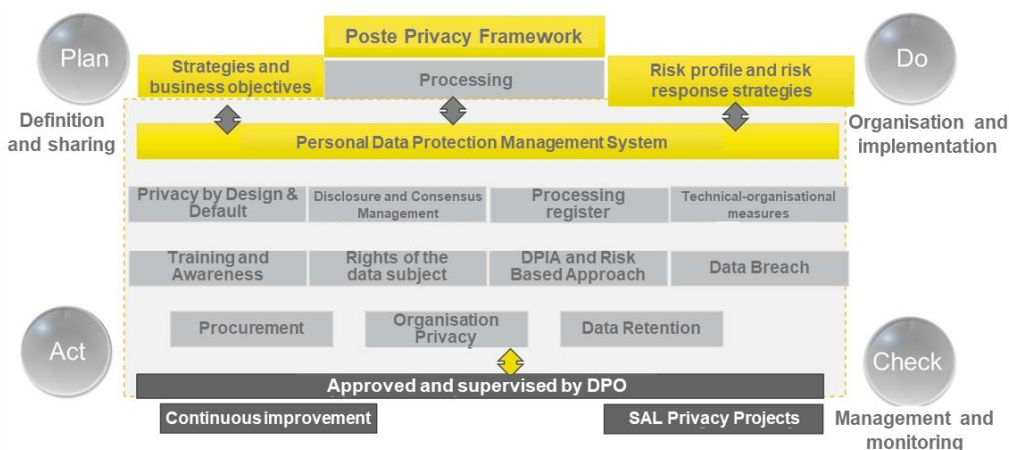
Personal data protection

In order to ensure full compliance with the legislation on the protection of personal data and, in particular, with the provisions of the General Data Protection Regulation (GDPR), the Group has strengthened its corporate regulatory system, the reference point of which is represented by the Corporate Policy on Personal Data Protection and the Privacy Guidelines and Personal Data Protection Management System, the latter introduced with the aim of ensuring uniform data management at Group level. In particular, the Guidelines illustrate the Company's privacy model, the principles of Privacy by Design and Privacy by Default, which establish the need for the Company to ensure adequate

protection of personal data from the design of products/services and IT systems and to guarantee compliance with privacy legislation by default in processes for the collection and processing of data, as well as the main processes adopted by the Poste Italiane Group and the related responsibilities, with the aim of ensuring correct management of personal data protection risks.

Poste Italiane Group has adopted a system of standards and guidelines designed to ensure a high level of protection for the personal data of those concerned, including customers, employees and suppliers, encouraging the development of a culture of confidentiality

In order to comply with these obligations and ensure the continuous improvement of the management system, Poste Italiane has defined a Privacy Framework capable of highlighting the main areas of interest on which to focus, the related organisational and technical measures developed, and to provide continuous monitoring of the progress achieved.



In line with the provisions of the GDPR, Poste Italiane envisages the figure of the Data Protection Officer, as a privacy expert who assumes responsibility for observing, evaluating and directing the management of personal data processing.

In addition, the Privacy Function, set up with the task of ensuring the correct use of personal data and compliance with the underlying principles and rules, guarantees a single oversight at Group level for all responsibilities relating to privacy issues and supervises the development of the aforementioned framework. This structure operates in order to ensure the compliance of the system with the regulatory provisions, in particular with reference to those sanctioned by the entry into force of the GDPR, undertaking responsibility for controlling the management review process at Group level, as provided for in art. 32. The Privacy Function, through the performance of its duties, also ensures the drive for continuous improvement. In addition, the Privacy Service Center operates within the function. Its task is to represent a single point of reference for customers in matters of privacy and to collect and manage efficiently and centrally all the requests received from customers, such as requests for access, rectification or integration of personal data and changes in the consent given, also monitoring their progress in order to identify any opportunities to improve business processes.

The approach focused on continuous improvement, the peculiar management of customers' requests and the correct compliance with regulatory provisions, allowed Privacy Service Center to obtain the certification of its management system for information security according to ISO 27001 standard.



Main related types of capital

INNOVATION

Main types of capital	Objectives	Indicator (KPI)	Target	Baseline	Implementation status 2020	Outcome
Physical/Structural Intellectual Financial	Green-ticket project	% of Post Offices enabled	100% by 2021	2020	New	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Install SMART mailboxes	Number of SMART mailboxes	10,500 by 2025	2019	347	
	Increase digital transactions made via the app or the web	Number of digital transactions	100 million by 2022	2019	90.3 million	
	Increase the downloads of the Postepay and Poste Mobile apps	Number of downloads	10% by 2022	2019	25%	
	Increase the number of Postepay EVOs	Number of Postepay EVOs	11.6 million by 2024	2019	7.7 million	
	Increase the number of biodegradable cards	Number of biodegradable cards	16 million by 2024	2020	New	
	Increase the number of card transactions (including withdrawals and top-ups)	Number of transactions	2.7 billion by 2024	2019	1.6 billion	
	Increase the number of online payments for goods and services	Number of online payments	894 million by 2024	2019	397 million	
	Increase digital transactions for the various products of the PI Group	Number of digital transactions in financial, insurance and payment services	50% by 2024	2020	New	
	Increase merchants enabled to accept payments with Code	Number of merchants enabled	500,000 by 2024	2019	70.5	
	Dematerialisation of the Issuing/Payment/Refunding Process Counter money orders	% of POs in which processes are dematerialised	100% in roll out	2020	New	
	Replacement of all PCL operating personnel uniforms	Number of PCL operating personnel uniforms replaced	40,000 (all staff) by 2022	2020	New	
	Increase Postepay Wallets	Number of Postepay Wallets	10.5 million by 2024	2019	7.4 million	
	Digitisation of back office processes	% of resources impacted by the new BPM and back office process re-engineering	65% by 2021	2020	New	
	Increase the level of automation of back office processes	% of back office resources supported by automated digital processes	75% by 2024	2020	New	
	RDS-Digital Service Request Project	Number of apps created	App development by 2021	2020	New	
	Digitisation Customer Receipt	Digitisation customer receipt	Digitisation paper receipt by 2021	2020	New	
	Integrated multi-channel on protection insurance products	Creation of pre-sale and sale funnels	Creation of pre-sale and sale funnels of protection products by 2021	2020	New	
Development of pre-sale and sale channels of products and services in multi-channel	% of new funnels created in multi-channel	75% by 2024	2020	New		

Objective achieved/
Objective achieved
and updated

Objective not achieved

Deadline for achieving the objective that has not yet expired

Innovation and digitisation of products, services and processes



The pursuit for sustainable success has brought about major changes in the global competitive landscape, leading companies to think differently about their products, services and processes. For this reason, Poste Italiane identifies innovation and digitisation as two key drivers for strategic progress, committing to integrate its products and services also with those of third parties, in order to offer cutting-edge technological solutions. Through these drivers, the Group acts as a driver of innovation and digitisation of the country, ensuring the accessibility and functionality of its offer to all citizens and promoting the connection with the business fabric and the Public Administration.



During the course of the Covid-19 pandemic, the Company implemented a series of technological solutions that enabled the Group's 35 million customers to continue using its products and services, despite the disruption caused by the health emergency. In particular, Poste Italiane was able to quickly and effectively integrate its traditional services with new proposals more focused on a digital approach.

For Poste Italiane, innovation is the driving force to face the challenges of sustainable development

BOX - Poste Italiane's technological response to the health emergency

With the aim of contributing to the improvement of public health and limiting the physical access of citizens to hospitals or surgeries, in October 2020, Postel S.p.A., a company of the Poste Italiane Group, launched "Smart Screening", an aid service to invite citizens to participate in mass health screening programmes by self-collection. The innovative solution dedicated to Local Health Authorities provides for the preparation and home delivery of the invitation and the self-collection kit, entirely paid for by Postel. The technologies deployed by the Company, such as RFID and smart labels, ensure maximum reliability of samples. In particular, the test tubes and envelopes, equipped with RFID micro-antennas, through an "electronic gate" set up at the collection centres of Local Health Authorities, allow verifying the correct matching and, if necessary, reporting possible errors of association between envelope and sample. The optical detector collects the data automatically and populates the laboratory management system with the sample codes, guaranteeing the correct operation of the service. Following the examinations carried out, Postel prepares the sending of the results, and in case of positivity, it sends a new invitation to contact the Local Health Authority to perform diagnostic examinations, health treatments and new tests.

**SMART
SCREENING**



Innovation and digitisation of products and services

The constant commitment to the search for innovative digital solutions and the ability to integrate new business models has enabled the Group to achieve important results for the development of its business and for the creation, through the review of its products and services, of shared value for society and the country.

Payments and current accounts

With a view to payments, Poste Italiane has undertaken a series of initiatives that place customers in a central position, directing all its efforts towards the continuous improvement of the experience of using the services made available and accessing the offer in an increasingly omni-channel logic. Despite the contraction in the market, the year 2020 saw Poste Italiane strengthening its growth in digital payments, thanks to the construction over time of an ecosystem of digital collection and payment services made available to consumer, business and PA customers, usable both through the physical network and through app and web channels.

In the electronic money area in particular, the Group's activities have contributed to the development and launch of new, increasingly advanced and innovative services and products, such as Postepay Digital and Code, and to the establishment of important partnerships in the acquiring area. The process of developing new Open Banking platforms was also launched, with the aim of making Poste Italiane's infrastructure increasingly open, providing customers with an increasingly complete and integrated service.

With regard to collections, Poste Italiane's role within the PagoPA system has been consolidated, with the extension of the range of services offered to central and local government bodies via digital channels (web and app).

BOX - PostePay and Volante Technologies for innovation in instant payments

In August 2020, PostePay announced a new partnership with Volante Technologies, a global provider of payment and financial messaging solutions on cloud and on-premise. The agreement further strengthened the Poste Italiane Group's programme to modernise its payment services by implementing the Open Banking platform and enabling instant payments, whilst also providing a new gateway to access traditional interbank networks. The cloud-native micro-services architecture of the Volante VolPay suite gives the Group the ability to support existing payment channels and promote new ones, offering high levels of resilience and extensibility. The result is a modern and scalable end-to-end payment processing infrastructure that enables Poste Italiane's more than 14 million account holders to be provided with an increasingly advanced experience and support service, and which, thanks to constant innovation, guarantees a strategic advantage in the evolving framework determined by the rules of the European PSD2 directive.

On the digital savings front, one development was the launch of Salvadanaio Digitale (Digital Money Box) on the BancoPosta App. This feature, through the digital management of the Smart book, the BancoPosta account and/or the Postepay Evolution prepaid card, allows customers to set aside sums and achieve spending and/or savings micro-goals. The service was elected Product of the Year 2020 in the Expense Management Services category due to its innovativeness and ability to meet and satisfy customer needs. Through the implementation of the Digital Money Box, Poste Italiane intends to stimulate savings education, build customer loyalty and attract new customers, also stimulating younger customer segments. In the area of books, Supersmart Offers continued to be offered, dedicated to customers who bring in new liquidity, which can be activated exclusively through digital channels. In addition, in order to support collection activities on digital channels (web and app) and increase the customer base, the possibility



was provided of opening a Smart⁶⁵ book directly in the BancoPosta App. The same application has also introduced the possibility of opening a BancoPosta account directly from the device, by choosing the type ("Start Giovani", "Start" and "Medium" options) and following the instructions provided by the application. The account is opened in a few days and active immediately. As part of the "Premium" service model, dedicated to customers with high capitalisation and sophisticated needs, the possibility has been introduced to manage and provide remote consultancy after which the customer can sign the necessary documents by advanced electronic signature in the dedicated area of the Poste Italiane website.

In the Business and Public Administration current account segment, the same promotion, already implemented for retail customers and related to the transfer of tax credits, was implemented in 2020. Until the end of December 2020, the promotion was active that provided for the reimbursement of account maintenance fees for customers who stipulated, even if not at the same time, the opening of a BancoPosta Affari current account, combined with the Postepay Code service or the Tandem POS Fisico acquiring service (which allows the acceptance of payments by credit, debit or prepaid cards, also in contactless mode). Preparations for the launch of a new current account, using a modular offer, for the Small Economic Operators (POE) segment also continued during the year.

The Group aims to offer more and more advanced and digital services in order to combine traditional channels with new solutions, dedicated to all types of customers. During 2020, Poste Italiane promoted the use of ATMs as an alternative to the counter for withdrawing cash and the use of all digital channels and apps to carry out the various transactions. In this scenario of great digital evolution, as anticipated, there is the development of an offer increasingly oriented to the combat against cash and the use of electronic money. In this regard, the research and efforts made by the Group, also in support of the initiatives promoted by the Government, have enabled the launch of a series of additional new products and services:

14.4 million downloads of the Postepay App

Commercialised the first Postepay in biodegradable materials



- **Postepay Digital**, the new full digital prepaid product. Through the Postepay App, in a simple and intuitive way, it is possible to obtain the new dematerialised card, suitable for online payments, transport payments, payments through QR codes in affiliated activities or Google Pay for owners of an Android-enabled smartphone. The new company product also allows associating an IBAN code with it and thus enable the payment and receipt of bank transfers, credit the salary or pay utility bills;
- **Postepay PA**, the prepaid card dedicated entirely to the Public Administration, which since its launch, has made it possible to manage the funds and contributions to be paid out to citizens to deal with the Covid-19 emergency;
- **Postepay Green**, the new biodegradable prepaid card, made from materials of organic origin with a lower environmental impact, reserved for young people aged 10 to 17. The prepaid card allows young customers to make payments safely and quickly, and parents to monitor transactions and quickly top up the card through the "pocket money" system;
- **Postepay Code**, the new service with its dedicated app, allows merchants to manage payments via QR code, representing a simple and secure collection solution for professionals, artisans and small businesses in the



⁶⁵ Libretto Smart (Smart Book) is a version of the Libretto Nominativo Ordinario (Ordinary Nominative Book) that allows customers to make transaction orders also through the website poste.it and the BancoPosta App. Smart Book holders are also given the possibility to carry out specific operations, such as the activation of Supersmart Offers or the transfer of money to/from their own book or BancoPosta current account via gyro funds.

area. Payment by Code, which is also permitted inside Post Offices, was extended to BancoPosta debit cards in July 2020 and, in December 2020, the service was supplemented with a promotion that enables customers to receive cashback for each transaction carried out. In addition, during the last quarter of 2020, the online sales process was launched to enable self-service purchases of the Code service, as well as the method that involves generating lists of users interested in the service (leads) at Post Offices, who are subsequently contracted through sales representatives or the contact centre;

- In December 2020, the **Postepay Evolution** card was enhanced by the possibility of sending money, through a partnership with Western Union, not only via Postepay App, but also from the web channel to over 200 countries.



BOX - Poste Italiane in support of the Cashless Italy Plan

Since December 2020, PostePay has been supporting the Government in the implementation of the Cashless Italy Plan aimed at encouraging electronic payments and the development of a more digital, fast, simple and transparent system. The programme provides a 10% cashback on purchases made with payment cards or apps in physical stores with electronic payment instruments and is paid out in cashback mode. In this regard, a new feature has been released on the Postepay App that enables customers to register their Postepay prepaid and BancoPosta debit cards with the State Cashback and view the transactions carried out, as well as the amount of cashback accrued.

Again with particular attention to the business world, in the acquiring area, with reference to the collaboration started by the Group with Lottomatica Italia Servizi, the service for accepting bill payments made at the approximately 54 thousand points of sale in the network has been fully operational since the beginning of 2020. In addition, since January 2020, the channel has been active for remote sale by Cartalis IMEL SpA of the physical Postepay POS acquiring service on the entire network of affiliated tobacconists. In December 2020, Lottomatica points of sale were also enabled to accept bill payments through Code, as well as the placement by Cartalis of Code on the network of affiliated tobacconists for the management of other payments.

In 2020, the partnership with ENI continued through the activation at service stations participating in the offer, of Postepay acquiring services also in digital mode, through the Paga con Postepay solution, included in the Eni Station APP. Moreover, in the transport area, in September 2020, the payment card acceptance service was launched through the PostePay acquiring service at Trenitalia's physical POS and as part of the virtual POS Corporate e-commerce acquiring service, the MO.TO. (Mail Order/Telephone Order) services were released for the acceptance of card payments via telephone channel, card on file payments and recurring payments.

With regard to acquiring services for the digitisation of payment methods for the Public Administration, was the completion of the activation of the Postepay acquiring service for the State Notaries' Archives and the Guardia di Finanza (the Italian Finance Police) and, from November 2020, the solution for the supply of 3,500 "Mobile POS" terminals at the Carabinieri's radiomobile units and/or stations.

Finally, in the early months of 2021, PostePay announced its intention to expand its collaboration with BANCOMAT S.p.A., also activating an issuing licence to complement its existing acquiring licence for the acceptance of these cards by Post Offices, Postamat ATMs and merchants affiliated with Postepay. The initiative also aims to further accelerate the digitisation of payments. In this regard, the scope of the collaboration will be further extended to include digital

services via apps, with the aim of bringing together the P2P payment and money exchange services currently available in the Postepay and BANCORMAT Pay apps.

BOX - Postepay Standard and Postepay Evolution climb the rankings for quality and services

In 2020, Postepay Standard ranked first in the ranking compiled by OF (*Osservatorio Finanziario*), being identified as the best prepaid card in the standard version. The extra services that characterise Postepay Standard's offerings allowed BancoPosta's card to win the 2020 edition, from third place in 2019. Among the most significant new features, OF highlighted the launch of Postepay Code, for purchases in stores using the QR Code and the possibility of obtaining discounts and benefits at affiliated partners; the control and security features that can be managed independently directly from the application, such as blocking the card on e-commerce portals, blocking contactless functionality to prevent fraud, and the Geocontrol service to limit card operations in certain geographical areas. In addition, the *Osservatorio Finanziario* (Financial Observatory) awarded the Postepay Evolution as the best Account Card for the numerous extra-banking services linked to its use, which obtained the highest score within the specific qualitative classification. In particular, OF, in addition to the features that Postepay Standard also has, mentioned services such as the ability to disable the contactless function and customise withdrawal and payment limits via the app, the mini-loan with sums available directly on the card and the Postepay Connect offer, which combines the account card service with that of telephony through a mobile SIM.



Collections

In the collections segment, activities in 2020 were oriented towards consolidating the role of Poste Italiane in the PagoPA system⁶⁶. In this context, as of January 2020, in line with the roadmap for the Digital Transformation of payments for the Public Administration, the Group provided the possibility of paying tax collection notices (former RAV) through its services, channelling the process to the PagoPA system. In addition, the functionality of digital apps has been further extended to pay the Car tax.

As of May 2020, PostePay S.p.A., in addition to BancoPosta, has also been accredited directly as a payment service provider on the PagoPA system and it is therefore possible to make payments via the PagoPA service on all digital channels, at Post Offices and through the Portals of the Creditor Entities, including for payment notices with respect to bank current accounts.

With reference to the collaboration entered into with Western Union⁶⁷, a fund transfer service for Postepay Evolution holders was launched in December, offering the possibility of sending money online 24/7 to over 200 countries and territories, which can be picked up by the recipient at a Western Union agency.

⁶⁶ PagoPA system is the set of rules, standards, organisational structures and technological infrastructures made available by PagoPA S.p.A. to guarantee interconnection and interoperability between Public Administrations and enabled Payment Service Providers (PSP), in order to allow electronic payments in favour of Credit Institutions.

⁶⁷ Money transfer service abroad. For further information, please visit the website: <https://www.poste.it/prodotti/western-union.html>

Mobile

With the aim of improving and consolidating mobile services, during 2020 Poste Italiane, through its subsidiary PostePay S.p.A., signed agreements with Open Fiber and TIM to enable it to bring advanced internet connectivity solutions to individuals and businesses. Thanks to these agreements, the Group will provide the country with fiber optic services using ultra-broadband technologies, with the aim of increasingly reducing the digital divide between the various areas of the country. In addition to the agreements with Open Fiber and TIM, a series of further innovations have enabled Poste Italiane to confirm its position as a leading operator in the telecommunications sector:

4.8 million downloads of the
Poste Mobile App

- **Postepay Connect Back**, a mobile service with an exclusive cashback feature. Customers who sign up to the offer receive a monthly cashback discount for the Giga of their tariff plan not used up, credited directly to their Postepay Evolution card and usable for any type of expenditure;
- **PosteMobile Casa WEB**, the innovative home internet connection solution based on 4G wireless technology. The new service can be purchased exclusively online and installation does not require the intervention of a technician, guaranteeing unlimited data traffic with high performance (speeds of up to 300 Mbps) and a free Wi-Fi modem included on loan;
- **Mobile Phone Services in Postepay App**, so that customers can easily consult and manage all the information on their PosteMobile SIM directly from the app.

During the year, offerings continued to be enriched with the voice only "PosteMobile Casa Standard" offer, and the "voice&data" "PosteMobile Casa Internet" offer which, launched by PostePay at the end of 2019, made it possible to expand the target market through a solution characterised by flexibility and convenience. In fact, the offer is entirely on the mobile radio network and this provides customers with maximum flexibility in using the data service that can be used anywhere, provided that the Wi-Fi modem is connected to an electrical outlet. Moreover, the marketing of Postepay Connect also continued during the period, which, by integrating the Postepay Evolution card and PosteMobile SIM in a single app, has confirmed its unique and distinctive offer on the Italian market. As of May 2020, the request has been available to customers via the Postepay App, in full-digital mode.

Parcels and Distribution

In 2020, Poste Italiane committed to making its transport systems even more efficient and in line with market demand. The Group continued to develop air connections to facilitate the delivery of parcels within 24 hours throughout Italy, in particular Sicily and Sardinia, with 9 active air connections, including two introduced in the first quarter of 2020 at the Fiumicino airport hub (to Catania and Cagliari). During the "peak period" at the end of the year, in order to respond to the growing distribution needs of e-commerce products, the air fleet was increased from 8 to 11 aircraft, thus further strengthening connections with southern Italy and the islands, generating an increase in weekly flights of 40% compared to standard traffic.

BOX - The joint venture that digitises freight transport

As part of its programme to optimise long-haul road transport, in 2020, Poste Italiane established a joint venture with sender, a European leader in the digitisation of freight transport. The partnership covers the entire field of full load transport and the handling of parcels and letters between all of Poste Italiane's sorting and distribution hubs. This

initiative allows the Company to offer itself as a transport operator, both in the Italian and foreign markets, benefiting from economies of scale and technological optimisation, creating a full-tracked and full-digital operating model, in line with the needs of e-commerce. In addition, it guarantees the Group a reduction in its CO₂ emissions, thanks to the use of vehicles with alternative fuels. The joint venture will provide Poste Italiane with annual savings of around €100 million on full-load transport costs.

With a view to business development, during the first quarter of 2021, the sorting centre in Central Italy located near Rome and the one located in Northern Italy became fully operational.

As far as the delivery area is concerned, the development of the potential of the collaboration with Amazon continued, in line with the Poste Italiane strategy of growth in logistics linked to e-commerce purchases. This is also connected with expansion of the Punto Poste network for collecting online purchases and sending returns. It consists of over 10,800 alternative collection points (of which about 350 lockers and 10,450 collect points, mainly tobacconists), which are in addition to Post Offices. In particular, as part of the agreement signed with the new partner - Italiana Petroli - 34 points of the distributor network were activated in October 2020. From September 2020, at all Punto Poste network collect points and in Post Offices, the Reverse Paperless service has been active for Amazon customers, allowing e-shoppers to deliver their return consignment simply by showing their identification code without having to print the Waybill. As part of the partnership with Zalando, since July, the Click & Collect network of Poste Italiane has been active for return and outward items, allowing all customers who purchase on the e-commerce website to pick up their purchases at the Post Office or alternative collection point. In addition, with a view to increasing the flexibility of shipments, the Company has developed the Scegli Tu feature, which allows the recipient of a shipment to manage and customise the delivery even when it is in transit.

BOX - Poste Italiane acquires the Chinese logistics operator Sengi Express

In 2021, Poste Italiane acquired a 51% voting interest in Sengi Express Limited, a wholly owned subsidiary of Hong Kong-based Cloud Seven Holding Limited. For the first time in Poste Italiane's history, the acquisition has led to the entry of a foreign company into the Group, enabling it to develop its B2C business internationally and to consolidate and ship to Italy the volumes purchased in China by Italian consumers. Sengi Express is a reference point for Chinese e-commerce merchants in the Italian market, positioning itself as a leader in the creation and management of cross-border logistics solutions. In addition, as part of this collaboration and in line with the evolution of the needs of e-shoppers, testing has begun of the E2E (End to End) tracking of shipments that allows for the first time verifying on the Poste Italiane website the status of the shipment along the entire supply chain, even beyond the borders of the Italian territory.

With reference to solutions dedicated to businesses, Poste Delivery Business was launched, the new range of express courier services that is complete, flexible and with services dedicated to e-commerce, combining the expertise of SDA express courier with the capillarity of the Poste Italiane network. Poste Delivery Business is made up of different services according to delivery speed, destination and a wide range of accessory services, to customise the delivery phase according to the customer's needs. The Reverse option (both express and standard) allows purchases to be returned to Post Offices, Punto Poste and Scegli Tu, through a proactive notification system, allowing recipients to adjust the place and date of delivery of the shipment to their needs. Finally, with the Prepaid Offer geared towards small businesses, it is possible to pay for shipments through an electronic wallet with free top-up amounts.

With regard to consumer customers, the Group has launched Poste Delivery Web, an online service that enables customers to send parcels weighing up to 30 kg anywhere in Italy and around the world in a simple, modern and flexible manner. Following registration and payment of the shipment through the website or app, those wishing to send a parcel can go to the Post Office and show the 2D code generated by the system at the time of payment, or use the paperless service, delivering the parcel directly to a courier.

In relation to the development of innovative and technologically advanced delivery services in the area of "last mile" logistics, following the acquisition of a 70% stake in the company MLK Deliveries S.p.A., the Group has integrated the Same Day and Scheduled Delivery services into its offer, the latter already operating in the main Italian cities. In addition, a home delivery service for pharmaceuticals was launched in large cities and medium-small towns, which the Group also offers in instant mode (within 90 minutes of purchase) in collaboration with Pharmap.

With the acquisition of the entire share capital of Nexive Group, finalised in January 2021, Poste Italiane secured the opportunity to consolidate the mail business and related logistics infrastructure to safeguard its sustainability. The operation leads to a strengthening of the Group's position in the market, as Nexive is the second largest postal operator in Italy, with a market share of 12% for the delivery of mail, equal to approximately 350 million volumes handled annually.

[Innovation and digitisation of processes](#)

The digital revolution undertaken by Poste Italiane in recent years has involved not only its own offer, but also its processes through the evolution of its distribution model in an omni-channel perspective that guarantees the Company the possibility to provide services in an agile manner and in step with the needs of its customers. The roll-out of the omni-channel strategy, through the extension of the physical footprint and the enhancement of digital channels, has allowed a radical inversion of its paradigms, affecting the organisation at all levels of business. In this scenario, the recent pandemic has favoured the acceleration of the shift towards business models that leverage an omni-channel strategy, supported by a liquid and open operating model that combines technological intensity, data orchestration at the service of the ecosystem and digital and customer-oriented operations. This operating model has enabled the Company to respond rapidly to changes in the market by leveraging an innovative and sustainable business model, based on digital platforms that exploit the opportunities arising from technological innovation to create new and customised products and services, opening up new channels of communication with its customers to offer a seamless experience in line with their needs.

The digital era has consecrated platform companies as disruptive and winning business models, characterised by critical success factors such as the combined use of exponential technologies, customer centricity, open and easily integrated platforms, guarantee of reliability and security, factors capable of sustaining markets during the pandemic.

In this scenario, Poste Italiane has the opportunity to become the Italian System's Distribution Platform of Choice, supporting citizens in their daily needs, fostering the growth of the productive fabric and promoting the simplification of Public Administration.

The Distribution Platform of Choice must address the emerging needs of the Country System, satisfying needs and connecting citizens, businesses and Public Administration, through a Tech Ops Liquid Engine capable of enabling business evolution, articulated in four areas.



With respect to the transformation, it should be emphasised that it is made possible only through the development of strategic partnerships that can help accelerate the digitisation of the country, assisted by a cultural change that involves all people, in a number of aspects:

- **culture:** it is necessary to establish a generative culture in which people are driven to have a strong customer orientation and continuous improvement;
- **collaboration:** adequate collaboration tools allow the creation of internal communities that evolve autonomously and generate value for the entire business ecosystem;
- **improvement:** continuous improvement must be part of the DNA of all employees in order to anticipate customer needs;
- **agile:** the adoption of agile methods, not only on the production chain, makes it possible to respond quickly to the changes that a highly digital world imposes from the outside;
- **skills:** strengthening of internal skills through the inclusion of specialised resources (e.g. architects, software engineers, etc.) to internalise skills and allow the in-house creation of strategic platforms for the business, through the establishment of specialised IT factories also located in the territory.

During the year, the Group worked to strengthen the digital sales channel, optimising the "one click to buy" purchasing process and expanding the range of products and services that can be purchased directly through the web.

At the basis of this path are a series of objectives that the Group has set itself in order to play a leading role in the country's digital transition:

- enhance the Post Office network, integrating it with B2B2C partner networks, in synergy with the strengthening of digital channels;
- optimise digital solutions, fostering inclusion and development of the digital economy, in order to meet the diverse needs of customers of all age groups;
- expand the addressable market to smart customers with data connectivity needs;
- consolidate the Company's role as a key interlocutor for the Public Administration.

BOX - The hackathon on innovation for the younger generations

In line with the actions in support of the younger generations already undertaken by the Company, a distance learning course was set up in 2020, in collaboration with the ELIS Consortium, aimed at the children of employees and the students of three schools located in socio-cultural contexts in the suburbs of Bologna, Rome and Naples-Scampia. The "Next Generation" Hackaton is an initiative aimed at providing 3rd and 4th grade students with the tools they need to develop distinctive skills for the professions of the future. About 40 students had the opportunity to challenge themselves on topics of social and business interest that can stimulate the fundamental characteristics for employability: creativity, the ability to work in a team and problem solving. The winner of the initiative was the group that presented the idea "Trova un Modo (TuM)" (Find a Way), an application that works as a container for information and tutorials with simplified reading and explanation. Following the competition, an "Innovation hub" was set up, open to participation by children of employees attending 3rd and 4th grade, with the aim of implementing the winners' idea. The course was structured in 9 meetings for a total duration of 36 hours, providing at the end, a certificate of participation for all young people involved.

During 2020, the Group developed streamlined processes that simplify customer interaction and internal operations, automating several large-scale operational processes with a view to improving and speeding up customer service.

Consolidating its territorial capillarity through digital innovation, Poste Italiane is able to connect the country in the new hybrid world



BOX - Poste Italiane and Microsoft for the Group's innovation and the country's competitiveness

In 2020, Poste Italiane and Microsoft Italia announced a partnership that aims to continue the digital transformation path started by the



Company and that promotes the provision of advanced and digital services for Italian businesses and Public Administration. The new agreement revolves around three strategic areas of collaboration. Firstly, the creation of an "Ecosystem Platform for SMEs" aimed at promoting the digital transformation of companies that drive the country's economy. The platform will provide the market with joint services from Poste Italiane and Microsoft to create local and tailored applications using simple and secure solutions. In this context, small and medium-sized organisations will be able to equip themselves with the technology they need to run their business digitally and grow, reaching new markets. In addition to offering innovative services, the two companies will help SMEs with training projects on the new digital skills required. The second aspect of the agreement establishes the development of a National Hybrid Cloud Platform that combines the pillars of Poste Italiane DataCenter architecture with Microsoft Azure cloud solutions to enable the world of private companies and Public Administration to undertake digital transformation and modernisation of public services. Thanks to the hybrid model, it is possible to define which information and applications reside in the public cloud and which remain in the private cloud, with simplified and unified management between the two worlds that will allow taking full advantage of the two approaches. This model also ensures that applications can be moved from public to private clouds and vice versa at any time, based on an ethical and secure data management policy. With this in mind, Poste Italiane and Microsoft will develop a joint offering of hybrid cloud services for small, medium and large organisations. The agreement also includes the launch of a Hybrid Cloud Competence Center to help accelerate the adoption of cloud computing solutions. The third point of the strategy focuses on the Group's digital transformation process: the adoption of Microsoft technology will allow Poste Italiane to accelerate the transformation of existing applications and create new native cloud applications with reduced development time and agile solutions to meet current and future customer needs. The Group will adopt Modern Workplace cloud platforms for collaboration and information sharing with all corporate figures in order to drive cultural change on the front of new working models, also in light of the needs that emerged with the Covid-19 emergency. A highly innovative aspect is represented by the continuous evolution of the channels of customer relations that will lead to the development of Artificial Intelligence solutions, such as the creation of chatbot services to respond more efficiently and promptly to customer requests.



Main related types of capital

DECARBONISATION OF REAL ESTATE FACILITIES AND LOGISTICS

Main types of capital	Objectives	Indicator (KPI)	Target	Baseline	Implementation status 2020	Outcome
Natural Physical/Structural	Reduce the Group's total emissions in line with the Paris Climate Agreement targets and contribute to limiting global warming to 1.5°C	tCO ₂ e	-30% by 2025	2020	New	
	Achieve Carbon Neutrality	Net tCO ₂ e	0% by 2030	2020	New	
	Reduce emissions from the postal delivery fleet	% of emissions produced	-40% by 2022	2019	-3%	
	Increase the share of environmentally friendly vehicles (electric, hybrid, low emission) of Nexive, SDA, Milkman	tCO ₂ e	-15% by 2025	2020	New	
	Increase the share of environmentally friendly vehicles (hybrid, low emission) of sender	tCO ₂ e	-8% by 2025	2020	New	
	Use of electricity from renewable sources	% of electricity consumed	≥ 98% by 2024	2020	New	
	Replace the company fleet with vehicles with reduced environmental impact	No. of company vehicles with reduced environmental impact introduced	27.800 by 2022	2019	863	
	Introduce Smart Building solutions on the Group's entire real estate assets	GWh of energy consumed	-8GWh by 2024	2020	New	
	Increase the production of GWh of renewable energy that can be used for self-consumption	GWh of renewable energy produced	+20GWh by 2024	2020	New	
	Make a large building Carbon Neutral	Carbon Neutral Buildings	0 net tCO ₂ e of a CS by 2023	2020	New	
Maintenance of ISO 14001 and ISO 50001 certifications	Corporate processes ISO 14001 and ISO 50001 certified	100% by 2021	Every year	New		

Objective achieved/
Objective achieved
and updated

Objective not achieved

Deadline for achieving the objective that has not yet expired

Environmental impacts of real estate facilities



Main related types of capital



Natural



Physical-structural

NFS

Poste Italiane Group recognises its responsibility in creating sustainable value for the communities in which it operates, where the environmental dimension is of primary importance. To this end, the Group recognises in the Group Code of Ethics its commitment to safeguarding the environment through a conscious use of resources and innovative solutions that allow for the minimisation of environmental impacts.

The Company's objective is to reduce its ecological footprint by spreading a culture of environmental protection and encouraging conscious behaviour in the use of energy, water resources and waste management

Poste Italiane, aware that high quality services and products cannot disregard compliance with environmental and energy regulations, operates in compliance with applicable laws and regulations, adhering to national, European and international sustainable development objectives.

The Company has centralised, in a single function dedicated to overseeing the areas of environmental responsibility relating to real estate assets, with the task of ensuring compliance of Group practices with current regulations regarding energy use, monitoring and measurement of consumption, identifying areas where savings can be made.

In line with the Company's ESG objectives and with a particular focus on the decarbonisation of its buildings, Poste Italiane Group has committed to a series of virtuous actions. To name a few: it has adopted electric vehicles to replace endothermic ones, and has installed the respective stations to recharge them. In addition, the Group focused on increasing the production of renewable energy sources and entered into new multi-year contracts for gas and electricity with ENI and Acea, so that the supply of electricity will continue to come from renewable sources, as in previous contracts. Aware that reducing environmental impact involves monitoring it, Poste Italiane's commitment continues with the installation of data collection tools and management platforms to control consumption and utility bills.

As of 2019, the Company has adopted an Environmental Sustainability Policy whose objective is to formalise and communicate to stakeholders the Group's commitment to reducing, where possible, the environmental impacts generated by its operating activities and in particular, those arising from the use of real estate and logistics and transport activities. The Group also sets out in the document the Principles and initiatives on environmental sustainability towards which it directs its commitment.

The Policy is structured around several Principles that set out the Company's approach to environmental sustainability. In detail: efficiency in the use of resources, innovation to support a low-carbon economy, prevention and reduction of impact, promotion of environmental culture.

Box – Poste Italiane joins the Green Deal

Poste Italiane, together with 110 other signatories, including associations, entities and companies, has joined the Manifesto "Exiting the pandemic with a new Green Deal for Italy", promoted by the Foundation for Sustainable Development. The initiative stems from the desire to relaunch the economy in a green perspective, after the significant impact of the pandemic caused by the SARS-COV-2 virus. Given the serious conditions generated by the health emergency, the Group hopes for the implementation of a new Green Deal, an ambitious European project for an advanced, decarbonised and circular economy. The Company believes that this project is the way forward for a stronger and more lasting recovery that will enhance the value of activities dedicated to decarbonisation and circularity of production, distribution and consumption models. The Manifesto, signed by its signatories, was sent to Italian and European institutions.

As proof of the attention Poste Italiane pays to reducing its environmental impact, after obtaining certification in previous years for the environmental management systems of the companies Postel S.p.A. and SDA S.p.A., in 2020, it obtained certification for the environmental management system for the processes of planning, guidance, control and coordination of Postal and Financial Services in accordance with the international UNI EN ISO 14001 standard. The certification was issued by IMQ-CSQ, one of the most authoritative accredited certification bodies at international level. The development of an Environmental Management System implemented and certified in accordance with the UNI EN ISO 14001 standard makes it possible to manage and monitor in a systematic way the environmental aspects inherent in processes, with a view to efficiency and improvement of environmental performance, and also constitutes a valid tool to support the achievement of the sustainability objectives defined by the Group. With a view to continuous improvement, the Company is planning to develop a series of initiatives for the protection of the environment, the common thread of which remains the reduction of impacts and awareness of the issue.



The objectives and principles expressed in the Environmental Sustainability Policy are implemented through the identification of three areas of intervention within which specific actions have been developed, as detailed below:

- **Reducing the environmental impact of its operations:**
 - optimisation of energy consumption and reduction of atmospheric emissions from buildings, through supply from renewable sources and investment in energy efficiency solutions, such as consumption monitoring systems, use of eco-efficient lighting systems and other low consumption electrical/electronic equipment;
 - reduction of atmospheric emissions by encouraging green modes of transport for logistics activities and personnel mobility, also by providing employees with a company fleet of hybrid and electric vehicles;
 - reduction in the consumption of materials and proper waste management, in particular through the containment of paper consumption obtained also thanks to the use of dematerialised documents and through the maximisation of the share of waste that can be recycled/reused;
 - reduction of water consumption.
- **Incorporation of environmental aspects into the products and services offered:**
 - implementation of processes to digitise the goods and services offered, in the awareness that the tool of digital innovation can potentially generate value shared between the Company and its stakeholders, helping to reduce pressures on the environment and supporting corporate profitability;
 - assessment of environmental risks and opportunities in investment decisions and in the management of insurance business with the aim of making an important contribution to the sustainable development of the country.

- **Raising the awareness of employees and third parties regarding the environmental culture:**
 - involvement of employees in programmes and initiatives aimed at protecting the natural environment and ecology, in particular through the support and active participation of Poste Italiane's corporate volunteer network;
 - support initiatives for the protection and recovery of the environmental heritage, training and information on environmental issues;
 - 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 and inefficient consumption of resources;
 - assessment of risks and environmental management methods adopted by counterparties (suppliers, business partners, other companies), in procurement processes and any extraordinary finance transactions.

In addition, with a view to environmental sustainability, the Group aims to increase the production of energy from renewable sources through the development of photovoltaic and micro-wind solutions, and to contribute to the absorption of CO₂ and other climate-changing emissions by planting green areas on Poste Italiane's land and buildings. The effectiveness of Poste Italiane's approach is verified through procedures for the periodic identification and assessment of risks inside and outside the Group, a system for reporting violations, a system of sanctions and through numerous activities of dialogue with stakeholders.

In line with the provisions of the standard, Postel S.p.A. and SDA, the two companies primarily involved in the certification process, have also defined specific environmental policies.

Quality, Environment, Health and Safety Policy of Postel S.p.A.: in which Postel S.p.A. in addition to defining the objectives underlying its business conduct, is committed to ensuring environmental protection, including the prevention of pollution and other specific commitments, through the responsible use of resources and the protection of biodiversity, relevant to its context.

Quality, Environment and Occupational Health and Safety Policy of SDA S.p.A.: in which SDA S.p.A. encloses the principles that govern and ensure proper management of issues related to environmental protection, health and safety in the workplace and quality. With reference to environmental issues, the Company is committed to the protection of the environment, with particular reference to the prevention of pollution, excessive consumption of natural resources that may result from the activities carried out and the recovery and reuse of waste produced rather than its disposal.

Box - New plantings by Poste Italiane

In 2020, Poste Italiane joined the celebration of World Environment Day, renewing its commitment to the protection of ecosystems and climate change, in line with the sustainable development objectives of the UN 2030 Agenda. For the occasion, a mapping of all the land available on the sites owned by the Company was carried out, with the aim of carrying out planting and reforestation initiatives of the most suitable tree species. In November 2020, Poste Italiane upgraded the green areas of three Lombardy Post Offices by planting 91 trees, selected from among the species most suitable for filtering the main pollutants and absorbing carbon dioxide.

With a view to adopting virtuous behaviour from an environmental 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 the following areas of intervention:

Renewable 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, the Group has planned to increase its own self-production facilities by installing photovoltaic panels on its buildings. In this regard, a European tender worth €32.2 million was awarded in 2020 for the implementation of 622 photovoltaic installations. In supplying electricity, Poste Italiane is committed to reducing its impact as much as possible. A portion of the energy is, therefore, produced by the company's own photovoltaic systems. More than 95% of the Group's requirements in 2020 were acquired through the Group company Europa Gestioni Immobiliari, with 100% from renewable sources certified through Guarantees of Origin. In 2020, the new Hub in Rome, equipped with a 220 kWp photovoltaic system, became operational and the project for the construction of photovoltaic systems on the new SDA Hub in Milan was started.

More than 95% of the Group's electricity requirement comes from 100% renewable sources, certified by Guarantees of Origin

Smart buildings. Buildings are responsible for around 60% of the energy consumed and 31% of the group's direct CO₂ emissions. In order to minimise the environmental impacts of buildings, in terms of emissions produced and resources used, Smart Building was created. The project provides a single supervision system in terms of Building and Energy Management System (Bems) and allows the integrated management of more than 2,000 Poste Italiane buildings to optimise plants and energy efficiency. This allows, on the one hand, monitoring all consumptions, on the other hand, implementing centralised automatic management based on environmental parameters to optimise consumption, maintaining optimal comfort conditions.

Energy optimisation. In terms of energy efficiency, Poste Italiane has joined the Platoon Project, financed by the European Community with funds from the Horizon 2020 programme. The project foresees the development of a digital platform that, using distributed processing and data analysis technologies for the optimised real-time management of the energy system, provides effective support to experts in the field. There are currently twelve EGE (Energy Management Expert) technicians in the company, three central and nine territorial, who have followed a certification process to acquire these skills, which guarantees their professionalism and skills on the external market as well. The aim of the analysis is not only to optimise energy use and identify behaviours that need to be changed, but also to identify opportunities to reduce maintenance requirements and service interruptions, for example through more efficient use of air conditioning and lighting systems and the use of artificial intelligence to predict maintenance work. Of the 220 Poste Italiane buildings located in the area of the Municipality of Rome, 16 have been selected as "set" for the Platoon Project test. The cooling and heating systems installed in the premises will generate data for Platoon's "smart" platform, which will suggest actions to decrease breakdown numbers and reduce maintenance costs. The same logic will concern the consumption related to the lighting of each building in order to plan optimisation actions and detect anomalies.

16 of the 220 Poste Italiane buildings in Rome selected as a "set" for the test of the "Platoon" Project

LED lighting. In 2020, Poste Italiane continued to invest in smart technologies. In particular, the Group has focused over the years on the installation of LED technology lighting. Specifically, during 2020, the Group continued the conversion to LED lighting, arriving to cover 56% of the square meters of Poste Italiane, adding 40,000 pieces compared to 2019. **~10 million invested in projects to reduce environmental impact**

Encouragement of virtuous behaviour. With a view to increasingly efficient and sustainable management of operating processes and, consequently, to reducing the amount of waste produced, the Group has launched and maintains projects for the "virtuous" reuse of assets and equipment/tools considered obsolete, but which can still have a "second life". These goods and equipment are therefore removed from the waste management cycle and "sold" to third parties for reuse.

Box - Poste Italiane at the 50th Anniversary of the "Earth Day"

The Poste Italiane Group has joined the celebration of the Earth Day, the most important international event on sustainability and environmental protection, established by the United Nations in 1970. In 2020, the event celebrated its 50th anniversary and saw Poste Italiane confirm its commitment to the combat against climate change, promoting the constant development of innovative solutions capable of protecting natural capital. The Group integrates environmental issues into its business strategy, investments, risk and opportunity analyses and, with a view to transparency and accountability, reports its environmental performance in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), with the aim of monitoring its impacts and reducing its environmental footprint in favour of a sustainable use of natural resources.

Box - Green month, Poste Italiane renews attention to environmental issues

Commitment to the environment is one of the pillars of Poste Italiane's sustainability strategy and is embodied in a series of actions implemented in the Company's day-to-day operations.

In continuity with previous years, the Green Month took place on 20 March, aimed at raising awareness of good green practices. Below is the Poste Italiane Green Month Decalogue for 2021:

**GREEN MONTH POSTE
DECALOGUE 2021**

1. Turn off lights when you do not need them and do not leave electronic devices on standby
2. Adapt lighting equipment (and not only) to efficient technologies (LED for lighting)
3. Defrost the refrigerator frequently; keep the coil clean and away from the wall so that air can circulate
4. Put the lid on the pots when boiling water and always avoid the flame being wider than the bottom of the pot
5. Maintain efficient heating/cooling systems, regulating them so as to intervene on the ambient temperature only when necessary and during the hours of presence in the home
6. Use curtains to create gaps in front of windows, window frames, external doors, and avoid leaving them closed in front of radiators
7. Give preference to the purchase of reusable products that at the end of their life cycle are fully recyclable, paying maximum attention to their proper disposal
8. Study all possible synergies and exploit the opportunities arising from intermodal mobility, taking advantage of public and shared transport such as car-sharing/car-pooling and cycling/pedestrian mobility
9. Save time, money and energy by rationally planning your trips
10. Choose the right means of transport according to needs, thanks to adequate information on the different possibilities and trying to favour the most ecological means of transport

The theme of Poste Italiane Green Month, accompanied on social media by the hashtag #meseverdeposte, for 2021 was the territory of proximity, i.e. how the relationship with what is closest to us in our neighbourhood, town or city has changed and how we have experienced it, especially in a delicate phase like this one.

The Group highlighted a series of initiatives that the Company has and is pursuing in various areas, from sustainable mobility to the development of the territory, to promote a conscious approach to environmental issues and achieve the "zero emissions" objective set for 2030.

Poste Italiane's attention to the environment extends to internal and external printing and consumables, promoting the use of certified and recyclable products. With regard to paper destined for the Group's bulk printing plants, in continuity with 2019, procurement was focused on FSC (Forest Stewardship Council) certified products for about 12,000 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, the supply of labels, packaging, forms and cartons, as well as purchases of original and re-manufactured consumables for printers, comply, where applicable, with the "Minimum Environmental Criteria". As part of the project to replace traditional virgin plastic materials with eco-sustainable materials, and as part of the broader context of reducing environmental impact and protecting ESG issues, in 2020, through competitive bidding, four framework agreements were signed for the supply of approximately 70 million adhesive pockets and envelopes for express couriers made with a percentage of recycled plastic between 60% and 70%. In line with its commitment to the use of recyclable materials, a project has been launched to replace traditional credit cards with cards made from sustainable materials, such as the new Postepay Green, 82% of which is made from polylactic acid of organic origin.

Poste Italiane pays attention to its supply chain in all the sectors in which it operates. With reference to real estate purchases, the cleaning and environmental hygiene contracts are carried out in compliance with the Green Public Procurement with the adoption of the "Minimum Environmental Criteria" (MEC) contained in Ministerial Decree dated 24/05/2012. In 2020, all tenders relating to cleaning, sanitation services and work were in compliance with the MEC. The concession contracts for catering services at the property complexes also comply with the principles of Green Public Procurement to guarantee the provision of a corporate catering service with a reduced environmental impact characterised, in terms of processes and contents, by compliance with all aspects of environmental, economic and social sustainability.

The Group rewards the supply of foodstuffs, such as BIO, IGP, DOP, sustainable fishing products, in excess of the minimum quantities prescribed by the Minimum Environmental Criteria. In this context, Poste Italiane is committed to involving in the supply chain of food products for canteens and bars also local suppliers that guarantee IGP, DOC, DOP certified products. In addition, in 2019, the Group started a process of deplasticising its company canteens with the aim of significantly reducing its impact from the use of plastic materials. The supplier register provides for a qualification system for regional areas. This system, within the framework of works contracts, specifically those for building-plant interventions, favours the presence of local labour and the supply of zero-kilometre materials. This way, the Company is able, on the one hand, to contain procurement costs and, on the other hand, to reduce its environmental impact, reducing, for example, carbon dioxide emissions.

Environmental impacts of logistics



Main related types of capital



Natural



Physical-structural

NFS

Poste Italiane, with its widespread presence throughout Italy, is aware of the distinctive role it plays in creating value within the country and the potential impact it can have in reducing environmental impacts. For these reasons, the company makes the commitment to environmental protection and the reduction of the impact of logistics one of its key points.

Poste Italiane is committed to reducing the environmental impacts of logistics, aiming for an increasingly green fleet and a reduction in CO₂ emissions

The Group's objectives in relation to reducing the environmental impact on logistics in 2020 focused on reducing CO₂ emissions by switching to more sustainable means of transport.

The Group has demonstrated its commitment to achieving this objective through the implementation of a series of activities that have led to the saving of over 12,680 tonnes of CO₂, confirming the positive trend in the reduction of polluting emissions related to home-work journeys and generating savings of approximately €9.8 million in terms of avoided external costs. The initiatives undertaken in support of sustainable mobility also contribute to raising awareness and spreading among Group employees of a new lifestyle aimed at reducing environmental impact.

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 plan model relating to the green development of the corporate fleet and the "Joint Delivery" plan. With regard to the plan to make the company fleet increasingly "green", Poste Italiane has purchased 663 electric tricycles and installed the relevant recharging points. In addition, Poste Italiane was awarded the procurement contract for the purchase of 5,000 Euro 5 thermal tricycles, which will be introduced in 2021.

The green fleet thus reaches 14.2% of the total fleet of Poste Italiane: there are about 2,800 bifuel non-electric cars and vans and about 2,000 low-emission motorcycles. The interventions are in line with the goal of reaching 27,800 by 2022 to reduce fleet emissions by 40%.

The "Fleet Management" function set up in January 2019 for the purpose of indicating, managing and organising corporate strategies in the vehicle sector, is responsible for defining and ensuring governance, guidelines and suitable tools to obtain the best services relating to the entire vehicle fleet of Poste Italiane and Group Companies.

BOX - Poste Italiane's commitment to sustainable mobility

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 personnel, 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. Poste Italiane believes that managing the systematic travel of its employees is a key element in reducing negative externalities. With this in mind, the Group undertakes to monitor, on an annual basis, the environmental impact generated by home-work journeys.

The "PostePedala" campaign was launched on an experimental basis in 2020. This initiative is aimed at Poste Italiane Group employees who are regular users of bicycles for home-work journeys and belong to the Rome office. The initiative aims to raise employee awareness of the use of bicycles for home-work journeys, promoting the creation of a community of bikers.

The model proposed by the Company as part of the "Joint Delivery" plan makes it possible to radically rethink the delivery network and the operating model thanks to the implementation of the new delivery style, which involves moving from a single network structure to a structure with two networks, which differ in terms of mode, delivery frequency and type of product handled. This reduces the number of kilometres travelled for traditional delivery activities and reduces the need for a rolling fleet.

11.7 million km saved
thanks to the reduction in
"unnecessary" travels

The joint venture established in 2020 between Poste Italiane and sender, European leader in the digitisation of freight transport, has as its primary objective the efficiency of transport and the reduction of the environmental impact of logistics. Thanks to the use of 10% LNG (liquefied natural gas) vehicles, it has been possible to reduce CO₂ emissions by 7,300 tonnes.

7,300 tonnes
of carbon dioxide saved by LNG
vehicles

During 2020, a year marked by a global pandemic and lockdowns with physical store closures, online sales and delivery proved to be the best allies. In fact, even in the reality of Poste Italiane, e-commerce and the consequent delivery of parcels have seen a significant increase compared to previous years. The agreement signed between Poste Italiane and the startup Milkman had precisely the objective of increasing the level of home delivery service and make it suitable to the needs of the final consumer. Deciding together with the recipient the day of delivery, and having the possibility to reschedule in case of unforeseen circumstances, saves time and unnecessary trips, which also saves fuel.

BOX – Poste Italiane in Green Postal Day 2020

Poste Italiane participated in the second edition of the "Green Postal Day", an initiative organised by the International Post Corporation to enhance the contribution of postal operators to the reduction of CO₂ emissions and the global combat against climate change. In 2020, IPC (the innovative technology services company to which 25 postal operators worldwide belong) dedicated Green Postal Day to the work done by postal operators during the Covid-19 emergency to ensure the delivery of mail and parcels, in light of the formidable development of e-commerce during the pandemic, while ensuring maximum attention to sustainability and reduction of environmental impact.



With regard to the supplier selection process, Poste Italiane wanted to integrate criteria that would allow indirect environmental impact to be monitored. The Company verifies the technical and professional suitability of its suppliers by requesting, for qualification purposes, the possession of specific requirements, including the composition and type of vehicles in the fleet. Among the mandatory requirements for hauliers on all vehicles used to perform services, it is required that the fleet meets European standards on pollutant emissions with a class not lower than EURO6 and that the semi-trailers boxed or tarpaulin XL provided with TIR cable are equipped with GPS detection system capable of transmitting all the findings on the position of the vehicles.

BOX - The True Value of the Fleet Renewal Plan

Aware of the "ecological footprint" generated by a delivery service that covers the entire national territory in a widespread manner, in 2019, the Group wanted to take a significant step forward, committing to implementing a Renewal Plan that provides for the replacement, by 2022, of the entire vehicle fleet with new generation models with electric, hybrid and endothermic propulsion with low emissions. The Plan also provides for the replacement of two-wheeled vehicles with tricycles and quadricycles, 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 motorcycles).

The new vehicles will guarantee a reduction of energy consumption, lower emissions into the atmosphere, greater safety and greater load capacity for delivery. In order to measure the value generated by the introduction of the new fleet vehicles, Poste Italiane has adopted a method of assessing investments that combines the traditional financial perspective with a sustainability perspective, with a view to integrated strategic planning that enables the creation of shared value between the Company and the local area. This methodology involves quantifying the economic, environmental and social impacts that a given project or activity generates for the company and the community. Subsequently, these impacts are monetised through the use of financial proxies available in literature, in order to lead them back to a homogeneous unit of measurement (monetary) and allow, therefore, an overall representation of the value generated.

Once identified, the impacts were measured and quantified in monetary terms through financial proxies. The following figure represents the results of the analysis in the form of the "True Value bridge", i.e. the graphical representation of the net impacts of the Green fleet compared to a traditional fleet. The positive values represent avoided costs, while the negative values represent additional costs generated by the green fleet compared to the fleet as-is.



According to the calculated model, the new green fleet will generate value for the community (True Value) equal to

+€25 million compared to the traditional fleet, during its total period of operation. In particular, 80% is represented by damages avoided thanks to the lower environmental impacts of the green fleet compared to the as-is fleet resulting from the 40% reduction in CO₂ emissions, equivalent to 2,500 fewer cars in circulation. The remaining 20% is the sum of costs avoided due to the reduced road congestion and increased safety

provided by the new vehicles. Electric tricycles and quadricycles, in fact, being smaller in size, will be able to move more easily in traffic, not generating impacts on road congestion and may lead to a lower accident rate and fewer injuries.

When purchasing logistics services, the Group pays particular attention to sustainability issues, selecting and rewarding suppliers in line with the environmental, social and governance issues that the Poste Italiane Group promotes. In particular, for transport services there is a score that rewards eco-sustainability for suppliers who provide vehicles with lower CO₂ emission classes.

For footwear and Personal Protective Equipment, products are required to comply with the relevant "Minimum Environmental Criteria" and offers that aim at recyclable packaging are valued in terms of the technical score assigned. In addition, in line with the services mentioned above, in the procurement of technological systems for parcels and letters, offers with low energy consumption in use are valued.

In a global scenario where, in the early stages of the pandemic, personal protective equipment was hard to come by, Poste Italiane made every effort to create an *ad hoc* logistical supply network, setting up distribution channels around the world to ensure an adequate and continuous supply of protective equipment for its employees.



Main related types of capital

SUSTAINABLE FINANCE

Main types of capital

Financial

Objectives	Indicator (KPI)	Target	Baseline	Implementation status 2020
Gradual inclusion of an ESG component in Poste Vita investment products	% of Poste Vita products with ESG elements	100% by 2024	2020	New
Increase BancoPosta Fondi SGR investments involving the integration of ESG criteria	% of total AUM of Funds in placement with: • benchmark composed of ESG Indices for the Funds with benchmark; • investment policies involving specific criteria for selection of financial instruments related to ESG factors for Funds without benchmark.	50% by 2022	2019	14.6%
Monitoring of the carbon footprint of investment portfolios	% of active management	100% by 2021	2020	New
New insurance protection/coverage offer for green buildings	No. of insurance products for green buildings	Product launch and dissemination on the market by 2021	2020	New
Promote the financial inclusion of the most vulnerable social categories (risk of non-self-sufficiency and Senior customers)	Development of offers for the most vulnerable social groups	Product launch by 2021	2020	New
Promote the proposal of protection coverage on investment policies aimed at mitigating the risks to customers' health, reducing the socio-economic impact of such events	% of new life products offered to mass and affluent customers that provide coverage for serious illness and permanent disability	100% by 2021	2020	New
Monitor the ESG ratings of the issuers present in directly managed portfolios	% of issuers under ESG monitoring	100% by 2020	2019	100%
Development of an offer dedicated to people with fragility	Development of offer for people with disabilities	Development of the market offer by 2022	2020	New
Request third-party managers to adopt Poste Vita's Responsible Investment Policy	% of third-party managers involved	100% by 2020	2019	100%
Development of a new health offer dedicated to employees and retirees of Poste Italiane Group members of Poste Italiane Fund	No. of products defined	Definition of a product by 2020	2019	Definition and sharing of the structure of a product

Outcome



Objective achieved/
Objective achieved and updated

Objective not achieved

Deadline for achieving the objective that has not yet expired

Over the years, sustainable finance has taken on a progressively central role within the financial sector, leading to the introduction of new mechanisms aimed at promoting investments in products and projects that have the benefit of generating positive impacts for society.

In January 2021, Morningstar ranked BancoPosta Fondi SGR among the **top 50 European asset managers** in the "small" category

BOX - The new EU Regulation 2019/2088

The Group has implemented the provisions and adapted its operations to the rules of the new EU Regulation 2019/2088 on ESG transparency, applicable from 10 March 2021. The aforementioned Regulation aims to standardise the information provided to customers on sustainability risks and the promotion of environmental, social and governance factors in investment activities, placing an obligation on intermediaries who provide advisory services to provide pre-contractual and ongoing information to end investors on ESG profiles.

In this regard, Poste Italiane, which for years has been committed to integrating ESG criteria into the investment processes of Poste Vita and BancoPosta Fondi SGR, applies sustainability principles to all the sectors in which it operates, including the financial sector. The Group firmly believes in the sustainable investment market, aware that, through the implementation of effective investment processes, the asset management and insurance sectors can help protect society, promote innovation and support economic growth.

Poste Italiane incorporates ESG criteria into its investment decisions, promoting the sustainable economic and social development of the Group and the entire national economy

With this in mind, since 2019, Poste Vita and BancoPosta Fondi SGR have been signatories to the Principles for Responsible Investments (PRI), the international network of investors, promoted by the United Nations, which aims to raise awareness among economic operators of the need to incorporate environmental, social and governance issues within their investments, proposing a long-term vision in the interests of the signatories, the economy, the environment and society. By adhering to the six PRI principles, the Group has made a formal commitment to integrate ESG issues into its policies, analysis and investment decision-making processes. Poste Italiane is convinced that the inclusion of these issues in investment processes is necessary to pursue sustainable long-term performance, reduce portfolio risk and act with transparency and integrity.

Sustainable finance is instrumental in mobilising capital to achieve sustainable goals in the international arena, and also contributes to sustainable recovery from the impacts of the Covid-19 pandemic.



Poste Vita and BancoPosta Fondi SGR
signatories of the **Principles for Responsible Investment** since 2019



In this regard, during 2020, Poste Italiane strengthened its commitment to responsible finance issues, joining the group of investors who signed the open letter for a sustainable recovery, addressed to European leaders. Promoted by PRI, CDP, UNEPFI and the Investor Agenda network of investors committed to climate change, the initiative aims to promote a sustainable recovery from the health emergency through the implementation of actions and projects in favour of the transition to a zero-emissions economy, in line with the achievement of the European Union's goal of having a neutral impact on the climate by 2050.

In 2020, **BancoPosta Fondi SGR** approved the new version of the **Guideline on the exercise of voting rights and engagement activities**, implementing the Italian Principles of Stewardship for the exercise of administrative and voting rights in listed companies promoted by **Assogestioni**



BOX - Poste Italiane adheres to the Investor Statement on Coronavirus Response

In the context of the crisis linked to the Covid-19 pandemic, the PRI has promoted an open letter addressed to the business community asking them to adopt corporate welfare measures with the aim of mitigating the social effects of the health emergency. Poste Italiane Group, through Poste Vita and BancoPosta Fondi SGR, together with 335 other international asset owners and asset managers, representing around 9,500 billion dollars in assets, has joined the Investor Statement on Coronavirus Response initiative, which represents the first collective move by investors worldwide. With this adhesion, in line with the Sustainable Finance strategy, the Company intends to reaffirm its commitment to the social dimension of sustainability, which takes place starting from the maintenance of employment levels, the protection of health and safety of employees and customers, sustainable financial management and the provision of paid leave, in support of the people of the Company and the reference communities.

Both companies consider it essential to adhere to internationally shared principles and standards that serve as guidelines for defining their approach as responsible investors. These memberships enable BancoPosta Fondi SGR and Poste Vita to take part in important initiatives on the topic of integrating ESG criteria into investment processes, offering an important opportunity for dialogue and the sharing of best practices among the main players in the sectors in which they operate. Among the various is Access to Nutrition Index, an important initiative to raise awareness in the sector to address the dual global nutritional challenge of over-nutrition and malnutrition, in line with the UN's sustainable development goals.

BOX - European Alliance for a Green Recovery: Poste Italiane on site for the construction of green investment plans

In line with its environmental sustainability strategy, through its subsidiaries, Poste Vita and BancoPosta Fondi SGR, the Group has joined the initiative promoted by the PRI, joining the appeal made by EU member states, business leaders, researchers and non-governmental organisations in support of a Green Recovery Plan. For Poste Italiane, the investments required for economic recovery must trigger a more resilient, protective and inclusive economic model: all requirements that call for an economy built around green principles. Poste Vita and BancoPosta Fondi SGR have therefore joined the European Alliance for a Green Recovery, launched by the European Parliament's Committee on the Environment, to promote the construction of green investment plans together with more than 50 business leaders in the financial and insurance sectors and investment funds from 10 European countries. Poste Italiane recognises the importance of aligning economic recovery with ecological transition and is committed to proposing the investment solutions needed to relaunch the economy in a green perspective, in line with the Paris COP21 agreement.

The responsible investment policies adopted by BancoPosta Fondi SGR and Poste Vita envisage the principle of assessing investments by analysing the environmental, social and governance profiles of the various issuers of assets in the portfolio and the related managers. In this way, the Group aims to manage its investments in a sustainable and effective manner and, at the same time, provide a prompt response in line with the environmental and social needs of the communities in which it operates. In this regard, the same policies provide for the exclusion, from the panorama of potential investments, of issuers directly involved in the production of weapons banned by the UN Conventions and which violate fundamental humanitarian principles, such as depleted uranium, anti-personnel mines, biological weapons, cluster bombs, blinding lasers, incendiary weapons, white phosphorous, invisible fragmentation weapons and chemical weapons. In addition, the two Group companies have respectively adopted a guideline governing investments in sensitive sectors. The documents define measures to identify, assess and monitor exposure to activities that present a relevant intrinsic risk from an ESG point of view, guiding the integration of environmental, social and governance aspects into investment processes. In particular, the guidelines are part of the identification of sensitive activities and sectors from the ESG point of view, defining specific and detailed investment processes, with specific reference to issuers involved in fossil fuels, coal, animal testing and human rights violations.

Box - Climate Action 100+

In line with its decarbonisation strategy and in implementation of the guidelines for the exercise of voting rights and engagement activities and for investment in sensitive sectors, the Poste Italiane Group, through its subsidiaries Poste Vita and BancoPosta Fondi SGR, has joined Climate Action 100+, an unprecedented international collaborative engagement initiative to raise awareness of climate change issues among the world's largest greenhouse gas emitters. The initiative focuses on the issues of climate risk and biodiversity loss for businesses and aims to mitigate the effects of climate change caused by key economic sectors. BancoPosta Fondi SGR participates as a "collaborating investor" in dialogue with Kinder Morgan, a company identified as a target for engagement, among those currently available within the initiative, on the basis of the Guideline for investment in sensitive sectors, because it is involved in the area of fossil fuels. In general, the objective is to make European investments more ambitious and appropriate to the challenge of an ecological and climate transition that rests on three cornerstones: climate ambition to increase the share of climate funding in the Recovery Fund, stringent climate criteria to guide investments and a list of exclusion of anti-climate activities not to be funded.

ESG monitoring

As part of their Responsible Investment Policies, BancoPosta Fondi SGR and Poste Vita provide for a detailed and structured process of monitoring investments in their portfolios, aimed at analysing the ESG profiles of the assets present. Through the principles and processes adopted, the two Group companies pursue the objective of structuring an overall ESG profile on their investments that is in line with industry best practices, through assessments carried out by specialised external and internationally recognised info-providers. In this regard, the long-term collaboration entered into with Vigeo Eiris, a world-renowned ESG rating agency specialising in social and environmental issues, provides for BancoPosta's and Poste Vita's portfolios to undergo periodic ESG analysis to assess their degree of social responsibility, and carbon footprint, with the aim of mitigating any risks. These assessments are carried out in line with internationally

The portfolios of BancoPosta Fondi SGR and Poste Vita are periodically subjected to ESG analysis to assess their degree of social responsibility, and carbon footprint, with the aim of mitigating any risks

recognised standards, guidelines and norms, disseminated by organisations such as the UN, the ILO and the OECD, and cover both corporate issuers and country issuers.

BOX – Monitoring the ESG profiles of the investment portfolio



For the Poste Vita Group, the weighted average ESG score for the investment portfolio in 2020 was 51/100 for corporate issuers and 77/100 for country issuers. The results obtained are higher than the ESG performance of the reference benchmarks, Ishares MSCI World ETF equal to 39/100 for corporate investments (equity + corporate bonds) and *Universo Paesi* by Vigeo Eiris equal to 59/100 for government investments, confirming the high quality of the Group's investments in terms of sustainability. With respect to the CFET (Carbon Footprint Energy Transition) analysis, the weighted average carbon footprint of its portfolio was 4,509,271 tCO₂e, with an Energy Transition score of 51/100 for corporate issuers. Both indicators exceed the level of the benchmark Ishares MSCI World ETF (4,964,124 tCO₂e, score 40/100). Finally, the CFET of government investments was 429,327,492 tCO₂e.



With reference to BancoPosta Fondi SGR, the weighted average score for the portfolios relating to the company's direct and indirect asset management (€120 billion of assets) was 51/100 for corporate issuers and 77/100 for country issuers. BancoPosta Fondi SGR also scored higher than the ESG performance of its reference benchmarks, Ishares MSCI World ETF at 39/100 for corporate investments (equity + corporate bonds) and *Universo Paesi* by Vigeo Eiris at 59/100 for government investments. This result confirms, once again, the high level of quality of the Group's investments in the field of sustainability. Compared to the CFET analysis, the weighted average carbon footprint of the Company's direct and indirect management portfolios (€120 billion of assets) was 4,686,804 tCO₂e, with an Energy Transition score of 50/100 for corporate issuers. Both indicators resulted in a higher score than the benchmark Ishares MSCI World ETF (4,964,124 tCO₂e, score 40/100). The CFET of government investments, on the other hand, is 429,327,492 tCO₂e.

ESG Products

Green Funds

The current Poste Vita portfolio includes the investment in the Real Estate fund called Diamond Eurozone Office (DEO), which 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. Poste Vita also exclusively holds the Diamond Core Fund, a real estate investment fund the underlying asset of which is a LEED Gold certified property and which has received a credit line classified as "Green Loan", as well as the first green loan in the Italian real estate sector. In addition, there are currently investments in funds of institutional investors with strong orientation towards environmental sustainability: a particular mention should be made of the Tages Helios fund, specialising in investments in the photovoltaic sector, the F2i III fund, managed by the first operator in Italy in the production of energy from renewable sources, and the Ambienta II fund, the investment policy of which is strictly inspired by the criteria of limiting the impact on pollution and efficiency in the use of resources by target companies.

Finally, an investment insurance product has also been introduced in the insurance sector, the internal insurance fund of which is managed according to a benchmark with a marked ESG index component: in particular, 20% of equity investments are managed with an index that aims at a significant reduction in carbon emissions compared to the global level, with a view to transition to a low emission economy.

Best-in-class ESG funds

Poste Investo Sostenibile was launched in January 2020, the new socially responsible mutual fund whose basket of securities on which it 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.

With regard to Assets under administration, in July and November 2020, Poste Italiane participated in the placements of the BTP Futura linked to the Italian GDP trend and launched as part of the measures adopted by the Government to deal with the health emergency from Covid-19.



The Group has also developed a new product called "Postefuturo Investimenti", with a view to ensuring greater flexibility for its customers in investment transactions. The solution represents an asset management built in collaboration with Moneyfarm, a leader in investment management, and provides for seven different lines of investment with no commissions, ensuring accessibility to the offer also to users with reduced spending capacity. With reference to the product, the Company promoted the PAC (Accumulation Plan) service, as well as customer profiling and re-profiling in accordance with the MiFID directive. In addition to the above products, within the asset management segment, distribution also began of two new mutual funds that have the potential to contribute to the growth and well-being of the country, namely "BancoPosta Focus Digital 2025", a re-edition of the fund of the same name, which focuses on the potential of the information technology and robotics sectors, for which Anima SGR is the managing agent, and "BancoPosta Rinascimento", a PIR (Individual Savings Plan) fund that enables investors to take advantage of the opportunities offered by the Italian real economy.

Within the insurance industry, there is a growing interest in managing risks related to environmental, social and governance aspects. The reasons are attributable to the importance given to the correct and effective implementation of risk management processes also by operators in the sector, who through their work have the opportunity to protect the community and contribute to the sustainable development of society, providing their contribution to the progress of the country. Poste Vita is aware of this potential and has decided to integrate it into its business through a series of principles, objectives and processes contained within its Responsible Insurance Policy. This Policy describes the Company's approach to the management of risks and opportunities relating to ESG factors within traditional insurance processes. As proof of this commitment, since 2019, the Poste Vita Group has been a signatory to the Principles for Sustainable Insurance promoted by the United Nations, the signing of which formally commits the Company to including sustainability criteria relevant to the insurance sector in its decision-making processes, also initiating paths of collaboration with customers and partners to increase awareness on the scope and promoting synergies with bodies and institutions with the aim of determining widespread and cohesive action on ESG issues. This approach enables Poste Vita to gain a competitive advantage in operational and reputational terms, leading to the creation and dissemination of value for its stakeholders and the country as a whole.

The Poste Vita Group signatory to the
Principles for Sustainable Insurance



PSI
Principles for Sustainable Insurance

Through its actions and principles, the Poste Vita Group aims to become a model of commitment to the dissemination of a sustainable culture within the insurance industry

The Company Policy sets out the principle of the systemic assessment of environmental, social and economic context variables that have a potential impact on people, with the aim of guaranteeing adequate management of the risks involved with a view to business continuity in the long term. This approach enables Poste Vita to take advantage of all the opportunities that emerge from market scenarios and enable the development of innovative and sustainable insurance products with social and environmental impacts. In order to guarantee the concrete effectiveness of its initiatives, the Policy also includes articulated management and monitoring processes through the definition of predetermined roles and tools.

The path taken has led Poste Italiane Group to take first place in the world ranking for brand reputation drawn up by Brand Finance for the insurance sector in 2020. The Brand Strength Index (BSI) indicator, which measures the effectiveness of the Company's image and reputation and analyses management and investments that influence the brand, customer proximity, employee satisfaction and economic return, awarded Poste Italiane the overall top score of 85.5 and a corresponding

Overall leadership of Poste Italiane for
the Brand Strength Index (BSI), with a
score of 85.5 and a rating of AAA



rating of AAA. The result achieved reflects the quality of the insurance product and service offering and the speed of adaptation and resilience the Company has shown in dealing with new challenges and unexpected needs related to the global health emergency from Covid-19.

Insurance products with social and environmental value

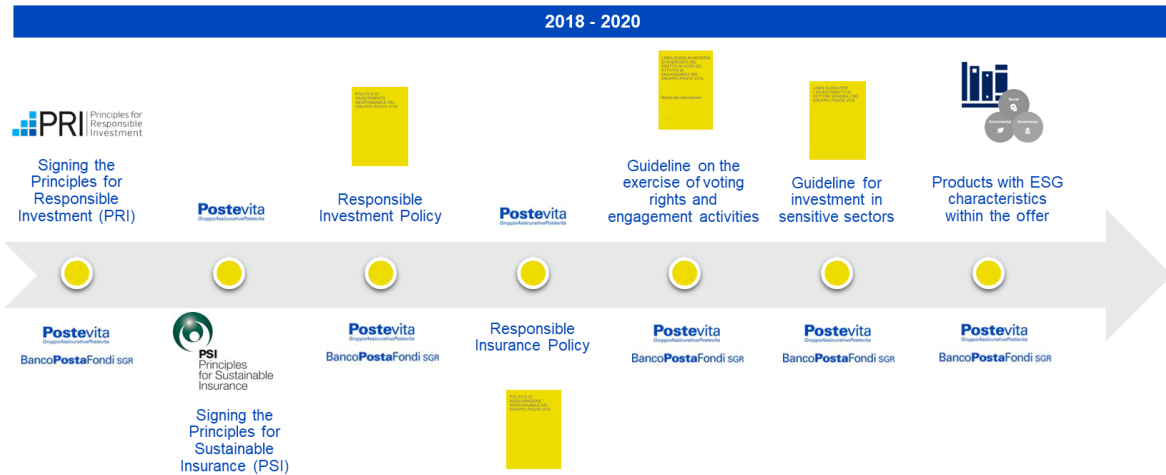
In defining and marketing its products, Poste Vita pursues the objective of enhancing the social role of insurance protection and making it more inclusive by facilitating its affordability, in line with its corporate objectives. In order to pursue this aim, the Company develops insurance solutions that, on the one hand, encourage the adoption of sustainable and responsible behaviour by its policyholders and, on the other, are functional to the mitigation of ESG risks. When developing its offering, Poste Vita is committed to including more vulnerable social groups that need greater attention, such as younger and older people, and people with particular illnesses. Specifically, in the area of individual pension plans, Poste Vita offers special complementary forms, accessible also to the younger generations, who find themselves having to fill a substantial pension gap, reducing the difference between the expected basic compulsory pension and what is needed to guarantee a decent standard of living. Among the insurance products most popular with customers is the "Poste Vivere Protetti" product, which continued to operate throughout 2020 and aims to provide an integrated, modular solution for protection, assistance and services in the areas of personal, property and assets. In this regard, during the year, the BancoPosta App extended its functionality to include a section dedicated to protection policies distributed by Poste Assicura. In this way, with a view to perfecting the service, all policyholders have the possibility of viewing the summary of the characteristics of the insurance product subscribed to, of activating additional services, such as requesting partial or total redemption before maturity, or of requesting settlement of a policy nearing maturity. In addition, the Group has adapted its go-to-market model to meet the standards of the "new normal", by adopting a model of remote consultancy via telephone contact, aimed at the placement of Class 1 life policies, which was subsequently extended to the distribution of postal savings products. This option, appropriately combined with the offering at Post Offices, offers a multi-channel approach that reinforces and simplifies customer relations, and provides an alternative for customers who are more exposed to Covid-19 risk and for whom it is appropriate to limit their physical presence at post offices.



During the year, The Poste Vita Group continued the evolution of the Multi-class range with the launch of "Poste Nuovi Progetti Futuri", which provides access to the opportunities offered by the financial markets through a gradual approach. In July 2020, the offering was further enhanced with the development of "Poste Progetti Futuri Dinamica", a new multi-class policy dedicated to Affluent customers.

BOX – Poste Progetti Futuri Dinamica

In the area of insurance products, July 2020 saw the launch of the new multi-class policy, "Poste Progetti Futuri Dinamica", which provides gradual access to markets, with the aim of safeguarding customers' investment returns from market volatility by including responsible investment options in accordance with Environmental, Social and Governance (ESG) criteria. The product offers a wide range of investment profiles to choose from, based on the customer's return expectations, risk appetite and investment time horizon. The Premium invested is distributed in a predefined starting combination consisting of 100% in the PostaValore Più Separate Internal Account and 0% in the Poste Vita Soluzione Sostenibile Internal Insurance Fund, the new ESG fund. Poste Vita carries out automatic monthly transfers for a maximum of 18 months, as a result of which the investment without guaranteed return or repayment of the capital allocated to the Internal Fund increases and the investment in the Separate Internal Account decreases (gradual reallocation). At the end of the service, the investment will be divided according to the Predefined Target Combination consisting of 40% in the PostaValore Più Separate Account and 60% in the Poste Vita Soluzione Sostenibile Internal Insurance Fund.





INDICATORS TABLES

NFS

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, divided in the 8 Pillars of the Group's Strategy.

[GRI 102-7] Widespread presence ^(*)

	2018		2019		2020	
	Category	Personnel	Category	Personnel	Category	Personnel
Operation Area Managers	6	26	6	19	6	19
Branch offices	64	730	67	740	66	798
Total	70	756	73	759	72	817

^(*) The figures refer to the Group company, SDA S.p.A.

[GRI 102-7] Widespread presence ^(*)

	2018		2019		2020	
	Category	Personnel	Category	Personnel	Category	Personnel
Local Operating Centres	10	519	10	498	10	534

^(*) The figures refer to the Group company Postel S.p.A.

[GRI 201-1] Economic value generated, distributed and retained

	2018	2019	2020
Economic value generated (€m)			
Economic value generated by the Group	10,863	11,182	10,628
Economic value distributed (€m)			
Economic value distributed to stakeholders	9,418	9,634	9,382
- Suppliers	3,118	2,742	2,994
- Personnel	5,584	5,608	5,249
- Lenders	43	51	53
- Public Administration	92	624	447
- Community	5	7	7
- Shareholders	576	602	632
Economic value retained (€m)			
Economic value retained within the Group	1,445	1,548	1,246

Integrity and transparency

[GRI 205-1] Companies assessed for risks related to corruption^(*) and coverage^(**) of operations audited for risks related to corruption

	2018	2019	2020
Total number of Group companies assessed for risks related to corruption	18	16	16
Total number of Group companies	25	25	24
Percentage of Group companies assessed for risks related to corruption	72	64	66
Percentage of operations audited for risk of corruption ^(***)			
High coverage	68	87	86
Medium coverage	19	13	9
Low coverage	13	-	5

^(*) Assessment of Group companies for risks related to corruption was conducted as part of the survey carried out in drawing up the Organisation, Management and Control Model required by Legislative Decree no. 231/2001.

^(**) Coverage represents the overall percentage of operations audited.

^(***) The figures refer to Poste Italiane S.p.A.

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

	2018	2019	2020
Reports handled	230	214	274
of which relating to corruption	7	4	3 ^(*)
of which confirmed	-	-	-
of which in-depth relating to corruption	-	1	-

^(*) For reports in this area, 3 of them have been assessed as potentially relevant to corruption; in particular, 3 reports were found to be unfounded, 1 was exposed with reference to 31 December 2019 and closed in 2020.

Cases of bribery and corruption and corrective actions

Number of cases of bribery and corruption and corrective actions	u.m.	2018	2019	2020
Cases of corruption and bribery	No.	-	-	-

Specific training on procedures and policies of anti-corruption

	2018	2019	2020
Total workforce	40,060	73,081	80,529
of which:			
Executives	471	441	428
Middle managers	6,383	11,944	12,413
Operational staff	33,206	60,696	67,688

Existing tenders which incorporate specific environmental criteria^(*)

	2018	2019	2020 ^(**)
Percentage of suppliers selected on the basis of environmental criteria	34.1	49.1	75.9

^(*) 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, FSC certification, etc.).

^(**) For 2020, the scope of the figure includes Poste Italiane and Group companies, net of the newly acquired sender Italia and MLK Deliveries, since, following the in-depth analyses conducted and the findings regarding procurement models, the figure - for reporting purposes - is not applicable, as it does not comply with the consolidated indicator, scope and criteria. 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 2020 index increased by 26.8 percentage points compared to 2019.

Existing tenders which incorporate specific social criteria ^(*)

	2018	2019	2020 ^(**)
Percentage of suppliers selected on the basis of social criteria	45.5	57.7	74.1

^(*) 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, measures to combat Covid-19, adoption of ethical codes of conduct, etc.).

^(**) For 2020, the scope of the figure includes Poste Italiane and Group companies, net of the newly acquired sender Italia and MLK Deliveries, since, following the in-depth analyses conducted and the findings regarding procurement models, the figure - for reporting purposes - is not applicable, as it does not comply with the consolidated indicator, scope and criteria. 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 2020 index increased by 16.4 percentage points compared to 2019.



[GRI 301-1] Materials used by weight or volume

Type of materials/ raw materials (Kg)	2018	2019	2020 ^(**)
Renewables	29,862,153	29,210,299	28,856,114
Paper	23,739,303	21,676,215	17,563,176
Cardboard	2,303,294	2,896,414	4,033,481
Wood	3,819,556	4,637,670	7,259,458
Non-Renewables	2,205,485	2,446,097	3,019,096
Plastic	1,793,553	1,928,405	2,576,816
Ink/toner	59,784	61,146	35,172
Glues	6,465	6,061	4,022
Other ^(*)	345,683	450,485	403,086
Total	32,067,638	31,656,396	31,875,211

(*) The item "Other" contains the following materials: labels, bags and seals, parcel string and security bags.

(**) For 2020, there is a reduction in the volumes of paper, inks/toners and glues due to the digitisation process and the consequent downturn in the printing business; similarly, consumables in use in offices are affected by the restrictive measures adopted to contain the Covid-19 emergency.

Procurement of wood, cardboard and plastic increased, in correlation with the growth of volumes in the e-commerce area.



Anti-competitive practices

Total sanctions	u.m.	2018	2019	2020
Sanctions for anti-competitive practices/antitrust infringements	€	-	-	5,000,000

Suppliers with an ISO 14001 or EMAS certified environmental management system

Percentage of suppliers	u.m.	2019	2020
Percentage of qualified suppliers with an ISO 14001 or EMAS certified environmental management system	%	49.1	75.9

[GRI 207-4] Reporting of information of a fiscal nature^{(*) (**)}

Fiscal data (€m)	2018	2019	2020
Revenue from sales to third parties	29,717	32,760	30,019
Revenue from intra-group transactions with other tax jurisdictions	-	-	-
Profits/losses before tax	1,490	1,872	1,576
Tangible assets other than cash and cash equivalents	2,129	2,199	2,330
Income taxes defined on a cash basis ^(***)	318	232	796
Corporate income taxes accrued on profits/losses	91	530	370

^(*) Poste Italiane Group falls under Italian jurisdiction.

^(**) The figures refer to the following entities: Poste Italiane S.p.A., Poste Vita S.p.A., BancoPosta Fondi SGR S.p.A., Europa Gestioni Immobiliari S.p.A., Consorzio Logistica Pacchi SCPA, SDA Express Courier S.p.A., Postel S.p.A., Postepay S.p.A., Consorzio Per I Servizi Di Telefonia SCPA, Poste Air Cargo S.r.l., Poste Assicura S.p.A., Patentiva Poste SCPA, Consorzio Poste Motori, Poste Welfare Servizi S.r.l., Poste Insurance Broker S.r.l., MLK Deliveries S.p.A., sender Italia S.r.l..

^(***) For 2020, the difference is essentially due to two macro phenomena: 1) application of the Patent Box benefit in 2020 on the basis of the conclusion of agreements with the Revenue Agency; 2) permanent effect of the redetermination of the ACE.

People development

[GRI 102-8] Number of personnel by contract type and gender, by Strategic Business Unit (*)

Contract type	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent(**)	55,980	66,819	122,799	54,174	65,362	119,536	51,366	62,775	114,141
of which:									
Mail, Parcels and Distribution	55,256	66,122	121,378	53,512	64,691	118,204	50,784	62,123	112,907
Financial Services	252	258	510	234	230	463	246	231	476
Insurance Services	276	273	549	261	281	542	207	269	476
Payments and Mobile	197	165	362	167	161	327	130	152	282
Flexible(***)	5,681	3,858	9,539	4,216	2,693	6,909	5,898	3,544	9,442
of which:									
Mail, Parcels and Distribution	5,680	3,857	9,537	4,211	2,688	6,899	5,898	3,542	9,440
Financial Services	-	-	-	-	-	-	-	1	1
Insurance Services	1	1	2	4	5	9	-	1	1
Payments and Mobile	-	-	-	1	-	1	-	-	-
Total	61,661	70,677	132,338	58,390	68,055	126,445	57,264	66,319	123,583

(*) The figures are shown in Full Time Equivalent (FTE) terms.

(**) Includes permanent personnel and apprenticeships.

(***) Includes fixed-term and agency staff.

[GRI 102-8] Number of personnel by type of employment and gender, by Strategic Business Unit (*)

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-time	60,166	66,748	126,914	56,680	63,884	120,564	55,636	62,194	117,830
of which:									
Mail, Parcels and Distribution	59,441	66,076	125,517	56,015	63,235	119,250	55,055	61,563	116,618
Financial Services	251	246	497	233	218	451	245	221	466
Insurance Services	277	265	542	265	274	539	207	260	467
Payments and Mobile	197	161	358	167	157	324	129	150	279
Part-time	2,737	6,507	9,244	3,113	6,847	9,960	2,948	6,798	9,746
of which:									

Mail, Parcels and Distribution	2,736	6,471	9,207	3,111	6,811	9,922	2,946	6,768	9,714
Financial Services	1	18	19	1	16	17	1	14	15
Insurance Services	-	12	12	-	15	15	-	13	13
Payments and Mobile	-	6	6	1	5	6	1	3	4
Total	62,903	73,255	136,158	59,793	70,731	130,524	58,584	68,992	127,576

(^c) The figures refer to the headcount.

Distribution of employees by educational qualification (^c)

	2018	2019	2020
University degree (%)	12.9	15.1	17
High School Diploma (%)	70.8	70.3	69.2
Middle School certificate (%)	16.1	14.5	13.7
Elementary School certificate (%)	0.1	0.1	0.1
Total (%)	100	100	100

(^c) The percentages have been calculated for permanent personnel in Head Count.

Number of participants in development programmes

Development programme	2018	2019	2020
Assessment of potential	427	400	190
Mentoring and coaching paths	109	136	374
Skills development and innovation	481	1,895	105
Total	1,017	2,431	669

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

Category	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	26	27	26	43	46	44	45	52	47
Middle managers	60	77	68	68	83	75	83	103	92
Operational staff	16	22	20	30	37	34	34	45	40
Total workforce	22	28	25	35	42	39	41	51	46

Average training days per employee

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Average training days provided to employees	3.7	4.6	4.2	5.9	7.0	6.5	6.8	8.4	7.7

Hours by type of training^(*)

Type of training	2018	2019	2020
Management	77,200	33,700	37,000
Technical – specialist	966,700	1,875,200	2,584,400
Compliance	2,357,000	3,159,400	3,253,500
Total	3,400,900	5,068,400	5,874,900

^(*)The figures have been rounded in line with the figures reported last year.

Training programmes and career development

Training and development programmes	2018	2019	2020
Full Time Equivalent (FTEs)	132,338	126,445	123,583
Average hours of training and development	25.85	40.25	47.61
Total expenditure on training and development programmes (€)	6,322,559	7,709,433	7,020,250
Average expenditure on training and development programmes (€)	48	61	57
Percentage of positions filled through internal hiring (%) ^(*)	72	39	35

^(*) The percentage of positions filled through internal hiring refers to the Parent Company.

Total number of new hires by gender^(*)

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
New hires by gender	608	516	1,124	3,157	2,148	5,305	1,153	1,023	2,176
Percentage of new hires by gender	54	46	100	60	40	100	53	47	100

^(*) The figures are shown in Full Time Equivalent (FTE) terms.

[401-2] Benefits provided to full-time employees that are not provided to temporary or part-time employees

Financial benefits	2018				2019				2020			
	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
Life insurance		YES (*)		YES (*)		YES (*)		YES (*)		YES (*)		YES (*)
Health Assistance	YES (**)	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

	2018	2019	2020
Total turnover rate (%) ^(*)	4.80	7.30	6.90
Voluntary turnover rate (%) ^(*)	4.20	6.80	6.30
Average cost of FTEs hired (€) ^(**)	34,900	36,300	36,200

^(*) 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 5.0 for 2018, 7.5 for 2019 and 7.2 for 2020. 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 4.4 for 2018, 7.0 for 2019 and 6.6 for 2020.

^(**) 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 ^(*)

	2018	2019	2020
Disputes with employees	956	489	533

^(*) Periodic trends show a slight increase to the extent of approximately 9% in litigation and in fact, 533 new disputes were recorded during the reporting period compared to 489 cases in 2019. On the "establishment of the employment relationship" front, there has been a significant increase. In fact, new disputes, all referring to Poste Italiane S.p.A., amounted to 122 (26 in 2019), of which 72 disputes related to fixed-term contract and 32 for Temporary Work. With regard to the "performance of employment relations", 313 disputes were lodged in 2020, of which 309 related to Poste Italiane S.p.A. There was a 12% decrease in this area compared to 2019 (357 cases). Finally, regarding "termination of employment", 98 new disputes arose, of which 93 related to Poste Italiane. Also in this area, there was a slight decrease in the amount of approximately 7% compared to 2019 (106 cases).

[GRI 403-8] Workers covered by an occupational health and safety management system

Employees covered by the system ^(*)	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of employees covered by the system	61,320	72,394	133,714	58,571	70,145	128,716	57,328	68,410	125,738
% employees covered by the system	98	99	99	99	99	99	99	99	99

(*) Total number of employees covered by an occupational health and safety management system.

Employees covered by the system ^(*)	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of employees covered by the system	60,557	72,104	132,661	58,341	70,006	128,347	57,223	68,349	125,572
% employees covered by the system	97	99	98	98	99	99	99	99	99

(*) Total number of employees covered by an occupational health and safety management system that is internally audited.

Employees covered by the system ^(*)	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of employees covered by the system	4,242	4,022	8,264	4,813	4,237	9,050	57,213	68,344	125,557
% employees covered by the system	7	6	6	8	6	7	98	99	99

(*) Total number of employees covered by an occupational health and safety management system that has been audited or certified by an independent third party (e.g. in line with ISO 45001).

Non-employees covered by the system ^(*)	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of non-employees covered by the system	751	73	824	816	261	1,077	1,461	297	1,758
% of non-employees covered by the system	100	100	100	100	100	100	100	100	100

^(*) Total number of non-employees covered by an occupational health and safety management system.

Non-employees covered by the system ^(*)	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of non-employees covered by the system	366	46	412	452	246	698	533	255	788
% of non-employees covered by the system	49	63	50	55	94	65	36	86	45

^(*) Total number of non-employees covered by an occupational health and safety management system that is internally audited.

Non-employees covered by the system ^(*)	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of non-employees covered by the system	481	35	516	560	224	784	678	247	925
% of non-employees covered by the system	64	48	63	69	86	73	46	83	53

^(*) Total number of non-employees covered by an occupational health and safety management system that has been audited or certified by an independent third party (e.g. ISO 45001 certified).



[GRI 403-9] Occupational accidents



Occupational accidents including Covid-19 cases

Employees	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Injuries^(*)	4,000	4,349	8,349	3,777	4,229	8,006	3,547	3,851	7,398
of which:									
at work	3,431	3,385	6,816	3,250	3,373	6,623	3,185	3,325	6,510
whilst travelling	569	964	1,533	527	856	1,383	362	526	888
Fatalities	7	2	9	5	-	5	19	3	22
of which:									
at work	5	1	6	5	-	5	18	2	20
whilst travelling	2	1	3	-	-	-	1	1	2
Occupational accidents with severe consequences	1,178	1,315	2,493	1,036	1,192	2,228	965	1,072	2,037
of which:									
at work	977	970	1,947	850	913	1,763	838	871	1,709
whilst travelling	201	345	546	186	279	465	127	201	328
Total number of hours worked	93,136,110	102,157,148	195,293,259	90,873,004	101,412,859	192,285,863	82,616,388	91,067,228	173,683,616
Rate of deaths resulting from occupational accidents	0.05	0.01	0.03	0.06	0.00	0.03	0.22	0.02	0.12
Rate of occupational accidents with severe consequences^(**)	10.49	9.50	9.97	9.35	9.00	9.17	10.14	9.56	9.84
Rate of occupational accidents that can be registered^(***)	36.84	33.14	34.90	35.76	33.26	34.44	38.55	36.51	37.48

(*) With respect to 2020, the total number of injuries is influenced by employees who contracted the Covid-19 virus, to the extent of 953 men and 1,089 women, for a total of 2,042 events considered as occupational injuries.

(^{*)} A work-related accident that leads to an injury from which the worker cannot recover, does not recover or cannot realistically be expected to recover fully and return to the pre-accident state of health within six months. Deaths are excluded.

(^{***}) no. of workplace accidents/hours worked * 1,000,000. The rate is calculated for permanent and flexible personnel.



Absenteeism rate including Covid-19 cases

Number of employee absences by type

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Illness	680,216	915,29	1,595,509	642,08	900,62	1,542,706	812,28	1,181,694	1,993,97
		3		1	5		4		8
Injury	122,408	140,36	262,774	115,21	133,99	249,216	123,11	134,636	257,747
		6		7	9		1		
Stress	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
(specify)									
Hospitalisation/ Convalescence									
Absenteeism rate (^{*)}	4.60	5.14	4.89	4.21	4.93	4.60	5.45	6.48	6.00

(^{*)} no. of days of absence due to illness and injury/working days * 100. The rate is calculated for permanent personnel only and does not include executives.

Occupational accidents net of Covid-19 cases

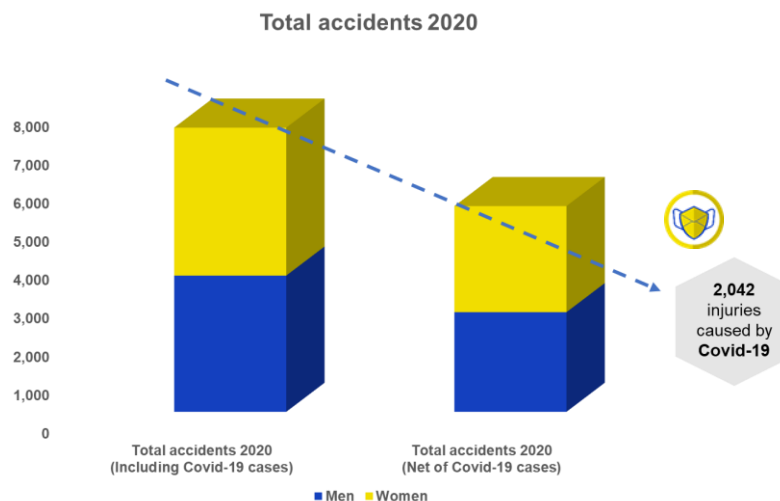
Employees	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Injuries(^{*)}	4,000	4,349	8,349	3,777	4,229	8,006	2,594	2,762	5,356
of which:									
at work	3,431	3,385	6,816	3,250	3,373	6,623	2,232	2,236	4,468
whilst travelling	569	964	1,533	527	856	1,383	362	526	888
Fatalities	7	2	9	5	-	5	3	2	5
of which:									
at work	5	1	6	5	-	5	2	1	3
whilst travelling	2	1	3	-	-	-	1	1	2
Occupational accidents	1,178	1,315	2,493	1,036	1,192	2,228	758	833	1,591

with severe consequences									
of which:									
at work	977	970	1,947	850	913	1,763	631	632	1,263
whilst travelling	201	345	546	186	279	465	127	201	328
Total number of hours worked	93,136,1	102,157,1	195,293,	90,873,0	101,412,8	192,285,	82,616,3	91,067,2	173,683,
	10	48	259	04	59	863	88	28	616
Rate of deaths resulting from occupational accidents	0.05	0.01	0.03	0.06	0.00	0.03	0.02	0.01	0.02
Rate of occupational accidents with severe consequences (**)	10.49	9.50	9.97	9.35	9.00	9.17	7.64	6.94	7.27
Rate of occupational accidents that can be registered(***)	36.84	33.14	34.90	35.76	33.26	34.44	27.02	24.55	25.72

(ⁱ) With respect to 2020, the total number of injuries does not consider employees who contracted the Covid-19 virus, to the extent of 953 men and 1,089 women, for a total of 2,042 events considered as occupational injuries.

(ⁱⁱ) A work-related accident that leads to an injury from which the worker cannot recover, does not recover or cannot realistically be expected to recover fully and return to the pre-accident state of health within six months. Deaths are excluded.

(ⁱⁱⁱ) no. of workplace accidents/hours worked * 1,000,000. The rate is calculated for permanent and flexible personnel.



Absenteeism rate net of Covid-19 cases

Number of employee absences by type

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Illness	680,216	915,293	1,595,509	642,081	900,625	1,542,706	710,757	1,033,470	1,744,228
Injury	122,408	140,366	262,774	115,217	133,999	249,216	91,373	98,251	189,624
Stress	-	-	-	-	-	-	-	-	-
Other (specify)	-	-	-	-	-	-	-	-	-
Hospitalisation/Convalescence	-	-	-	-	-	-	-	-	-
Absenteeism rate ^(*)	4.60	5.14	4.89	4.21	4.93	4.60	4.67	5.57	5.16

(*) no. of days of absence due to illness and injury/working days * 100. The rate is calculated for permanent personnel only and does not include executives.

Occupational accidents of non-employees

Non-employees	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Injuries	49	17	66	116	44	160	87	23	110
of which:									
at work	42	11	53	105	30	135	85	14	99
whilst travelling	7	6	13	11	14	25	2	9	11

Fatalities	-	-	-	-	-	-	-	-	-
of which:									
at work	-	-	-	-	-	-	-	-	-
whilst travelling	-	-	-	-	-	-	-	-	-
Occupational accidents with severe consequences	10	-	10	-	-	-	-	-	-
of which:									
at work	6	-	6	-	-	-	-	-	-
whilst travelling	4	-	4	-	-	-	-	-	-
Total number of hours worked	2,363,41	725,47	3,088,89	5,965,22	701,54	6,666,77	6,773,97	798,14	7,572,12
	9	6	5	4	9	3	8	6	4
Rate of deaths resulting from occupational accidents	-	-	-	-	-	-	-	-	-
Rate of occupational accidents with severe consequences	2.54	-	1.94	-	-	-	-	-	-
Rate of occupational accidents that can be registered	17.77	15.16	17.16	17.6	42.76	20.25	12.55	17.54	13.07



Accidents by type that include Covid-19 cases

Employees	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Falls from a motorcycle	978	571	1,549	990	605	1,595	741	412	1,153
Accident involving a Company vehicle	340	305	645	423	335	758	296	237	533
Hit by a car	20	20	40	7	18	25	9	7	16

Accident with a private vehicle	32	36	68	20	37	57	16	21	37
Fall and/or awkward movement	1,047	1,394	2,441	841	1,338	2,179	593	958	1,551
Physical attacks	276	335	611	300	348	648	186	212	398
Manual load handling	182	116	298	163	148	311	91	73	164
Robbery	96	111	207	66	87	153	21	53	74
Crushing/bruising	169	165	334	363	371	734	249	231	480
Other causes ^(*)	291	332	623	77	86	163	983	1,121	2,104
Total	3,431	3,385	6,816	3,250	3,373	6,623	3,185	3,325	6,510

^(*) With respect to 2020, the figure considers employees who contracted the Covid-19 virus, to the extent of 953 men and 1,089 women, for a total of 2,042 events considered as occupational injuries.

Accidents by type net of Covid-19 cases

Employees Injuries by type	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Falls from a motorcycle	978	571	1,549	990	605	1,595	741	412	1,153
Accident involving a Company vehicle	340	305	645	423	335	758	296	237	533
Hit by a car	20	20	40	7	18	25	9	7	16
Accident with a private vehicle	32	36	68	20	37	57	16	21	37
Fall and/or awkward movement	1,047	1,394	2,441	841	1,338	2,179	593	958	1,551
Physical attacks	276	335	611	300	348	648	186	212	398
Manual load handling	182	116	298	163	148	311	91	73	164
Robbery	96	111	207	66	87	153	21	53	74
Crushing/bruising	169	165	334	363	371	734	249	231	480
Other causes ^(*)	291	332	623	77	86	163	30	32	62
Total	3,431	3,385	6,816	3,250	3,373	6,623	2,232	2,236	4,468

^(*) With respect to 2020, the figure does not consider employees who contracted the Covid-19 virus, to the extent of 953 men and 1,089 women, for a total of 2,042 events considered as occupational injuries.

Non-employees Injuries by type	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Falls from a motorcycle	6	0	6	5	0	5	3	0	3
Accident involving a Company vehicle	20	1	21	14	1	15	39	1	40

Hit by a car	0	0	0	0	0	0	0	0	0
Accident with a private vehicle	1	0	1	1	0	1	3	0	3
Fall and/or awkward movement	3	0	3	0	0	0	5	0	5
Physical attacks	0	0	0	0	0	0	0	0	0
Manual load handling	8	10	18	7	26	33	6	9	15
Robbery	0	0	0	0	0	0	0	0	0
Crushing/bruising	4	0	4	2	0	2	6	0	6
Other causes	0	0	0	76	3	79	23	4	27
Total	42	11	53	105	30	135	85	14	99

Employees trained on Health and Safety issues

	2019	2020
Total employees trained on Health and Safety issues	60,065	39,315

Number of cases of non-compliance with labour standards

	2019	2020
Number of cases of non-compliance with labour standards	-	-

Diversity and inclusion

[GRI 405-1] Composition and breakdown of Poste Italiane S.p.A.'s Board of Directors by gender and age^(*)

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Board of Directors	5	4	9	5	4	9	5	4	9
< 30 years old	-	-	-	-	-	-	-	-	-
30 – 50 years old	-	2	2	-	2	2	-	1	1
> 50 years old	5	2	7	5	2	7	5	3	8
Board of Directors (%)	55.6	44.4	100	55.6	44.4	100	55.6	44.4	100
< 30 years old	-	-	-	-	-	-	-	-	-
30 – 50 years old	-	50	22.2	-	50	22.2	-	25	11
> 50 years old	100	50	77.8	100	50	77.8	100	75	88.9

(*) The figures refer to the headcount.

[GRI 405-1] Classification of employee by category, gender and age group^(*)

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	506	167	673	515	160	675	519	159	678
< 30 years old (%)	-	-	-	-	-	-	0.2	-	0.2
30 – 50 years old (%)	36.2	40.1	37.1	38	39	39	35	40	36
> 50 years old (%)	63.8	59.9	62.9	62	61	61	65	60	64
Middle managers	8,154	7,045	15,199	7,816	6,897	14,713	7,763	6,945	14,708
< 30 years old (%)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
30 – 50 years old (%)	37.3	39.4	38.3	41	42	42	45	44	44
> 50 years old (%)	62.4	60.4	61.4	58	58	58	55	56	55
Operational staff	53,001	63,465	116,466	50,059	60,998	111,057	48,982	59,215	108,197
< 30 years old (%)	7.8	4.4	6.0	9	5	7	11	6	8

30 – 50 years old (%)	42.5	46.3	44.6	44	46	45	46	46	46
> 50 years old (%)	49.7	49.3	49.5	46	49	48	42	48	46
Total	61,661	70,677	132,338	58,390	68,055	126,445	57,264	66,319	123,583

(¹) 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

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Personnel with disabilities	4,126	2,420	6,546	3,669	2,312	5,981	3,383	2,202	5,585

Diversity

Women in the workforce by category (%) (¹)

	2018	2019	2020
Management positions	30.3	30	31.9
Top management(²)	19.7	20.2	17.3
Junior management(³)	32.1	31.6	33.6
Revenue-generating functions (⁴)	31.4	32.4	32

(¹) The percentages regard the presence of women in formally designated organisational roles within Poste Italiane and Group Companies.

(²) Includes first and second level personnel within Poste Italiane, the chief executive officers and general managers of the main Group companies and personnel reporting directly to them.

(³) Includes managers other than Top Management.

(⁴) Includes organisational roles within the Post Office Network (MP) and Business and Public Administration functions (MIPA).

[GRI 404-3] Percentage of employees who receive regular performance appraisals, by gender and category(¹)

Category (%)	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	92	97	93	93	99	95	96	100	97
Middle managers	98	98	98	98	98	98	99	98	99
Operational staff	87	91	89	84	89	87	83	89	86
Total	88	91	90	86	90	88	85	90	88

(¹) Data reported refer to permanent personnel, the exclusion of flexible personnel 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 Poste Air Cargo, as it is not possible to make a comparison of professional levels due to contract differences. The 2020 figures also do not include approximately 7,700 personnel

who “cannot be assessed” due to a lengthy absence from work (over 6 months). These resources are, however, included in the process of assigning annual objectives for the coming year.

[GRI 412-1] Operations subject to human rights assessment

	2018	2019	2020
Group companies			
Number of Group companies subject to human rights assessment	25	25	24
Total number of Group companies	25	25	24
Total percentage of Group companies subject to human rights assessment	100	100	100

Support for local communities and the Country as a whole

[GRI 203-1] Corporate giving and/or corporate citizenship initiatives⁶⁸

Type of service (€000)	2018	%	2019	%	2020	%
Donations (*)	146.5	3	760.8	12	213	5
Investments in communities (**)	1,400.4	26	2,508.9	39	760.8	20
Commercial initiatives (***)	3,860.2	71	3,180.7	49	2,938.9	75
Total	5,407.1	100	6,450.5	100	3,912.7	100
Breakdown by purpose (€000)						
Sales initiatives	3,860.2	71	3,180.8	49	2,938.9	75
Social-cultural initiatives	1,546.9	29	3,269.8	51	973.8	25
of which:						
Art, culture and education (€000)	806.5	15	1,475.3	23	180.2	4
Well-being and social inclusion (€000)	450.5	8	1,152.1	18	532.4	14
Training and knowledge development (€000)	289.9	5	642.4	10	261.2	7

(*) 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

	2018	2019	2020 ^(*)
Settlements discussed regarding retail postal products	795	654	753
of which settled (%)	89	86.7	88.45
Settlements discussed regarding business postal products	98	115	387
of which settled (%)	88	96.52	93
Settlements discussed regarding BancoPosta products	553	219	166
of which settled (%)	43	62.1	72.9
Settlements discussed regarding PosteMobile products	53	40	43
of which settled (%)	85	80	86

⁶⁸ Expenditure on corporate giving and corporate citizenship in 2020 amounted to more than €1,500,000.

Settlements discussed regarding IRS real estate fund (no. of applications)			
	-	-	-
of which settled (%)	-	-	-
Total settlements discussed	1,499	1,568	1,709
of which settled (%)	72	73.98	85.14

^(*) In 2020, the procedure on Retail Postal products and that on Business Postal products stand out, recording more cases discussed than in 2019, +15% and +236% respectively, while there is a decrease in the Bancoposta procedure (-24%).

[FS14] ATMs for inclusion

ATM	2018	2019	2020
ATMs equipped with touchpads for the visually impaired and the blind	7,279	7,728	7,958
of which:			
ATM with voice guidance	6,307	7,020	7,384
Total	7,279	7,728	7,958

[FS14] Post Offices for cultural integration

Post Offices	2018	2019	2020
Mono-ethnic	2	2	2
Multi-ethnic	25	27	27
Number of customers served	3,297,724	3,399,110	2,322,361
Total transactions carried out	5,518,522	5,511,870	3,514,631

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

New retail current accounts openings	2018	2019	2020
Percentage of young current account holders (under 35)	24.9	24.2	27
Percentage of senior current account holders (over 65)	23.8	25.9	24.7
Percentage of current account holders who are "new Italians"	17.9	16.4	16.4
New standard Postepay cards ^(*)			
Percentage of young current account holders (under 35)	35.7	28.8	23.6
Percentage of senior current account holders (over 65)	7.6	9.4	11.6
Percentage of current account holders who are "new Italians"	12.3	9.5	8.4

New Postepay Evolution cards ⁽¹⁾

Percentage of young current account holders (under 35)	46.4	42.7	37.4
Percentage of senior current account holders (over 65)	5.6	6.9	9.4
Percentage of current account holders who are "new Italians"	22.1	20.1	20.7

⁽¹⁾ For Postepay Standard and Evolution cards, renewals during the year are excluded.

Customer experience

Customer experience in Post Offices

	2018	2019	2020 ^(*)
Average waiting time in Post Offices (minutes)	9.57	10.95	8.3
Customer served within 15 minutes (%)	80.6	77.9	84.35
Customer satisfaction with waiting times (1-10)	8	8	7.8
Customer satisfaction with overall post office experience	8.7	8.7	8.4

^(*) The figures relating to "Average waiting time in Post Offices" and "Customers served within 15 minutes", with reference to 2020, refer only to the first two months of the year as, due to the global health emergency, the Company has changed the way people can access Post Offices, in line with applicable regulations, in order to guarantee their health and safety.

Customer complaints by type^(*)

	2018	2019	2020 ^(**)
Post Offices			
Complaints received	10,323	11,698	9,176
Average response time (days)	21	11	14
Mail			
Complaints received	89,596	98,119	54,188
Average response time (days)	20	19	22
Parcels			
Complaints received	108,372	186,234	123,571
Average response time (days)	17	12	19
Financial Services			
Complaints received	96,410	123,901	136,217
Average response time (days)	9	4	6
Insurance Services			
Complaints received	2,975	2,938	7,056
Average response time (days)	12	13	28
Investigations initiated by the Insurance Regulator	169	185	300
Poste Mobile			
Mobile telephone complaints received	16,045	17,750	8,430
Average response time (days)	4	6	2
Fixed line complaints received	939	1,110	1,191
Average response time (days)	10	3	4

^(*) The figures on complaints relate to open cases requiring back-office intervention.

^(**) In logistics, with the exception of Recorded Mail, there has been an improvement in complaint rates for all products (including Parcels). In the financial sector, the complaints phenomenon mainly refers to cases of non-recognition of online transactions. With reference to the insurance sector, the increase is linked to the settlement of premiums and identification of the beneficiary.

Number of contacts handled^(*)

Contact Centre	2018	2019	2020
Number of contacts handled (mln)	24	28	33

^(*) The upward trend in 2020 is due to the growth in contacts on digital payment services. The use of technology with artificial intelligence has enabled easier and more efficient management of the number of contacts.

Customer satisfaction ^(*)

Satisfied customers (%)	2018	2019	2020
Satisfied customers following Customer Experience surveys	81.4	82.7	82.1
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.

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

	u.m.	2018	2019	2020
Monthly complaints received	No.	27,055	36,813	28,319

Resources invested in business continuity plan^(*)

	2018	2019	2020
Investments (€m)	7.8	4.2	2
Drills ^(**)	4	4	3
People involved	180	180	162
Mainframe services (open services being processed) covered by disaster recovery plans (%)	100	100	100

^(*) The figures refer to Poste Italiane S.p.A., PostePay S.p.A. and BancoPosta Fondi S.p.A. SGR.

^(**) Drills 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. The health emergency imposed a different way of conducting disaster recovery exercises, moving from in-person to remote working management.

[GRI 418-1] Privacy violations and data leaks

	2018	2019	2020
Total number of complaints received regarding violations of privacy	22	50	57
of which:			
complaints received from third parties and recognised by the organisation	22	49	57
complaints received from regulatory bodies	-	1	-
Breaches, data theft and leaks of customer data identified	205	321	468

IT Security and Cybersecurity breaches

IT incidents and breaches	2018	2019	2020 ^(*)
Total number of IT security breaches/cybersecurity incidents	16	33	74
Total number of IT security breaches involving customers' data	9	7	6
Total amount of fines /penalties paid in relation to IT security breaches or other IT security incidents (€)	-	-	-

^(*) 2020 counts an increased number of incidents by about 124%, compared to the figure recorded in 2019. This increase is attributable to the adoption of semi-automated processes and procedures to detect the compromise of credentials of Poste Italiane employees used primarily remotely. These events are the result of the large-scale adoption of agile working, due to the emergency situation at hand. The number of incidents related to credential compromise, detected during monitoring carried out by the IT security units, represents about 80% of the total incidents detected during the year. 93% of security incidents are attributable to the Parent Company, due to the large number of assets and services present, and the process of centralising IT services.

Number of customers involved in IT security breaches

Customers involved in IT security breaches	u.m.	2019	2020 ^(*)
Number of customers involved in IT security breaches	No.	755	3,789

^(*) The number of users impacted in 2020 is mainly related to a single event, attributable to the company Poste Welfare Servizi.

Innovation

Number of digital services offered (figures in millions)

	2018	2019	2020
Customers registered on Poste Italiane's digital channels (websites and apps)	17.6	20.8	27.1
Digital identities issued	2.6	4.1	12.2
Postepay apps downloaded	8.5	11.2	14.4
BancoPosta apps downloaded	4.1	6.1	8.3
Post Office apps downloaded	3.1	4.6	6.8
PosteID apps downloaded	2.5	4.8	13.8
PosteMobile apps downloaded	3.4	4.1	4.8
Transactions carried out via consumer digital channels (websites and apps)	47.9	57.1	90.3

Dematerialisation of procedures and corresponding transactions

Type of procedure ^(*)	2018		2019		2020	
	No. of procedures	% dematerialised	No. of procedures	% dematerialised	No. of procedures	% dematerialised
Certificates	1,643	92	1,958	94	1,828	96
Current accounts	359	93	327	93	376	94
Savings Books	773	94	746	94	629	95
Postepay Evolution	1,715	97	1,519	98	2,129	97
Full Acquiring	-	-	13	4	17	4
Life insurance policies	540	79	739	82	592	93
Non-life policies	-	-	149	76	147	88
MiFID	3,292	83	3,320	87	1,909	92
Poste Mobile	955	78	1,123	82	857	82
Guided consultation	-	-	1,436	79	1,214	89
Loans	-	-	177	78	391	88
Funds	-	-	-	-	119	85
Total procedures^(**)	9,277	88	11,507	88	10,209	92

^(*) Figures in thousands.

^(**) Absolute total volumes of files handled declined from the figure recorded in 2019 due to the state of national health emergency. There has been an increase in the percentage of dematerialisation.

In the PostePay area, the dematerialisation of Postepay Standard, Junior and IO Studio was activated. In addition, the dematerialisation of Funds was initiated during 2020.

Corresponding transactions	2018	2019	2020
Total transactions (€m)	33.5	33.1	29.9
Total electronic transactions (€m)	32.4	32.0	29.1
Dematerialised transactions (%)	96.7	96.8	97.4

Decarbonisation of real estate facilities and logistics

[GRI 302-1] Internal Group energy consumption ^(*)

	2018	2019	2020
Consumption of fuel from non-renewable sources (GJ)	2,034,554	2,180,838	2,417,825
of which:			
LPG	31,381	32,033	28,578
Diesel	807,178	857,792	774,974
Natural gas ^(**)	695,450	677,286	828,820
Jet fuel	343,341	403,770	543,464
Petrol	157,205	209,956	241,990
Consumption of energy from non-renewable sources (GJ)	93,603	84,183	80,411
of which:			
Thermal energy (district heating)	20,862	23,122	27,164
Electricity supplied by the National Grid	72,741	61,061	53,247
Consumption of energy from renewable sources (GJ)	1,742,370	1,697,666	1,536,576
of which:			
Self-produced photovoltaic electricity	5,907	5,521	6,213
Certified guarantee of origin electricity	1,736,463	1,692,145	1,530,362
Total energy consumption (GJ)	3,870,527	3,962,688	4,034,811
of which:			
from renewable sources	1,742,370	1,697,666	1,536,576
from non-renewable sources	2,128,157	2,265,022	2,498,235

^(*) Includes energy consumed by real estate and in road transport logistics and airmail. Source of factors used in conversion to GJ: GHG Protocol and DEFRA 2020 Guidelines.

^(**) The 2018 and 2019 values have been updated following a refinement of the reporting system. The trend, decreasing in the last two years, shows a slight increase in 2020, partly due to the effects caused by the Covid-19 global health emergency.



[GRI 302-2] External Group energy consumption

	2018	2019	2020
Total external Group energy consumption ^(*) (GJ)	1,774,660	2,270,147	2,384,452
of which:			
Diesel	1,395,456	1,881,742	2,168,237
Petrol	-	-	29
Natural gas	-	-	64
LPG	113	101	174
Jet fuel	379,090	388,304	215,948

^(*) The target set for 2020 is 1,698,000 GJ (471,800 MWh) for total energy from renewable sources (internal and external) and 4,488,000 GJ (1,365,000 MWh) for total energy from non-renewable sources (internal and external).

[GRI 303-3] Water withdrawals^(*)

	2018 ^(***)	2019 ^(***)	2020 ^(***)
Total water withdrawals (MI) ^(**)	1,926.462	1,955.768	1,824.983
of which:			
Surface water	-	-	-
Groundwater	1.23	5.935	3.963
Sea water	-	-	-
Produced water	-	-	-
Third-party water resources	1,925.232	1,949.833	1,821.019

^(*) The management of water discharges is entrusted to third parties who are currently unable to determine the quantity of water used by the Company for recycling.

^(**) The target set for 2020 is 1,963 mega litres.

^(***) The figures for the years 2018 and 2019 have been updated following refinement of the reporting system.

	2018		2019		2020	
	Freshwater (≤1,000 mg/l total dissolved solids) (*)	Other water types (>1,000 mg/l total dissolved solids)	Freshwater (≤1,000 mg/l total dissolved solids)	Other water types (>1,000 mg/l total dissolved solids)	Freshwater (≤1,000 mg/l total dissolved solids)	Other water types (>1,000 mg/l total dissolved solids)
Total water withdrawals (MI)	-	-	-	-	1,824.983	0
of which:						
Surface water	-	-	-	-	0	0
Groundwater	-	-	-	-	3.963	0
Sea water	-	-	-	-	0	0
Produced water	-	-	-	-	0	0
Third-party water resources	-	-	-	-	1,821.019	0

(*) Water with a total dissolved solids concentration of 1,000 mg/l or less.

Wastewater reporting

Water discharges (m³)	2018^(*)	2019^(*)	2020^(*)
Total wastewater	1,926,462	1,955,768	1,824,983

(*) The figures for the years 2018 and 2019 have been updated following refinement of the reporting system.

[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)

	2018	2019	2020
Direct emissions - Scope 1^(*) (tCO₂e)	139,125	148,077	159,308
of which:			
LPG	1,914	1,959	1,828
Diesel	57,154	59,979	55,044
Natural gas ^(****)	44,968	43,452	46,817
Jet fuel	25,020	29,205	39,376
Petrol	10,068	13,483	16,243
Indirect emissions – Scope 2 (tCO₂e) ^(**)	11,601	10,317	9,257
of which:			
Thermal energy	1,972	2,053	2,365
Electricity	9,629	8,264	6,892
Indirect emissions - Scope 3 (tCO₂e) ^(****)	126,440	156,202	169,656
of which:			
Diesel	98,808	131,575	153,993
Natural gas	-	-	4
Petrol	-	-	2
LPG	6.9	6.2	11.1
Jet fuel	27,626	24,621	15,646

^(*) The emission factors used to convert fuels into CO₂e are as follows: LPG for 2018 1.51 kg CO₂ e/l (source DEFRA 2018), for 2019 1.52 kg CO₂ e/l (source DEFRA 2019) and for 2020 1.56 kg CO₂ e/l (source DEFRA 2020). Diesel for 2018 2.63 kg CO₂ e/l (source DEFRA 2018), for 2019 2.69 kg CO₂ e/l (source DEFRA 2019) and for 2020 2.54 kg CO₂ e/l (source DEFRA 2020). Natural gas for 2018 2.04 kg CO₂ e/m³ (source DEFRA 2018), for 2019 2.03 kg CO₂ e/m³ (source DEFRA 2019) and for 2020 2.02 kg CO₂ e/m³ (source DEFRA 2020). Petrol for 2018 2.2 kg CO₂ e/l (source DEFRA 2018), for 2019 2.21 kg CO₂ e/l (source DEFRA 2019) and for 2020 2.17 kg CO₂ e/l (source DEFRA 2020). The target set for 2020 is 142,600 tCO₂e.

^(**) Poste Italiane acquires renewable energy guarantee of origin certificates for approximately 95% of its electricity consumption. The GRI Sustainability Reporting Standards envisage two calculation methods for Scope 2 emissions – the location-based method and the market-based method. The market-based method (the method used by Poste Italiane) is based on CO₂ emissions emitted by the energy suppliers from which, via a contract, the organisation purchases electricity (in this case renewable energy guarantee of origin certificates), and for the remaining 5%, emission factors from the national electricity grid (emission factor for market-based method calculation: for 2020, 0.466 Kg CO₂ e/kWh, source: European Residual Mixes 2019, for 2019 0.487 Kg CO₂ e/kWh, source: European Residual Mixes 2018, for 2018, 0.476 Kg CO₂ e/kWh, source: European Residual Mixes 2017). Conversion factors used to convert thermal energy into CO₂e: for 2018, 0.18 Kg CO₂ e/kWh, for 2019, 0.17 Kg CO₂ e/kWh and for 2020, 0.17 Kg CO₂ e/kWh. The target set for 2020 is 10,600 tCO₂e.

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 2018 amount to 183,486 tCO₂e, in 2019, 177,855 tCO₂e and in 2020, 150,168 tCO₂e (emission factor for the location-based method calculation: 0.336 Kg CO₂ e/kWh, source: ISPRA 2020).

^(****) The emission factors used to convert fuels into CO₂e are as follows: Jet fuel for 2018 2.54 kg CO₂ e/l (source DEFRA 2018), for 2019 2.21 kg CO₂ e/l (source DEFRA 2019) and for 2020 2.54 kg CO₂ e/l (source DEFRA 2020).



(****) The 2018 and 2019 values have been updated following a refinement of the reporting system. The trend, decreasing in the last two years, shows a slight increase in 2020, partly due to the effects caused by the Covid-19 global health emergency.

GRI 306-3] Waste generated [GRI 306-4] Waste recovered [GRI 306-5] Waste disposed of (*)

	2018			2019			2020		
Waste by type (t)	Waste generated	Waste recovered	Waste disposed of	Waste generated	Waste recovered	Waste disposed of	Waste generated	Waste recovered	Waste disposed of(**)
Total waste (t)	28,545.6	26,468.9	2076.8	28,708.8	27,869.9	838.8	28,583.3	28,081.4	501.9
of which:									
Paper/cardboard							12,474.2	12,468.8	5.4
Plastic							1,060.2	1,060.2	0
Wood							8,532.3	8,532.3	0
Other							6,516.6	6,020	496.6

(*) The figures for the quantity of waste produced are provided by the companies that provide waste management services.

(**) The target set for 2020 in relation to waste sent to disposal (landfill, incinerated and other types of disposal) is 1,000 tonnes.

	2018		2019		2020	
Total weight of hazardous waste recovered (t)	On site	Off site	On site	Off site	On site	Off site
Preparation for reuse					0	0
Recycling					0	267.8
Other recovery operations					0	0
Total					0	267.8
Total hazardous waste	339.7		151		267.8	

	2018		2019		2020	
Total weight of non-hazardous waste recovered (t)	On site	Off site	On site	Off site	On site	Off site
Preparation for reuse					0	0
Recycling					0	27,813.6
Other recovery operations					0	0
Total					0	27,813.6
Total non-hazardous waste recovered	26,129.2		27,718.9		27,813.6	

	2018		2019		2020	
Total weight of hazardous waste disposed of (t)	On site	Off site	On site	Off site	On site	Off site
Disposal in landfill					0	0.5
Incinerated					0	0.1
Other types of disposal					0	23.7
Total					0	24.3
Total hazardous waste disposed of	756.4		89		24.3	

	2018		2019		2020	
Total weight of non-hazardous waste disposed of (t)	On site	Off site	On site	Off site	On site	Off site
Disposal in landfill					0	101.9
Incinerated					0	1.8
Other types of disposal					0	373.9
Total					0	477.6
Total non-hazardous waste disposed of	1,320.4		749.88		477.6	

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

	2018	2019	2020
Consumption of fuel from non-renewable sources (GJ)	745,711	718,445	871,256
of which:			
LPG	9,094	7,785	10,314
Diesel	87,904	91,358	78,693
Natural gas ⁽⁷⁾	648,712	619,301	782,249
Consumption of energy from non-renewable sources (GJ)	93,603	84,183	80,411
of which:			
Thermal energy (district heating)	20,862	23,122	27,164

Electricity supplied by the National Grid	72,741	61,061	53,247
Consumption of energy from renewable sources (GJ)	1,741,421	1,696,698	1,535,358
of which:			
Self-produced photovoltaic electricity	5,907	5,521	6,213
Certified guarantee of origin electricity	1,735,514	1,691,177	1,529,145
Total energy consumption (GJ)	2,580,734	2,499,325	2,487,024
of which:			
from renewable sources	1,741,421	1,696,698	1,535,358
from non-renewable sources	839,313	802,628	951,666

⁽¹⁾ The 2018 and 2019 values have been updated following a refinement of the reporting system. The trend, decreasing in the last two years, shows a slight increase in 2020, partly due to the effects caused by the Covid-19 global health emergency.



[GRI 305-1; GRI 305-2] Direct and indirect CO₂e emissions relating to real estate facilities

	2018	2019	2020
Direct emissions – Scope 1 (tCO₂e)	48,725	46,596	50,435
of which			
LPG	555	476	660
Diesel	6,224	6,388	5,589
Natural gas ⁽¹⁾	41,946	39,732	44,186
Indirect emissions – Scope 2 (market-based) (tCO₂e)	11,601	10,317	9,257
of which:			
Electricity	9,629	8,264	6,892
Thermal energy	1,972	2,053	2,365

⁽¹⁾ The 2018 and 2019 values have been updated following a refinement of the reporting system. The trend, decreasing in the last two years, shows a slight increase in 2020, partly due to the effects caused by the Covid-19 global health emergency. Using the location-based method, the total amount of emissions relating real estates Scope 2: for 2018 183,294 tCO₂e, for 2019 177,758 tCO₂e, and for 2020 150,054 tCO₂e.



[GRI 302-2; GRI 305-3] External energy consumption and CO₂ emissions relating to real estate facilities

	2018	2019	2020
Total external Group energy consumption (GJ)	113	101	159

Indirect emissions – Scope 3 (tCO₂e)	6.9	6.2	10.2
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[GRI 305-4] Intensity of GHG emissions related to real estate facilities

	2018	2019	2020
Total GHG emissions Scope 1 (Kg CO ₂ e) ^(*)	48,725,412	46,595,757	50,435,444
Total GHG emissions Scope 2 (Kg CO ₂ e)	11,600,918	10,317,138	9,257,089
Total GHG emissions Scope 3 (Kg CO ₂ e)	6,889	6,200	10,200
Square metres of the Group's properties (m ²)	5,470,000	5,479,089	5,469,439
Intensity of direct and indirect GHG emissions Scope 1 and Scope 2^(*)	11.029	10.387	10.914
Intensity of other indirect GHG emissions (Scope 3)	0.001	0.001	0.002



^(*) The 2018 and 2019 values have been updated following a refinement of the reporting system. The trend, decreasing in the last two years, shows a slight increase in 2020, partly due to the effects caused by the Covid-19 global health emergency.

Weight of electricity consumption relating to real estate facilities by type of business

	2018	2019	2020 ^(*)
Post Offices (%)	55	55	47
Head offices (%)	14	14	16
Operational sites (sorting centres) (%)	14	14	14
Delivery logistics centres (%)	13	13	12
Data Centres (%)	4	4	11

^(*) As of 2020, the indicator considers values for the entire Group and classifies buildings by functionality similar to those of Poste Italiane (e.g. industrial plants not only CMP, but also Postel printing works).

Total cost of energy purchased for real estate facilities

	2018	2019	2020
Total expenditure on energy (€)^(*)	95,380,683	101,273,851	85,717,548

^(*) The target set for 2020 is €102,534,000.

Total savings or overall profits from energy saving programmes

Programmes that generated savings (€)	2020
LED project	2,551,886
Energy efficiency programme	724,996
Smart Buildings	148,153
Programmes that generated a profit (€)	2020
Photovoltaic plants	194,934

Corporate fleet data

	2018	2019	2020
Total km travelled	342,508,496	350,665,071	336,266,255
Total vehicles	34,102	33,477	32,791
of which:			
traditional vehicles	29,786	29,119	28,133 ^(*)
alternative vehicles	4,316	4,358	4,658
of which:			
bicycles	324	324	324 ^(*)
electric vehicles	1,129	1,149	1,448 ^(*)
hybrid motor vehicles	88	79	79 ^(*)
petrol-natural gas fuelled vehicles	1,705	1,726	1,727 ^(*)
petrol-LPG fuelled vehicles	1,070	1,080	1,080 ^(*)
diesel-natural gas fuelled vehicles	-	-	-
LPG fuelled vehicles	-	-	-
Percentage of alternative vehicles (%)	12.6	13.1	14.2

^(*) With reference to the Parent Company and mainly for owned vehicles, with respect to mileage, in case of lack of data in the system, the Km were estimated as an average for vehicles in use and half the average for vehicles being disposed of.

[GRI 302-1; GRI 305-1; GRI 305-2] Energy consumption and CO₂e emissions to the company road fleet

	2018	2019	2020
Total energy consumed (GJ)	946,453	1,059,592	1,004,322
of which:			
Diesel	719,274	766,434	696,281 ^(*)
Natural gas	46,737	57,985	46,570 ^(*)

LPG	22,287	24,248	18,264 ^(*)
Petrol	157,205	209,956	241,990
Certified guarantee of origin electricity	950	968	1,217
Direct emissions – Scope 1 (tCO₂e)	65,379	72,276	69,497
Indirect emissions – Scope 2 (tCO₂e)	-	-	-



^(*) The decrease in fuel consumption (Diesel, LPG and natural gas) is due to lower mileage - due to the Covid-19 emergency - but also to greater outsourcing of transport services following the exit of about 350 Poste Italiane drivers. Using the location-based method, the total amount of emissions relating the company road fleet Scope 2 is : for 2018, 95 tCO₂e, for 2019, 97 tCO₂e, for 2020 114 tCO₂e.

[GRI 302-2; GRI 305-3] Energy consumption and CO₂e emissions to contracted road logistics

	2018	2019	2020
Total external Group energy consumption^(*) (GJ)	1,395,456	1,881,742	2,168,345
Indirect emissions – Scope 3 (tCO₂e)	98,808	131,575	154,000

^(*) Road vehicles used by logistics contractors are almost entirely diesel-fuelled. For 2020, the increase in consumption (mainly diesel) is attributable to greater outsourcing of transport services caused by an exit of about 350 Poste Italiane drivers and an increase in shipment volumes.

Air transport fleet data

	2018	2019	2020
Number of aircraft	23	15	13
AirMail (hours)	4,823	6,799	8,644
Charter (hours)	2,799	158	21

[GRI 302-1; GRI 305-1] Energy consumption and emissions by the mail and charter fleet

	2018	2019	2020
Total internal Group energy consumption (GJ)	343,341	403,770	543,464
Direct emissions – Scope 1 (tCO₂e)	25,020	29,205	39,376

[GRI 302-2; GRI 305-3] Energy consumption and emissions by mail and charter transport

	2018	2019	2020
Total external Group energy consumption (GJ)	379,090	388,304	215,948
Indirect emissions – Scope 3 (tCO₂e)	27,626	24,621	15,646

Other direct emissions from logistics activities

	2019	2020
Total Fuel emissions from non-renewable sources – Scope 1 (tNO_x)^(*)	262.92	243.94
Natural gas	1.58	1.27
LPG	1.33	0.57
Diesel	218.97	199.37
Petrol	24.89	21.00
Jet Fuel	16.15	21.74

^(*) The emission factors used to convert fuels into NO_x are as follows: natural gas 0.0273 t NO_x/TJ. LPG 0.0311 t NO_x/TJ. Diesel for cars 0.2360 t NO_x/TJ, for light commercial vehicles 0.32 t NO_x/TJ, for heavy trucks 0.3455 t NO_x/TJ. Petrol for cars 0.0658 t NO_x/TJ, for light commercial vehicles 0.0742 t NO_x/TJ, for motorcycles 0.1283 t NO_x/TJ. Source: ISPRA, Database of average emission factors of road transport in Italy. Jet fuel 40 g NO_x/GJ. source: ISPRA, Emission factors for stationary combustion sources in Italy.

	2019	2020
Total Fuel emissions from non-renewable sources – Scope 1 (tSO₂)^(*)	38.92	52.22
Diesel	0.26	0.24
Petrol	0.08	0.06
Jet Fuel	38.58	51.92

^(*) The emission factors used to convert fuels into SO₂ are as follows: diesel 0.0003 t SO₂/TJ. Petrol 0.0003 t SO₂/TJ. Source: ISPRA, Database of average emission factors of road transport in Italy. Jet fuel 96 gSO₂/GJ. Source: ISPRA, Emission factors for stationary combustion sources in Italy.

	2019	2020
Total Fuel emissions from non-renewable sources – Scope 1 (VOC)^(*)	109.52	119.29
Natural gas	3.30	2.65
LPG	1.66	0.71
Diesel	6.41	5.58
Petrol	96.95	108.72
Jet Fuel	1.21	1.63

(*) 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 0.0036 t VOC/TJ, for light commercial vehicles 0.0113 t VOC/TJ, for heavy trucks 0.0126 t VOC/TJ. Petrol for cars 0.2177 t VOC/TJ, for light commercial vehicles 0.1190 t VOC/TJ, for motorcycles 0.9418 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	2020
Total Fuel emissions from non-renewable sources – Scope 3 (tNO_x)	625.19	734.33
Diesel	625.19	725.68
Jet fuel	-	8.64
Natural gas	-	≈0 ^(*)
LPG	-	≈0 ^(*)
Petrol	-	≈0 ^(*)

(*) The figure is close to 0, but still contributes to the total.

	2019	2020
Total Fuel emissions from non-renewable sources – Scope 3 (tSO₂)	0.65	21.38
Diesel	0.65	0.75
Petrol	-	≈0 ^(*)
Jet fuel	-	20.63

(*) The figure is close to 0, but still contributes to the total.

	2019	2020
Total Fuel emissions from non-renewable sources – Scope 3 (VOC)	22.44	26.91
Diesel	22.44	26.26
Natural gas	-	≈0 ^(*)
LPG	-	≈0 ^(*)
Petrol	-	≈0 ^(*)
Jet fuel	-	0.65

(*) The figure is close to 0, but still contributes to the total.

Business Travel

	2018	2019	2020
Total emissions tCO₂e	10,475	10,616	6,569
Automotive	7,427	7,947	5,965
Petrol	2,044	2,135	2,214
Diesel	5,383	5,812	3,751
Train	511	470	92
Plane	2,537	2,199	512
international - short haul	243	170	94
international - long haul	229	357	7
national (domestic)	2,065	1,672	411

Employee commuting

	2019	2020
Total emissions tCO₂e	31,787^(*)	13,929^(**)

^(*) 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.

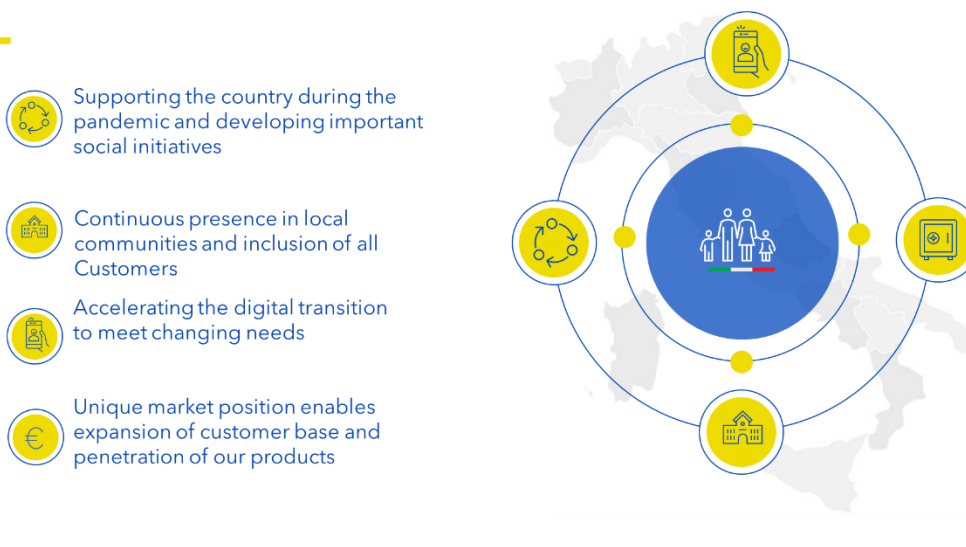
^(**) The value indicated refers to the estimate of the polluting emissions generated by the home-work travel of Poste Italiane employees applied in the offices of more than 300 resources which, at present, amount to 38 located in 18 cities in Italy, for a sample of 24,316 total resources.

7. OUTLOOK

The year 2020 proved to be one of exceptional complexity because of the repercussions that the health emergency has had and continues to have on the social and economic front.

Right from the first days of the emergency, the Group adopted appropriate behaviour to deal with the crisis scenario that was emerging and proactively implemented timely initiatives to safeguard the health of employees and customers. The continuity of essential services at post offices and the delivery of mail and parcels was guaranteed during the most critical months of the first "epidemic wave".

A STRATEGIC PILLAR FOR ITALY



The strategic choices implemented as part of the Deliver 2022 Strategic Plan have enabled the Group to adapt rapidly to new **emerging trends** such as the development of e-commerce and digital payments. The reconfiguration of its operating and business processes, supported by the new working models, and the development of multi-channel access and use of the services offered, together with effective cost management, have enabled the Group to achieve positive financial results in 2020, exceptional in certain segments (postal savings, parcels, electronic money), and to maintain a high level of financial solidity.

In a year marked by an unprecedented health emergency, the Group confirmed its **role as a systemic operator at national level**, a flexible and resilient company, not only with reference to its economic and financial performance, but also in relation to the social responsibility and solidarity it has demonstrated. The agreement with the Carabinieri for the disbursement and home delivery of pensions for citizens over 75 years of age, the distribution of more than 1.5 billion masks in schools throughout the country, the opening of interactive channels of communication with all the institutions and bodies responsible for managing the crisis and the related agreements for maintaining the guarantee of services, the active role in the distribution of vaccines, are just some of the initiatives undertaken alongside and in support of the institutions.

Significant investments in technology and logistics have accelerated the **Group's transformation process**, innovating the business model and operating processes, the strategies adopted to expand the range of products and services and, in general, the value creation process. Intercepting the needs and guiding the change in

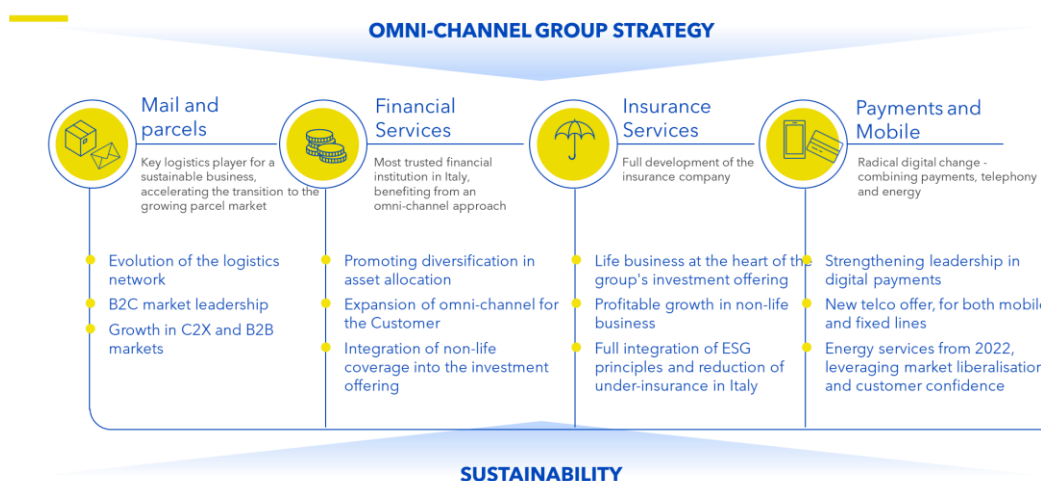
customer habits is proving to be a central element, also for the future, for the path of economic growth of the Group and the country.

On 19 March, the Group presented its new "**2024 Sustain & Innovate**" Strategic Plan, which aims to confirm the company's role as a "strategic pillar" for the country, with a renewed focus on effective cost management and the increasing integration of sustainability issues into corporate strategies.

The **vision** for the future is clear: to maximise the value of Italy's leading omni-channel distribution network, leveraging on the enhanced reputation and confirmed trust of customers as key resources for the sustainable development of Poste Italiane's business.

The Group's activities aim to create a positive impact for customers, communities and all stakeholders by promoting **integrity**, transparency and **ethical** and **responsible** management. The company invests in its people to build an inclusive work environment that ensures equal opportunities.

STRATEGY IMPLEMENTATION



The **implementation of the strategy** within the "2024 Sustain & Innovate" plan is spread across the Group's 4 Strategic Business Units and includes:

Mail, Parcels and Distribution Strategic Business Unit

- The evolution of the logistics network with reference to the entire value chain in order to seize the full potential of the growing parcel market, which is expected to generate more than 50% of the SBU's total revenues over the plan's time horizon, thanks to the consolidation of B2C leadership and growth in the B2B area
- Completion of the new service model in the C2X segment; entry into new market segments (pharma and food), which are currently only partially covered; development of operations outside Italy, taking advantage of the acquisition of the Chinese operator Sengi Express
- Increasing productivity through the strengthening and integration of its distribution networks to support the offer
- The modernisation and automation of logistics processes by leveraging the strategic partnerships made during 2020 with specialised and innovative players in the logistics value chain (sender, MLK Deliveries)

- Integration with the Nexive Group, with the exploitation of synergies, guaranteeing the safeguarding of the sustainability of the mail market and service levels for customers.


Financial Services Strategic Business Unit

- Increasing the attractiveness of savings and promoting a diversified asset allocation that is consistent with customer needs, leveraging the omni-channel platform, developing the number and professionalism of consultants and increasing attention to customer segmentation
- Integration of insurance coverage in the offer of investment products, meeting at the same time the savings and protection needs of customers
- The completion of the digitisation of the product offering portfolio
- The extension and customisation of the product offering also through the use of new partnerships and the development of existing ones.

Insurance Services Strategic Business Unit

- Consolidation of leadership in Life business through a gradual rebalancing of inflows towards products that, while respecting the needs and characteristics of customers, are also capital light. These products (Multi-class) are characterised by a moderate risk profile, with potentially more attractive returns on investments
- Commitment and contribution to reducing "under-insurance" in Italy, through the continuation, in the P&C sector, of a profitable and sustainable growth path with the development of a modular and integrable offer of the various covers that make up the different lines of protection, customised to the needs of each customer
- The progressive penetration of the car liability market and the development of Welfare.

Payments and Mobile Strategic Business Unit

- Continuous evolution of the business model by combining offerings in payments, telecommunications and - in the near future - energy
- 
 - The consolidation of leadership in digital payments, through the introduction of value-added services to act as a market facilitator, connecting customers, SMEs and Public Administrations
 - the offer of integrated, innovative and flexible payment solutions on online channels and the spread of the "Postepay Code" as a fast and Covid-free payment method
 - The launch of a new PostePay debit card, totally biodegradable, which will offer the same functions as the prepaid card, improving the customer experience
 - The enrichment of the telephony offer, both fixed and mobile, increasing the penetration of the online channel. In particular, it is expected to enter the ultra-broadband fiber market, thanks to agreements with TIM and Open Fiber signed in 2020.

The new "2024 Sustain & Innovate" plan sets out a path of innovation and consolidation that the Group is ready to undertake on the strength of its omni-channel approach, customer relations and awareness of its systemic role for the country. The commitment that will be made to this 'sustainable' growth takes into account a progressive

improvement of the emergency situation during 2021 in which Poste Italiane will continue to face the crisis on the strength of the economic and financial resilience demonstrated in 2020.

8. PROPOSED SHAREHOLDER RESOLUTIONS AND OTHER INFORMATION

PROPOSED SHAREHOLDER RESOLUTIONS

The Board of Directors proposes that the Shareholders' Meeting approve the 2020 draft financial statements of Poste Italiane S.p.A. (including BancoPosta RFC's Separate Report), accompanied by the Directors' Report on Operations.

In line with the current dividend policy, it is expected the Board of Directors will propose to the Ordinary Shareholders' Meeting:

- to appropriate BancoPosta RFC's profit for the year of €628,795,707 as follows:
 - to "Profit reserve" for €50,000,000;
 - available to Poste Italiane for possible distribution for €578,795,707.
- to appropriate Poste Italiane S.p.A.'s profit for 2020, amounting to €324,755,377, as follows:
 - to "Profit reserves" of BancoPosta RFC for €50,000,000;
 - to Reserve called "Retained earnings", portion not available for distribution for €1,896,981⁶⁹;
 - to the distribution in favour of the Shareholders for the remaining €272,858,396.
- In light of the above, distribute a dividend of €0.486 per share from (i) the profit for the year of Poste Italiane S.p.A. available for distribution of €272,858,396 and (ii) for the remaining amount, which will be determined at the time of distribution, on the basis of the shares outstanding at the ex dividend date, using sums from the partial distribution of the distributable reserve called "Retained earnings".
- To distribute the above dividend of €0.486 per share as follows:
 - the amount of €0.162 for each of the ordinary shares outstanding on the ex-dividend date, excluding treasury shares in portfolio, as interim dividend, already paid from 25 November 2020 for a total amount of €210,738,030;
 - the amount of €0.324 for each of the ordinary shares outstanding on 21 June 2021, the day scheduled as the ex-dividend date, excluding treasury shares in the portfolio on that date as balance of the dividend.

OTHER INFORMATION

EVENTS AFTER 31 DECEMBER 2020

Events after the end of the reporting period to which the 2020 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 2020.

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 2020.

TRANSACTIONS OF GREATER IMPORTANCE

Details of the most significant transactions for the purposes of the Consob Regulation adopted with Resolution no. 17221/2010 are provided below.

⁶⁹ The amount of €1,896,981 refers to the income not available for distribution recognised in profit or loss for the fair value measurement of Visa Preferred Stock shares which - in application of Legislative Decree no. 38/2005 - cannot be the subject of distribution until actually realised.

Within the scope of the transactions with Monte dei Paschi di Siena Capital Services Banca per le Imprese S.p.A. authorised by the Board of Directors on 27 June 2019, having obtained the consent of the Related and Connected Parties Committee, 18 repurchase agreements, 3 Interest Rate Swaps for interest rate risk hedging purposes, and 41 trades in government securities were carried out in 2020.

At its meeting of 2 April 2020, Poste Italiane S.p.A.'s Board of Directors resolved to renew the following agreements with the subsidiary, PostePay: the service agreement for payment products issued by BancoPosta to PostePay S.p.A., the value of which, over the three-year term of the agreement, has been estimated at approximately €880 million, and the agreement for the promotion and placement of products issued by PostePay S.p.A., the value of which, over the three-year term of the agreement, has been estimated at approximately €574 million. The Related and Connected Parties Committee expressed a favourable opinion on the transactions as they are of greater significance for the purposes of Bank of Italy regulations. The agreements with PostePay S.p.A. were signed on 15 May 2020.

At its meeting of 11 November 2020, Poste Italiane S.p.A.'s Board of Directors approved the signing of a framework agreement with the subsidiary, SDA Express Courier S.p.A., for the management of domestic and international parcels, with an estimated maximum value of approximately €1,334 million for the two-year term of the agreement. In the absence of significant interests of other Related and Connected Parties, the transaction benefited from the exemption from the application of the resolution procedures of the Related and Connected Parties Committee. The Agreement was signed on 17 December 2020.

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 2020, compared with the statement at 31 December 2019, is included in Poste Italiane Financial Statements for the year ended 31 December 2020 (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 transactions⁷⁰ in 2020.

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.

In relation to the ESMA guidance of 17 April 2020 on how to represent Alternative Performance Indicators in light of the impacts of the pandemic (ESMA 32-51-370) referred to in the Document of 28 October 2020 (ESMA 32-63-1041),

⁷⁰ 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.

please refer to the sections of this Report on Operations, which provides disclosure on the impact of Covid-19 on operations and business performance, how it affected the assumptions and estimates used to determine the inputs used in the calculation of the input of the indicators, the level of uncertainty and the measures taken or that will continue to be taken to address the epidemic.

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 employee termination benefits. 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 (Regulation (EU) 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 - 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.

UNIT DIVIDEND: it represents the amount of dividends paid by the company for each outstanding share. It is calculated as Dividends paid/Number of shares outstanding.

EBIT (Earnings 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 Amortisation) - 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: it 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 settlement 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.

NET DEBT/(FUNDS) OF THE MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT AS PER IFRS 16: Calculated as the net debt/funds of the Mail, Parcel and Distribution Services Strategic Business Unit excluding financial liabilities for leases (IFRS 16).

AVERAGE PORTFOLIO YIELD EXCLUDING GAINS (%): average portfolio yield calculated as the ratio of interest income to average current account balances (excluding gains).

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 risks.

TOTAL ASSETS: total assets in the Statement of Financial Position of BancoPosta Ring-Fenced Capital - RFC.

TSR (Total Shareholder Return): it 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.

EARNINGS PER SHARE: is the portion of a listed company's net income granted to each of its outstanding common shares. It is calculated as the ratio of the Group's net profit to the number of outstanding shares.

APPENDIX

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (€m)	2020	2019	CHANGES		4Q 2020	4Q 2019	CHANGES	
Revenue	10,526	10,960	(434)	-4.0%	2,964	2,924	40	1.4%
<i>of which:</i>								
Mail, Parcels and Distribution Services	3,201	3,492	(292)	-8.3%	950	937	13	1.4%
Payments and Mobile Services	737	664	74	11.1%	215	187	28	15.2%
Financial Services	4,945	5,135	(190)	-3.7%	1,349	1,351	(2)	-0.1%
<i>of which net gains</i>	365	339	26	7.7%	131	84	48	56.7%
Insurance Services	1,643	1,669	(26)	-1.6%	451	450	1	0.1%
Costs	8,302	8,412	(109)	-1.3%	2,502	2,491	11	0.4%
<i>of which:</i>								
Total personnel expenses	5,638	5,896	(258)	-4.4%	1,760	1,776	(15)	-0.8%
<i>of which ordinary personnel expenses</i>	5,204	5,561	(356)	-6.4%	1,341	1,452	(111)	-7.7%
<i>of which early retirement incentives</i>	434	342	93	27.1%	423	328	94	28.8%
<i>of which disputes and other extraordinary items</i>	(1)	(6)	5	88.0%	(3)	(5)	2	31.8%
Other operating expenses	2,664	2,515	149	5.9%	741	715	26	3.7%
EBITDA	2,224	2,548	(325)	-12.7%	463	433	29	6.7%
Depreciation, amortisation and impairments	700	774	(75)	-9.7%	183	200	(17)	-8.4%
EBIT	1,524	1,774	(250)	-14.1%	280	234	46	19.6%
EBIT Margin	14.5%	16.2%			9.4%	8.0%		
Finance income/(costs)	52	99	(46)	-47.1%	25	76	(51)	-66.9%
Gross profit	1,576	1,873	(296)	-15.8%	305	310	(5)	-1.6%
Taxes	370	530	(160)	-30.2%	(3)	51	(54)	-106.0%
Net profit	1,206	1,342	(136)	-10.2%	308	259	49	18.7%
Net earnings per share (€)	0.93	1.03	(0.10)	-10.2%	0.24	0.20	0.04	18.7%

CONTRIBUTION OF STRATEGIC BUSINESS UNITS TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

2020 (€m)	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Adjustments and eliminations	Total
Total revenue	7,833	1,079	5,610	1,644	(5,641)	10,526
Revenue from third parties	3,201	737	4,945	1,643		10,526
Intersegment revenue	4,633	341	665	1	(5,641)	-
Total costs	8,422	820	4,744	656	(5,641)	9,002
Total personnel expenses	5,539	25	40	33		5,638
<i>of which ordinary personnel expenses</i>	5,108	25	39	32		5,204
<i>of which early retirement incentives</i>	432	0	1	1		434
<i>of which disputes and other extraordinary item</i>	(1)	0	0	0		(1)
Other operating expenses	2,143	384	46	92		2,664
Depreciation, amortisation and impairments	667	25	0	8	(1)	700
Intersegment costs	73	385	4,658	523	(5,640)	-
EBIT	(588)	259	866	988		1,524
EBIT MARGIN	-7.5%	24.0%	15.4%	60.1%		14.5%
Finance income/(costs)	12	8	(9)	41		52
Gross profit	(577)	267	857	1,029		1,576
Taxes	(158)	73	210	245		370
Net profit	(419)	194	647	784		1,206

STATEMENTS OF PROFIT OR LOSS BY STRATEGIC BUSINESS UNIT

STATEMENT OF PROFIT OR LOSS FOR THE MAIL, PARCELS AND DISTRIBUTION STRATEGIC BUSINESS UNIT							
	2020	2019	CHANGES	4Q 2020	4Q 2019	CHANGES	
(€m)							
Revenue	7,833	8,215	(382)	-4.6%	2,203	2,156	47 2.2%
Mail	1,897	2,456	(558)	-22.7%	520	623	(103) -16.5%
Parcels	1,159	852	307	36.1%	395	253	141 55.8%
Other revenue	144	185	(41)	-22.0%	35	60	(25) -42.1%
Intersegment revenue	4,633	4,723	(90)	-1.9%	1,253	1,219	34 2.8%
Costs	7,755	7,838	(83)	-1.1%	2,370	2,321	49 2.1%
<i>of which:</i>							
Total personnel expenses	5,539	5,782	(242)	-4.2%	1,736	1,746	(11) -0.6%
<i>of which ordinary personnel expenses</i>	5,108	5,448	(340)	-6.2%	1,317	1,423	(107) -7.5%
<i>of which early retirement incentives</i>	432	340	92	27.2%	422	328	95 28.9%
<i>of which disputes and other extraordinary items</i>	(1)	(6)	5	88.2%	(3)	(5)	2 33.4%
Other operating expenses	2,143	1,985	158	8.0%	615	557	58 10.5%
Intersegment costs	73	72	1	1.9%	19	18	1 6.1%
EBITDA	78	377	(299)	-79.3%	(167)	(165)	(2) -1.1%
Depreciation, amortisation and impairments	667	724	(57.7)	-8.0%	178	186	(8) -4.5%
EBIT	(588)	(347)	(241)	-69.5%	(344)	(351)	7 1.9%
EBIT Margin	-7.5%	-4.2%			-15.6%	-16.3%	
Finance income/(costs)	12	(36)	48	131.9%	6	(43)	49 114.3%
Gross profit	(577)	(384)	(193)	-50.4%	(338)	(394)	55 14.1%
Taxes	(158)	(77)	(80)	-104.1%	(96)	(98)	2 1.7%
Net profit	(419)	(306)	(113)	-36.8%	(242)	(296)	54 18.1%

STATEMENT OF PROFIT OR LOSS FOR THE PAYMENTS AND MOBILE STRATEGIC BUSINESS UNIT							
	2020	2019	CHANGES	4Q 2020	4Q 2019	CHANGES	
(€m)							
Revenue	1,079	1,039	40	3.8%	296	280	16 5.6%
E-money	374	338	35	10.5%	110	91	18 20.1%
Other payments	79	86	(6)	-7.5%	32	29	3 10.6%
Mobile	284	240	45	18.6%	74	67	7 10.3%
Intersegment revenue	341	375	(34)	-9.0%	81	94	(13) -13.5%
Costs	795	771	24	3.1%	229	212	17 7.9%
<i>of which:</i>							
Total personnel expenses	25	31	(6)	-19.0%	6	8	(1) -18.7%
<i>of which ordinary personnel expenses</i>	25	31	(6)	-18.5%	6	7	(1) -16.5%
<i>of which early retirement incentives</i>	0	0	(0)	n/s	0	0	(0) n/s
Other operating expenses	384	322	62	19.3%	115	101	14 13.6%
Intersegment costs	385	418	(32)	-7.8%	108	103	4 4.3%
EBITDA	284	268	16	6.0%	67	68	(1) -1.7%
Depreciation, amortisation and impairments	25	27	(2)	-5.6%	4	7	(3) -42.4%
EBIT	259	241	18	7.3%	63	61	2 3.0%
EBIT Margin	24.0%	23.2%			21.3%	21.9%	
Finance income/(costs)	8	99	(91)	-92.0%	2	93	(91) -97.4%
Gross profit	267	340	(74)	-21.6%	66	155	(89) -57.6%
Taxes	73	68	4	6.1%	17	17	(0) -0.3%
Net profit	194	272	(78)	-28.6%	49	138	(89) -64.7%

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL SERVICES STRATEGIC BUSINESS UNIT							
	2020	2019	CHANGES	4Q 2020	4Q 2019	CHANGES	
(€m)							
Revenue	5,610	5,826	(215)	-3.7%	1,535	1,522	13 0.8%
Net capital gains	365	339	26	7.7%	131	84	48 56.7%
Net interest income	1,537	1,585	(48)	-3.1%	374	389	(15) -3.8%
Postal savings deposits	1,851	1,799	51	2.9%	474	469	5 1.0%
Collection and payment services	904	998	(94)	-9.4%	296	299	(3) -0.9%
Distribution of third-party products	191	313	(122)	-39.0%	48	85	(37) -43.4%
Asset management	97	100	(3)	-2.9%	25	25	(0) -0.1%
Intersegment revenue	665	691	(25)	-3.7%	186	171	15 8.6%
Costs	4,744	4,951	(207)	-4.2%	1,248	1,274	(26) -2.1%
<i>of which:</i>							
Total personnel expenses	40	43	(3)	-7.3%	11	11	(0) -3.0%
<i>of which ordinary personnel expenses</i>	39	42	(3)	-6.5%	10	11	(0) -3.0%
<i>of which early retirement incentives</i>	1	2	(0)	-26.6%	0	0	(0) -3.3%
Other operating expenses	46	107	(61)	-57.2%	(13)	18	(32) n/s
Intersegment costs	4,658	4,801	(142)	-3.0%	1,251	1,245	6 0.5%
EBITDA	866	875	(9)	-1.0%	287	248	39 15.8%
Depreciation, amortisation and impairments	0	0	0	3.9%	0.0	0.0	0 20.6%
EBIT	866	874	(9)	-1.0%	287	248	39 15.8%
EBIT Margin	15.4%	15.0%			18.7%	16.3%	
Finance income/(costs)	(9)	6	(15)	n/s	3	11	(8) -76.1%
Gross profit	857	881	(24)	-2.7%	289	258	31 12.0%
Taxes	210	240	(30)	-12.7%	49	58	(9) -15.2%
Net profit	647	640	7	1.1%	240	200	40 19.9%

STATEMENT OF PROFIT OR LOSS FOR THE INSURANCE SERVICES STRATEGIC BUSINESS UNIT								
(€m)	2020	2019	CHANGES		4Q 2020	4Q 2019	CHANGES	
Revenue	1,644	1,670	(25)	-1.5%	452	450	1	0.3%
Up Front - Life	302	339	(37)	-11.0%	81	73	9	12.0%
Financial margin - Life	1,144	1,131	13	1.2%	314	344	(30)	-8.8%
Protection margin - Life	28	42	(14)	-32.6%	6	15	(10)	-62.9%
Change to other technical provisions and other technical income/expenses	26	(1)	28	n/s	18	(24)	43	n/s
Life net revenue	1,500	1,511	(10)	-0.7%	419	408	12	2.8%
Insurance premium revenue	235	222	13	5.8%	59	58	1	1.4%
Change in technical provisions and other claim expenses	(102)	(66)	(37)	-55.9%	(34)	(20)	(14)	-69.2%
Reinsurance results	(4)	(12)	9	70.6%	1	0	1	n/s
P&C net income	3	3	(0)	-14.6%	1	2	(0)	-13.2%
P&C net revenue	132	148	(16)	-10.5%	28	40	(12)	-30.6%
Other operating income	10	10	(0)	-3.4%	4	2	1	49.5%
Intersegment revenue	1	1	1	119.2%	1	0	1	n/s
Costs	648	640	8	1.2%	176	168	8	4.9%
<i>of which:</i>								
Total personnel expenses	33	40	(7)	-17.3%	8	11	(3)	-28.2%
<i>of which ordinary personnel expenses</i>	32	40	(8)	-19.5%	8	11	(3)	-28.2%
<i>of which early retirement incentives</i>	1	0	1	n/s	0	0	0	-
Other operating expenses	92	102	(10)	-9.6%	25	39	(14)	-36.3%
Intersegment costs	523	499	25	4.9%	143	118	26	21.6%
<i>of which commissions</i>	463	470	(7)	-1.4%	126	110	16	14.4%
EBITDA	996	1,029	(33)	-3.2%	276	282	(7)	-2.4%
Depreciation, amortisation and impairments	8	24	(15)	-65.8%	1	6	(5)	-81.3%
EBIT	988	1,006	(18)	-1.8%	274	276	(2)	-0.6%
EBIT Margin	60.1%	60.2%			60.7%	61.3%		
Finance income/(costs)	41	30	12	39.3%	14	15	(1)	-5.0%
Gross profit	1,029	1,035	(6)	-0.6%	289	291	(2)	-0.9%
Taxes	245	298	(54)	-17.9%	27	73	(46)	-63.3%
Net profit	784	737	47	6.4%	262	218	44	20.2%

FINANCIAL POSITION

NET INVESTED CAPITAL AND RELATED FUNDING

(€m)	31 December 2020	31 December 2019	Changes	
Tangible fixed assets	2,165	2,059	106	5.1%
Intangible fixed assets	755	648	107	16.5%
Right-of-use assets	1,200	1,254	(54)	-4.3%
Investments	615	617	(2)	-0.3%
Non-current assets	4,735	4,578	157	3.4%
Trade receivables, Other receivables and assets and Inventories	7,468	6,978	490	7.0%
Trade payables and Other liabilities	(5,158)	(5,262)	104	2.0%
Current tax assets/(liabilities)	174	(222)	396	n/s
Net working capital	2,484	1,494	990	66.3%
Gross invested capital	7,219	6,072	1,147	18.9%
Provisions for risks and charges	(1,396)	(1,218)	(178)	-14.6%
Employee termination benefits	(1,030)	(1,135)	105	9.3%
Prepaid/deferred tax assets/(liabilities)	(106)	312	(418)	n/s
Net invested capital	4,687	4,031	656	16.3%
Equity	11,507	9,698	1,809	18.7%
<i>of which profit for the period</i>	1,207	1,342	(135)	-10.1%
<i>of which fair value reserve</i>	2,294	1,018	1,276	125.3%
Financial liabilities	98,230	79,516	18,714	23.5%
Net technical provisions for insurance business	153,740	140,203	13,537	9.7%
Financial assets	(247,883)	(218,934)	(28,949)	-13.2%
Cash and deposits attributable to BancoPosta	(6,391)	(4,303)	(2,088)	-48.5%
Cash and cash equivalents	(4,516)	(2,149)	(2,367)	-110.1%
Net debt/(funds)	(6,820)	(5,667)	(1,153)	-20.3%

31 December 2020	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Eliminations and adjustments	Consolidated
<i>(€m)</i>						
Tangible fixed assets	2,140	22	1	2	-	2,165
Intangible fixed assets	736	1	-	18	-	755
Right-of-use assets	1,176	7	2	24	(9)	1,200
Investments	1,434	402	210	157	(1,588)	615
Non-current assets	5,486	432	213	201	(1,597)	4,735
Trade receivables, Other receivables and assets and Inventories	3,143	518	3,089	2,582	(1,864)	7,468
Trade payables and Other liabilities	(3,202)	(719)	(2,455)	(644)	1,862	(5,158)
Current tax assets/(liabilities)	137	(1)	(1)	39	-	174
Net working capital	78	(202)	633	1,977	(2)	2,484
Gross invested capital	5,564	230	846	2,178	(1,599)	7,219
Provisions for risks and charges	(1,156)	(9)	(214)	(17)	-	(1,396)
Employee termination benefits	(1,022)	(2)	(3)	(3)	-	(1,030)
Prepaid/deferred tax assets/(liabilities)	470	14	(849)	259	-	(106)
Net invested capital	3,856	233	(220)	2,417	(1,599)	4,687
Equity	1,982	543	5,281	5,290	(1,589)	11,507
<i>of which profit for the period</i>	<i>(418)</i>	<i>194</i>	<i>647</i>	<i>784</i>	<i>-</i>	<i>1,207</i>
<i>of which fair value reserve</i>	<i>9</i>	<i>10</i>	<i>2,183</i>	<i>92</i>	<i>-</i>	<i>2,294</i>
Financial liabilities	5,438	7,460	95,295	302	(10,265)	98,230
Net technical provisions for insurance business	-	-	-	153,740	-	153,740
Financial assets	(1,310)	(7,753)	(92,385)	(155,952)	9,517	(247,883)
Cash and deposits attributable to BancoPosta	-	-	(6,391)	-	-	(6,391)
Cash and cash equivalents	(2,254)	(17)	(2,020)	(963)	738	(4,516)
Net debt/(funds)	1,874	(310)	(5,501)	(2,873)	(10)	(6,820)

31 December 2019	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Eliminations and adjustments	Consolidated
<i>(€m)</i>						
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
Non-current assets	5,251	448	223	245	(1,589)	4,578
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)
Net working capital	(477)	(174)	766	1,379	-	1,494
Gross invested capital	4,774	274	989	1,624	(1,589)	6,072
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
Net invested capital	3,183	277	307	1,853	(1,589)	4,031
Equity	2,368	479	3,987	4,452	(1,588)	9,698
<i>of which profit for the period</i>	<i>(306)</i>	<i>271</i>	<i>640</i>	<i>737</i>	<i>-</i>	<i>1,342</i>
<i>of which fair value reserve</i>	<i>6</i>	<i>-</i>	<i>971</i>	<i>41</i>	<i>-</i>	<i>1,018</i>
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)
Net debt/(funds)	815	(202)	(3,680)	(2,599)	(1)	(5,667)

Difference 2020 vs 2019	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Eliminations and adjustments	Consolidated
<i>(€m)</i>						
Tangible fixed assets	117	(3)	-	(8)	-	106
Intangible fixed assets	160	(20)	-	(33)	-	107
Right-of-use assets	(42)	(2)	1	(3)	(8)	(54)
Investments	-	9	(11)	-	-	(2)
Non-current assets	235	(16)	(10)	(44)	(8)	157
Trade receivables, Other receivables and assets and Inventories	423	285	246	154	(618)	490
Trade payables and Other liabilities	(154)	(321)	(377)	340	616	104
Current tax assets/(liabilities)	286	8	(2)	104	-	396
Net working capital	555	(28)	(133)	598	(2)	990
Gross invested capital	790	(44)	(143)	554	(10)	1,147
Provisions for risks and charges	(299)	1	116	4	-	(178)
Employee termination benefits	104	1	-	-	-	105
Prepaid/deferred tax assets/(liabilities)	78	(2)	(500)	6	-	(418)
Net invested capital	673	(44)	(527)	564	(10)	656
Equity	(386)	64	1,294	838	(1)	1,809
<i>of which fair value reserve</i>	<i>3</i>	<i>10</i>	<i>1,212</i>	<i>51</i>	<i>-</i>	<i>1,276</i>
Financial liabilities	2,377	1,921	17,076	7	(2,667)	18,714
Net technical provisions for insurance business	-	-	-	13,537	-	13,537
Financial assets	85	(2,108)	(15,307)	(14,016)	2,397	(28,949)
Cash and deposits attributable to BancoPosta	-	-	(2,088)	-	-	(2,088)
Cash and cash equivalents	(1,403)	79	(1,502)	198	261	(2,367)
Net debt/(funds)	1,059	(108)	(1,821)	(274)	(9)	(1,153)

NET DEBT/(FUNDS) OF THE MAIL, PARCELS AND DISTRIBUTION SBU

(€m)	31 December 2020	31 December 2019	Changes	
A. Liquidity	(2,254)	(851)	(1,403)	-164.9%
B. Current financial receivables	(425)	(135)	(290)	-214.8%
C. Current due to banks	665	1	664	-
D. Current lease payables	212	215	(3)	-1.4%
E. Current portion of non-current debt	0	-	-	-
F. Other current borrowings	17	15	2	13.3%
G. Current debt/(funds) (C+D+E+F)	894	231	663	287.0%
H. Current net debt/(funds) (A+B+G)	(1,785)	(755)	(1,030)	-136.4%
I. Non-current due to banks	823	573	250	43.6%
L. Bonds issued	1,046	50	996	n/s
M. Non-current lease payables	999	1,036	(37)	-3.6%
N. Other non-current liabilities	51	18	33	183.3%
O. Non-current debt/(funds) (I+L+M+N)	2,919	1,677	1,242	74.1%
P. Net debt/(funds) (ESMA) (H+O)	1,134	922	212	23.0%
Non-current financial assets	(97)	(474)	377	79.5%
Net debt/(funds)	1,037	448	589	131.5%
Intersegment financial receivables and borrowings	837	367	470	128.1%
Net debt/(funds) including intersegment transactions	1,874	815	1,059	129.9%

n/s: not significant

KEY PERFORMANCE INDICATORS FOR PRINCIPAL POSTE ITALIANE GROUP COMPANIES

Postel SpA (€k)	FY 2020	FY 2019	Changes	
			Amounts	%
Revenue from sales and services	181,509	198,068	(16,559)	(8.4)
Operating income	3,196	1,411	1,785	n/s
Net result	1,926	383	1,543	n/s
Investments	7,802	7,220	582	8.1
Equity	85,507	83,798	1,709	2.0
Permanent workforce - average	971	1,007	(36)	(3.6)
Flexible workforce - average	46	37	9	24.3

n/s: not significant

SDA Express Courier SpA (€k)	FY 2020	FY 2019	Changes	
			Amounts	%
Revenue from sales and services	935,410	683,863	251,547	36.8
Operating income	68,655	(38,500)	107,155	n/s
Net result	45,457	(32,091)	77,548	n/s
Investments	37,307	32,243	5,064	15.7
Equity	59,488	14,177	45,311	n/s
Permanent workforce - average	1,036	1,214	(178)	(14.7)
Flexible workforce - average	51	55	(4)	(7.3)

n/s: not significant

Europa Gestioni Immobiliari SpA (€k)	FY 2020	FY 2019	Changes	
			Amounts	%
Revenue from sales and services	82,223	97,764	(15,541)	(15.9)
Operating income	2,188	2,844	(656)	(23.1)
Net result	262	755	(493)	(65.3)
Investments	97	475	(378)	(79.6)
Equity	238,669	238,413	256	0.1
Permanent workforce - average	31	29	2	6.9
Flexible workforce - average	-	-	-	-

Poste Air CarGo Srl (€k)	FY 2020	FY 2019	Changes	
			Amounts	%
Revenue from sales and services	64,137	49,035	15,102	30.8
Operating income	2,574	1,648	926	56.2
Net result	1,880	395	1,485	n/s
Investments	79	42	37	88.1
Equity	3,023	1,213	1,810	n/s
Permanent workforce - average	91	84	7	8.3
Flexible workforce - average	4	4	-	0.0

n/s: not significant

BancoPosta Fondi SpA SGR (€k)	FY 2020	FY 2019	Changes	
			Amounts	%
Fee income	116,446	115,872	574	0.5
Net fee and commission income	50,581	44,874	5,707	12.7
Net result	20,477	16,145	4,332	26.8
Financial assets (liquidity and securities)	71,125	56,812	14,313	25.2
Equity	51,785	47,516	4,269	9.0
Permanent workforce - average	61	47	15	31.4
Flexible workforce - average	-	-	-	-

At 31 December 2020, the company declared dividends totalling €16 million.

Poste Vita SpA (*) (€k)	FY 2020	FY 2019	Changes	
			Amounts	%
Insurance premium revenue (**)	16,661,052	17,732,079	(1,071,027)	(6.0)
Net result	740,158	680,403	59,755	8.8
Financial assets	155,528,546	141,575,299	13,953,247	9.9
Technical provisions for insurance business	153,557,571	140,053,883	13,503,688	9.6
Equity	5,083,885	4,294,623	789,262	18.4
Permanent workforce - average	355	394	(39)	(9.9)
Flexible workforce - average	2	5	(3)	(60.0)

(*) The figures shown have been prepared in accordance with IFRS and therefore may not coincide with those in the financial statements prepared in accordance with the Italian Civil Code and under Italian GAAP.

(**) Premium revenue is reported gross of outward reinsurance premiums

Poste Assicura SpA (*) (€k)	FY 2020	FY 2019	Changes	
			Amounts	%
Insurance premium revenue (**)	236,535	222,451	(14,084)	6.3
Net result	38,942	49,346	(10,404)	(21.1)
Financial assets	424,018	361,260	62,758	17.4
Technical provisions for insurance business	236,014	206,709	29,305	14.2
Equity	237,467	194,730	42,737	21.9
Permanent workforce - average	66	62	4	6.5
Flexible workforce - average	-	-	-	-

(*) 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.

PostePay SpA (€k)	FY 2020	FY 2019	Changes	
			Amounts	%
Revenue from sales and services	1,078,109	1,032,799	45,310	4.4
Operating income	257,267	241,395	15,872	6.6
Net result	184,560	172,636	11,924	6.9
Investments	22,158	29,561	(7,403)	(25.0)
Equity	436,915	382,223	54,692	14.3
Permanent workforce - average	310	321	(11)	(3.4)
Flexible workforce - average	-	1	(1)	(100.0)

At 31 December 2020, the company declared dividends totalling €140 million.

9. CONSOLIDATED NON-FINANCIAL STATEMENT

INTRODUCTION

NFS



Poste Italiane's Consolidated Non-Financial Statement (NFS or "Statement") for 2020 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 no. 254/2016 ("Decree") through the information contained in this chapter, 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 to which reference is made for additional clarifications. In particular:

- the company's organisational and management model is illustrated within the Annual Report in the following paragraphs: "Integrating Sustainability within Poste Italiane's strategy", "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 themes 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 the strategic objectives and the operating processes used to deliver each material topic ;
- performances are illustrated in the paragraphs of the chapter "Performance", which describes the main initiatives for the year, and in the paragraph "Indicator Tables", which shows the results achieved in the last three years.

The following connecting table shows the information disclosure required by the Decree and the corresponding sections within the Annual Report and other company documents required by law.

In addition, content related to the NFS, as previously mentioned, is also indicated to make it easily identifiable, by this infographic:

NFS

SCOPES OF LEGISLATIVE DECREE 254/2016	CHAPTERS/PARAGRAPHS INCLUDED IN THE NFS	TOPICS AND ADDITIONAL INFORMATION INCLUDED IN OTHER 2020 DOCUMENTS
<p>Company organisational and management model</p> <p><i>[Art. 3, paragraph 1, letter a]</i></p>	<ul style="list-style-type: none"> • Sustainability themes relevant to Poste Italiane • Integrating Sustainability in Poste Italiane strategy • Business Model • Poste Italiane's Integrated Internal Control and Risk Management System 	<p style="text-align: center;">Corporate Governance Report</p> <ul style="list-style-type: none"> • 3. Corporate governance model – Company Structure • 6. Board of Directors; 6.1 Current composition and term of office • 7. Committees • 8. Board of Statutory Auditors • 9. Internal Control and Risk Management System; 9.2 Organisational, management and control model (former Legislative Decree 231/2001)
<p>Policies</p> <p><i>[Art. 3, paragraph 1, letter b]</i></p>	<ul style="list-style-type: none"> • The Group's sustainability Policies • 2020 Output of Poste Italiane's Value Creation Process • Performance 	-
<p>Main risks and related management systems</p>	<ul style="list-style-type: none"> • Sustainability themes relevant to Poste Italiane • Poste Italiane integrated internal control and risk management system 	<p style="text-align: center;">Corporate Governance Report</p> <ul style="list-style-type: none"> • 9. Internal Control and Risk Management System

<p>[Art. 3, paragraph 1, letter c]</p>	<ul style="list-style-type: none"> • Work with transparency and integrity • Legality and incorporation of ESG criteria within procurement processes • Integration of ESG factors into investment policies • Integration of ESG factors into insurance policies 	<p>Corporate Governance Report</p>	<ul style="list-style-type: none"> • 9. Internal Control and Risk Management System
<p>Efforts to combat active and passive corruption</p> <p>[Art. 3, paragraph 1]</p>	<ul style="list-style-type: none"> • Protection of human rights • Equal career development opportunities • Staff training and development • Staff welfare and well-being • Relations with social partners • Occupational health and safety 		
<p>Respect for human rights</p> <p>[Art. 3, paragraph 1]</p>	<ul style="list-style-type: none"> • Legality and incorporation of ESG criteria within procurement processes • Protection of human rights • Equal career development opportunities • Integration of ESG factors into investment policies • Integration of ESG factors into insurance policies 	-	
<p>Environment</p> <p>[Art. 3, paragraph 1]</p>	<ul style="list-style-type: none"> • Legality and incorporation of ESG criteria within procurement processes • Environmental impacts of real estate facilities 		

-
- Environmental impacts of logistics
 - Integration of ESG factors into investment policies
 - Integration of ESG factors into insurance policies
-

- The economic value generated and distributed by Poste Italiane Group
 - Legality and incorporation of ESG criteria within procurement processes
 - Support for the socio-economic development of local communities
 - Dialogue and transparency with the authorities
- Social
- [Art. 3, paragraph 1]
- Financial inclusion
 - Quality and Customer experience
 - Innovation and digitisation of products, services and processes
 - Cybersecurity, IT Security and Privacy
 - Integration of ESG factors into investment policies
 - Integration of ESG factors into insurance policies
-



Main related types of capital

REPORTING STANDARDS AND POLICIES

NFS


Poste Italiane Consolidated Non-financial Statement (NFS) has been prepared in compliance with Italian Legislative Decree 254/2016 and in accordance with the most widely used international standards: the GRI Standards of the Global Reporting Initiative according to the "in accordance - Core" option, published by the Global Reporting Initiative (GRI). In addition, the 2020 NFS includes, for purposes other than to comply with the requirements of Legislative Decree 254/2016, additional KPIs specific to the sector in which the Group operates, taking into consideration the indicators published by GRI - Financial Services and the Sustainability Accounting Standards Board (SASB). These indicators are clearly identified in the table on page 391 and are to be considered additional to the disclosures prepared in accordance with the GRI Standards to meet the requirements of Legislative Decree 254/16. Poste Italiane has also reported the Covid-19 disclosures that ESMA⁷¹ and CONSOB⁷² have required issuers to provide in their Annual Financial Reports and Non-Financial Statement for 2020.

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 S.p.A.'s Board of Directors on 24 March 2021, pursuant to art. 3, paragraph 10 of the Decree. The NFS, with the exception of disclosures relating to SASB, WEF, TCFD and SDGs requirements, has been subjected to a limited assurance engagement in accordance with the criteria indicated in the "International Standard on Assurance Engagements ISAE 3000 Revised - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) by Deloitte & Touche S.p.A, which expresses its opinion in a special "Report of the Independent Auditors" contained in the document.

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 themes relevant to Poste Italiane"). 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, which involved top management and the Group's stakeholders through specific engagement activities.

For each material topic, information has been provided on the relevant management and organisational model, policies, including due diligence policies, the results achieved through their application, as well as certain non-financial performance indicators.

Key Performance Indicators are collected on an annual basis; indicators reported refer to 2020, and where available to the 2018-2020 period as well. The qualitative and quantitative information comes from the Group's corporate information systems and from a non-financial reporting system specifically implemented to meet the

⁷¹ ESMA document on European common supervisory priorities for 2020 "European common enforcement priorities for 2020 annual financial reports".

⁷² CONSOB Attention Notice no. 1/21 of 16 February 2021.

requirements of the Decree. The data is based on punctual calculations and, where specifically indicated, on estimates. In particular, 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. In addition, it should be pointed out that in this document the figures in millions of euro have been rounded up or down, so the sum of the rounded amounts may not add up to the rounded total. During the period, following the definition of the new Poste Italiane Business Plan, the Group's targets and objectives were updated.

All GRI Standards indicators reported are shown in the GRI Content Index of this section starting from page 380.

The scope of reporting refers exclusively to companies consolidated on a line-by-line basis for financial report, as indicated in the table "List of investments consolidated on a line-by-line basis". Exceptions to this scope are explicitly indicated within the document. The terms Poste Italiane, Group or Company are used in the NFS to refer to 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	Type of impact
Efforts to combat active and passive corruption	Work with transparency and integrity	<ul style="list-style-type: none"> GRI 205 Anti-corruption GRI 207 Taxes GRI 415 Public Policy 	Poste Italiane Group	<ul style="list-style-type: none"> Suppliers and Business partners Entities and Institutions Customers Shareholders and investors 	Generated by the Group
	Equal career development opportunities	<ul style="list-style-type: none"> GRI 404 Training and Education GRI 405 Diversity and Equal Opportunity 	Poste Italiane Group	<ul style="list-style-type: none"> Entities and Institutions Shareholders and Investors 	Generated by the Group
Personnel	Staff training and development	<ul style="list-style-type: none"> GRI 404 Training and Education 	Poste Italiane Group	<ul style="list-style-type: none"> Customers Entities and Institutions Shareholders and Investors 	Generated by the Group
	Staff welfare and well-being	<ul style="list-style-type: none"> GRI 401 Employment 	Poste Italiane Group	<ul style="list-style-type: none"> Entities and Institutions Shareholders and Investors 	Generated by the Group
	Relations with social partners	<ul style="list-style-type: none"> GRI 402 Labor-Management relation 	Poste Italiane Group	<ul style="list-style-type: none"> Entities and Institutions 	Generated by the Group
	Occupational health and safety	<ul style="list-style-type: none"> GRI 403 Occupational Health and Safety 	Poste Italiane Group	<ul style="list-style-type: none"> Suppliers and Business partners 	Generated by the Group

Respect for human rights				<ul style="list-style-type: none"> • Entities and Institutions • Shareholders and Investors 	
	Protection of human rights	<ul style="list-style-type: none"> • GRI 405 Diversity and Equal Opportunity • GRI 412 Human Rights Assessment 	Poste Italiane Group	<ul style="list-style-type: none"> • Suppliers and Business partners • Communities and Territory • Entities and Institutions • Shareholders and Investors • Customers 	Generated by the Group
Environment	Legality and incorporation of ESG within procurement processes	<ul style="list-style-type: none"> • GRI 301 Materials 	Poste Italiane Group	<ul style="list-style-type: none"> • Suppliers and Business partners 	Generated by the Group and directly connected through a business relationship
	Environmental impacts of real estate facilities	<ul style="list-style-type: none"> • GRI 302 Energy • GRI 303 Water and Effluents • GRI 305 Emissions • GRI 306 Waste 	Poste Italiane Group	<ul style="list-style-type: none"> • Environment • Entities and Institutions • Communities and Territory 	Generated by the Group and related to the Group through its commercial relationships
	Environmental impacts of logistics	<ul style="list-style-type: none"> • GRI 302 Energy 	Poste Italiane Group	<ul style="list-style-type: none"> • Environment 	Generated by

		<ul style="list-style-type: none"> GRI 305 Emissions 		<ul style="list-style-type: none"> Suppliers and Business partners Entities and Institutions Communities and Territory 	the Group
Social	Support for the socio-economic development of local communities	<ul style="list-style-type: none"> GRI 203 Indirect economic impacts 	Poste Italiane Group	<ul style="list-style-type: none"> Entities and Institutions Communities and Territory 	Generated by the Group
	Dialogue and transparency with the authorities	<ul style="list-style-type: none"> - 	Poste Italiane Group	<ul style="list-style-type: none"> Entities and Institutions Communities and Territory 	Generated by the Group
	Financial inclusion	<ul style="list-style-type: none"> FS 14 Initiatives to improve access to financial services for disadvantaged people 	Poste Italiane Group	<ul style="list-style-type: none"> Entities and Institutions Communities and Territory 	Generated by the Group and to which the Group contributes
	Quality and Customer experience	<ul style="list-style-type: none"> - 	Poste Italiane Group	<ul style="list-style-type: none"> Customers 	Generated by the Group
	Innovation and digitisation of products, services and processes	<ul style="list-style-type: none"> - 	Poste Italiane Group	<ul style="list-style-type: none"> Customers Communities and Territory Suppliers and Business partners Shareholders and Investors 	Generated by the Group and to which the Group contributes

	<p>Cybersecurity, IT Security and Privacy</p>	<ul style="list-style-type: none"> GRI 418 Customer Privacy 	<p>Poste Italiane Group</p>	<ul style="list-style-type: none"> Customers Suppliers and Business partners Entities and Institutions Shareholders and Investors 	<p>Generated by the Group</p>
	<p>Integration of ESG factors into investment policies</p>	<ul style="list-style-type: none"> FS 11 Percentage of asset positive and negative environmental/social screening 	<p>Poste Italiane Group</p>	<ul style="list-style-type: none"> Shareholders and Investors Communities and Territory Environment 	<p>Generated by the Group</p>
	<p>Integration of ESG factors into insurance policies</p>	<ul style="list-style-type: none"> FS 11 Percentage of asset positive and negative environmental/social screening 	<p>Poste Italiane Group</p>	<ul style="list-style-type: none"> Shareholders and Investors Communities and Territory Environment 	<p>Generated by the Group</p>

GRI-STANDARDS CONTENT INDEX

GRI Standard	Number and description of indicator	Section
GRI 101: Foundation 2016		
GRI 102: GENERAL DISCLOSURES		
GRI 102: General Disclosures	Organisational profile	
	102-1 Name of the organisation	Report on Operations: Statement from the Chairwoman and the Chief Executive Officer (p.5-7)
	102-2 Activities, brands, products and services	Report on Operations: Areas of operations and organisation of the Group (p.36-64)
	102-3 Location of headquarters	Annual Report: Introduction (p.393)
	102-4 Location of operations	Report on Operations: Omni-channel Commercial Strategy (p.37-40)
	102-5 Ownership and legal form	Report on Operations: Business Model (p.17-64)
	102-6 Markets served	Report on Operations: Areas of operations and organisation of the Group (p. 36-64); Omni-channel Commercial Strategy (p. 37-40)
	102-7 Scale of the organisation	Report on Operations: Performance of Poste Italiane S.p.A. and Report on Operations of Bancoposta RFC (p. 173-186); Tables of indicators (p. 306) Report on Corporate Governance and the Ownership Structure: Section I: Governance and Ownership Structures (p.1-8)
	102-8 Information on Employees and Other Workers	Chapter 6. Performance - Tables of indicators (p.306-307)
	102-9 Supply chain	Report on Operations: Legality and incorporation of ESG within procurement processes (p.195-199)
	102-10 Significant changes to the organisation and its supply chain	Report on Operations: Corporate actions during the year (p.30-35); Poste Italiane's Ownership and Organisational structure (p.17-19) Report on Corporate Governance and the Ownership Structure: Section I: Governance and Ownership Structures (p.1-8)
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, 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 (p.114-116)	

102-12 External initiatives	Report on Operations: The Group's Environmental Social and Governance (ESG) Strategic Plan (p.74-76)
102-13 Membership of associations	Report on Operations: The Group's Environmental Social and Governance (ESG) Strategic Plan (p.74-76); Dialogue and transparency in relations with the authorities (p.250-252)
Strategy	
102-14 Statement from senior decision-maker	Report on Operations: Statement from the Chairwoman and the Chief Executive Officer (p. 5-7)
102-15 Key impacts, risks and opportunities	Report on Operations: Poste Italiane's Integrated Internal Control and Risk Management System (p.88-92); Material issues, risks and management methods (p.101-116); The management and reporting of climate change risks according to the indications of the Task Force on Climate-related Financial Disclosures (p.114-116); Outlook: emerging risk management (p.116-123)
Ethics and Integrity	
102-16 Values, principles, standards and norms of behaviour	Report on Operations: Risk management and risk assessment model (p.88-92); Work with transparency and integrity (p.188-195)
Corporate Governance	
102-18 Governance structure	Report on Operations: Management and Supervisory Bodies (p.83-88); The management and reporting of climate change risks according to the indications of the Task Force on Climate-related Financial Disclosures (p.114-116) Report on Corporate Governance and the Ownership Structure: 7.2 Audit and Risk Committee (formerly Audit, Risk and Sustainability Committee) (p.25-31); 7.3 Sustainability Committee (p.31-33)
102-19 Delegating authority	
102-20 Executive-level responsibility for economic, environmental, and social topics	Report on Operations: Poste Italiane's Corporate Governance (p.83-88); Risk management and risk assessment model (p.88-92); The 2020 Multi-stakeholder Forum (p.103-104)
102-21 Consulting stakeholders on economic, environmental, and social topics	
102-22 Composition of the highest governance body and its committees	Report on Operations: Management and Supervisory Bodies (p.83-88); Chapter 6. Tables of indicators (p.320); Link: https://www.posteitaliane.it/en/board-of-directors.html Report on Corporate Governance and the Ownership Structure: 7.2 Audit and Risk Committee (formerly Audit, Risk and Sustainability Committee) (p.25-31); 7.3 Sustainability Committee (p.31-33)
102-23 Chair of the highest governance body	Report on Corporate Governance and the Ownership Structure: 6.6 Chief Executive Officer (p.15-16)
102-24 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 (former art. 123-bis, par. 2., let. d), Consolidated Law on Finance (p.9-10); 6.8 Independent Directors (p.17-19); 6.10 Assessment of

	workings of the Board of Directors and Board Committees (p.20-21); 6.11 Diversity policies (former art. 123-bis, par. 2., let. d), Consolidated Law on Finance (p.22-23)
102-25 Conflicts of interest	Report on Corporate Governance and the Ownership Structure: 14. Other corporate governance procedures (former art. 123-bis, par. 2.a), Consolidated Law on Finance (p.56-61)
102-26 Role of highest governing body in setting purpose, values, and strategy	Report on Corporate Governance and the Ownership Structure: 6.6 Chief Executive Officer (p.15-16); 7.2 Audit and Risk Committee (formerly Audit, Risk and Sustainability Committee) (p.25-31); 7.3 Sustainability Committee (p.31-33)
102-27 Collective knowledge of highest governance body	Report on Operations: Poste Italiane's Integrated Internal Control and Risk Management System (p.88-92) Report on Corporate Governance and the Ownership Structure: 6.3 Role and functions (former art. 123-bis, par. 2.d), Consolidated Law on Finance (p.12-14); 6.8 Independent Directors (p.17-19); 6.10 Assessment of workings of the Board of Directors and Board Committees (p.20-21)
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 (p.20-21)
102-29 Identifying and managing economic, environmental, and social impacts	Report on Operations: Poste Italiane's Integrated Internal Control and Risk Management System (p.88-92) Report on Corporate Governance and the Ownership Structure: 6.3 Role and functions (former art. 123-bis, par. 2.d), Consolidated Law on Finance (p.12-14)
102-30 Effectiveness of risk management processes	Report on Operations: Poste Italiane's Integrated Internal Control and Risk Management System (p.88-92)
102-31 Review of economic, environmental, and social topics	Report on Corporate Governance and the Ownership Structure: 7.2 Audit and Risk Committee (formerly Audit, Risk and Sustainability Committee) (p.25-31); 7.3 Sustainability Committee (p.31-33)
102-33 Communicating critical concern	Report on Operations: Poste Italiane's Integrated Internal Control and Risk Management System (p.88-92) Report on Corporate Governance and the Ownership Structure: 5.5 Equity participation by employees: rights mechanisms (former art. 123-bis, par.1.e), Consolidated Law on Finance (p.5); 7.2 Audit and Risk Committee (formerly Audit, Risk and Sustainability Committee) (p.25-31); 7.3 Sustainability Committee (p.31-33)
102-36 Process for determining remuneration	Report on Corporate Governance and the Ownership Structure: 6.12 Fees (p.23)
Stakeholder Engagement	
102-40 List of Stakeholder Groups	Report on Operations: Stakeholder engagement (p.102-104)
102-41 Collective bargaining agreements	Report on Operations: Relations with social partners (p.217-224)

102-42 Identifying and selecting stakeholders	Report on Operations: Stakeholder engagement (p.102-104)
102-43 Approach to stakeholder engagement	Report on Operations: Stakeholder engagement (p.102-104)
102-44 Key topics and concerns raised	Report on Operations: The 2020 Multi-stakeholder Forum (p.103-104)
Reporting practice	
102-45 Entities included in the consolidated financial statements	Report on Operations: Chapter 9. Consolidated non-financial statement (p. 358-391)
102-46 Defining report content and topic Boundaries	Report on Operations: Material issues, risks and management methods (p.101-116); Chapter 9. Consolidated non-financial statement (p.358-391)
102-47 List of material topics	Report on Operations: Material issues, risks and management methods (p.101-116)
102-48 Restatements of information	Report on Operations: Chapter 9. Consolidated non-financial statement (p.358-391). No restatements have been made with respect to the previous year's figures, except where expressly stated.
102-49 Changes in reporting	Report on Operations: Chapter 9. Consolidated non-financial statement (p.358-391). No restatements have been made with respect to the previous year's figures, except where expressly stated.
102-50 Reporting period	Report on Operations: Chapter 9. Consolidated non-financial statement (p.358-391)
102-51 Date of most recent report	2019 Integrated Report (May 2020)
102-52 Reporting cycle	Report on Operations: Chapter 9. Consolidated non-financial statement (p.358-391)
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 S.p.A. Corporate Affairs/Group Risk Management Viale Europa, 190 00144 Rome – Italy
102-54 Claims of reporting in accordance with GRI Standards	Report on Operations: Chapter 9. Consolidated non-financial statement (p.358-391)
102-55 GRI content index	Report on Operations: GRI-Standards Content Index (p.368-379)
102-56 External assurance	Report on Operations: Chapter 9. Consolidated non-financial statement (p.358-391)

GRI Standard	Number and description of indicator	Section	Notes/omissions
Material topics			
GRI 200: ECONOMIC PERFORMANCE INDICATORS			
Economic performance			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: The economic value generated and distributed by Poste Italiane Group (p.16); Poste Italiane's Sustainability Strategy (p.71-76); Materiality matrix (p.104-106); Correlation table between the areas of the Decree, material sustainability issues for Poste Italiane and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 201: Economic performance	201-1 Direct economic value generated and distributed	Chapter 6. Tables of indicators (p.301)	
Indirect economic impacts			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Support for the socio-economic development of local communities (p.243-249); Correlation table between the areas of the Decree, Poste Italiane material sustainability issues and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 203: Indirect economic impacts	203-1 Infrastructure investments and services supported	Chapter 6. Tables of indicators (p.323)	
Anti-corruption			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Integrity and transparency (p.187-199); Correlation table between the areas of the Decree, Poste Italiane material sustainability issues and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	Chapter 6. Tables of indicators (p.302)	
	205-3 Confirmed incidents of corruption and actions taken	Chapter 6. Tables of indicators (p.302)	
GRI 207 (2019): Tax	207-1 Approach to tax	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's	

	207-2 Tax governance, control and risk management	Sustainability Strategy (p.71-76); Fiscal transparency policies (p.192-195)	
	207-3 Stakeholder engagement and management of concerns related to tax		
	207-4 Country-by-country Reporting		Chapter 6. Tables of indicators (p.305)
GRI 415: Public Policy	415-1 Political contributions	In line with the provisions of the Group's Integrated Policy, in 2020, Poste Italiane made no contributions of any kind, either directly or indirectly, to political parties, movements, committees and political and labour union organisations, or to their representatives or candidates, either in Italy or abroad.	
GRI 300: ENVIRONMENTAL PERFORMANCE INDICATORS			
Materials			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Legality and ESG integration within procurement processes (p.195-199); Environmental impacts of logistics (p.288-291); Correlation table between areas of the Decree, material sustainability issues for Poste Italiane and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 301: Materials	301-1 Materials used by weight or volume	Chapter 6. Tables of indicators (p.304)	
Energy			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Environmental impacts of real estate facilities (p.282-287); Environmental impacts of logistics (p.288-291); Correlation table between the areas of the Decree, material sustainability issues for Poste Italiane and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 302: Energy	302-1 Energy consumption within the organisation	Chapter 6. Tables of indicators (p.331;336-337;339-340)	
	302-2 Energy consumption outside of the organisation	Chapter 6. Tables of indicators (p.332;337-338;340;341)	

Water			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Environmental impacts of real estate facilities (p.282-287); Correlation table between the areas of the Decree, material sustainability issues for Poste Italiane and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 303 (2018): Water and Effluents	303-1 Interactions with water as a shared resource	Decree, material sustainability issues for Poste Italiane and GRI Standards (p.364-367)	
	303-2 Management of water discharge-related impacts		
	303-3 Water withdrawal	Chapter 6. Tables of indicators (p.332-333) Currently, there is no evidence that Poste Italiane withdraws water from water-stressed areas. Therefore, this value is zero.	
Emissions			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Environmental impacts of real estate facilities (p.282-287); Environmental impacts of logistics (p.288-291); Correlation table between the areas of the Decree, material sustainability issues for Poste Italiane and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	Chapter 6. Tables of indicators (p.334-335;337;339-340)	
	305-2 Energy Indirect (Scope 2) GHG emissions	Chapter 6. Tables of indicators (p.334-335;337;339-340)	
	305-3 Other indirect (Scope 3) GHG emissions	Chapter 6. Tables of indicators (p.334-335;337-338;340;341)	
	305-4 GHG Emissions intensity	Chapter 6. Tables of indicators (p.338)	
Waste			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Environmental impacts of real estate facilities (p.282-287); Correlation table between the areas of the Decree, material sustainability issues	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		

GRI 306 (2020): Waste	306-1 Waste generation and significant waste-related impacts	for Poste Italiane and GRI Standards (p.364-367)	
	306-2 Management of significant waste-related impacts		
	306-3 Waste generated	Chapter 6. Tables of indicators (p.335-336)	
	306-4 Waste diverted from disposal		
	306-5 Waste directed to disposal		
Environmental assessment of suppliers			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Legality and ESG integration within procurement processes (p.195-199); Chapter 6. Tables of indicators (p.303-304); Correlation table between the areas of the Decree, Poste Italiane material sustainability issues and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 400: SOCIAL PERFORMANCE INDICATORS			
Employment			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Staff welfare and well-being (p.210-217); Correlation table between the areas of the Decree, Poste Italiane material sustainability issues and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 401: Employment	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Chapter 6. Tables of indicators (p.309)	
Labour/management relations			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Relations with the social partners (p.217-224); Correlation table between the areas of the Decree, Poste Italiane material sustainability issues and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		

<p>GRI 402: Labor/Management relations</p>	<p>402-1 Minimum notice periods regarding operational changes</p>	<p>For Poste Italiane and Group companies signatories of Poste Italiane National Collective Labour Contract:</p> <p>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.</p> <p>SDA: the National Collective Labour Contract provides, in art. 44, in case of transfer, transformation or termination of the Company, the procedure provided for by art. 47 of Law no. 428 of 29 December 1990 raising the deadline for communication to the Labour Unions to 40 days if the transfer of business concerns more than 60 employees.</p> <p>PWS: 4 (25 days)</p>	
<p>Health and safety</p>			
<p>GRI 103: Management Approach</p>	<p>103-1 Explanation of the material topic and its Boundary</p> <p>103-2 The management approach and its components</p> <p>103-3 Evaluation of the management approach</p>	<p>Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76);</p>	
<p>GRI 403 (2018): Occupational health and safety</p>	<p>403-1 Occupational health and safety management system</p> <p>403-2 Hazard identification, risk assessment, and incident investigation</p> <p>403-3 Occupational health services</p> <p>403-4 Worker participation, consultation, and communication</p>	<p>Occupational health and safety (p.224-232); Correlation table between the areas of the Decree, Poste Italiane material sustainability issues and GRI Standards (p.364-367)</p>	

	on occupational health and safety		
	403-5 Worker training on occupational health and safety		
	403-6 Promotion of worker health		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
	403-8 Workers covered by an occupational health and safety management system	Chapter 6. Tables of indicators (p.311-312)	
	403-9 Work-related injuries	Chapter 6. Tables of indicators (p.313-319)	
Training and education			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Staff training and development (p.201-209); Equal career development opportunities (p.238-241); Correlation table between the areas of the Decree, Poste Italiane material sustainability issues and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 404: Training and education	404-1 Average hours of training per year per employee	Chapter 6. Tables of indicators (p.307-308)	
	404-3 Percentage of employees receiving regular performance and career development reviews	Chapter 6. Tables of indicators (p.321-322)	
Diversity and equal opportunity			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Protection of human rights (p.234-238); Correlation table between the areas of the Decree, material sustainability issues for Poste Italiane and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Chapter 6. Tables of indicators (p.320-321)	
Human rights assessment			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's	

	103-2 The management approach and its components	Sustainability Strategy (p.71-76); Work with transparency and integrity (p.188-195); Legality and ESG integration within procurement processes (p.195-199); Correlation table between the areas of the Decree, Poste Italiane material sustainability issues and GRI Standards (p.364-367)	
	103-3 Evaluation of the management approach		
GRI 412: Human Rights Assessment	412-1 Operations that have been subject to human rights reviews or impact assessments	Chapter 6. Tables of indicators (p.322)	
Supplier social assessment			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Legality and ESG integration within procurement processes (p.195-199); Correlation table between areas of the Decree, material sustainability issues for Poste Italiane and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
Customer privacy			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Cybersecurity, IT Security and Privacy (p.264-268); Correlation table between the areas of the Decree, Poste Italiane material sustainability issues and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Chapter 6. Tables of indicators (p.328)	

Active ownership			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Integration of ESG factors into investment policies (p.293-297); Integration of ESG factors into insurance policies (p.298-300); Correlation table between areas of the Decree, material sustainability issues	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		

		for Poste Italiane and GRI Standards (p.364-367)	
	FS11 Percentage of assets subject to positive and negative environmental or social screening	In 2020, Poste Vita and BancoPosta Fondi SGR – 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 total AuM.	

Local communities

GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Report on Operations: Materiality matrix (p.104-106); Poste Italiane's Sustainability Strategy (p.71-76); Financial inclusion (p.253-256); Correlation table between the areas of the Decree, Poste Italiane material sustainability issues and GRI Standards (p.364-367)	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
	FS14 Initiatives to improve access to financial services for disadvantaged people	Chapter 6. Tables of indicators (p.324)	

OTHER REFERENCE STANDARDS AND GUIDELINES FOR THE PREPARATION OF THE INTEGRATED FINANCIAL STATEMENTS

The correlation tables in this section: "Towards common metrics and consistent reporting of sustainable value creation of the World Economic Forum and GRI indicators", "SASB Indicators and Indicators of the Integrated Report" and "SDGs and GRI Standards" are not subject to compliance judgments ("limited assurance engagement").

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

September 2020 saw the publication of the updated version of the document "Towards Common Metrics and Consistent Reporting of Sustainable Value Creation", presented in January 2020 during the World Economic Forum in Davos, which defines a set of universal indicators for ESG performance applicable by all companies, regardless of business area, with the aim of making non-financial disclosures more easily comparable. The indicators are organised into four pillars: Governance, Planet, People and Prosperity.

Taking into consideration the indications provided by the document, 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 405-1
	Stakeholder engagement	Impact of material problems on stakeholders	GRI 102-21 GRI 102-43 GRI 102-47
	Ethical behavior	Anti-corruption Public Policy	GRI 205-3 GRI 415-1
	Risk and opportunity oversight	Integrate risks and opportunities in the business process	GRI 102-15
	Planet	Climate change	Greenhouse Gas Emissions (GHG)

People	Dignity and equality	Diversity and inclusion (%) Assessment on respect for human rights, complaint impact and modern slavery (#,%)	GRI 405-1 GRI 412-1
	Health and Well Being	Health and safety (%)	GRI 403-9 GRI 403-6
	Skills for the Future	Training provided (#)	GRI 404-1
Prosperity	Employment and wealth generation	Economic contribution	GRI 201-1 GRI-203-1
	Community and social vitality	Total taxes paid	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 2020 Integrated Report.

SASB		2020 INTEGRATED REPORT
Topic	Indicator	Reference to paragraphs/indicators
Sector – INSURANCE		
<i>Transparent Information & Fair Advice for Customers</i>	FN-IN-270a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Quality and Customer experience • Monthly complaints • Customer complaints by type
<i>Incorporation of ESG Factors in Investment Management</i>	FN-IN-410a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Integration of ESG factors into investment policies • Integration of ESG factors into insurance policies • Percentage of assets subject to positive and negative environmental or social screening regarding social/environmental aspects
<i>Policies Designed to Incentivize Responsible Behavior</i>	FN-IN-410b	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • ESG Products • Insurance products with social and environmental value
<i>Environmental Risk exposure</i>	FN-IN-450a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • The management and reporting of climate change risks according to the indications of the Task Force on Climate-related Financial Disclosures
<i>Systemic Risk Management</i>	FN-IN-550a	<ul style="list-style-type: none"> • Outlook: emerging risk management
Sector – ASSET MANAGEMENT		
<i>Transparent Information & Fair Advice for Customers</i>	FN-AC-270a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Quality and Customer experience • Monthly complaints • Customer complaints by type
<i>Employee Diversity & Inclusion</i>	FN-AC-330a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Diversity and inclusion • Classification of employee by category, gender and age group • Number of personnel by other diversity indicators

		<ul style="list-style-type: none"> • Number of personnel by type of employment and gender, by Strategic Business Unit • Number of personnel by type of contract and gender, by Strategic Business Unit
<i>Incorporation of ESG Factors in Investment Management & Advisory</i>	FN-AC-410a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Integration of ESG factors into investment policies • Integration of ESG factors into insurance policies • Percentage of assets subject to positive and negative environmental or social screening regarding social/environmental aspects
<i>Business Ethics</i>	FN-AC-510a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Work with transparency and integrity • Poste Italiane's commitment to managing human rights risks • Companies assessed for risks related to corruption and percentage of operations audited for risks related to corruption • Reports managed by the Whistleblowing Committee • Anti-competitive practices • Specific training on procedures and policies of anti-corruption • Cases of bribery and corruption and corrective actions • Political contributions • Tax approach
<i>Systemic Risk Management</i>	FN-AC-550a	<ul style="list-style-type: none"> • Risk management and risk assessment
Sector – AIR FREIGHT & LOGISTICS		
<i>Greenhouse Gas Emissions</i>	TR-AF-110a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Decarbonisation of real estate facilities and logistics • Total direct GHG emissions (Scope 1) • Total indirect GHG emissions (Scope 2) • Intensity of GHG emissions related to real estate facilities • Internal Group energy consumption • External Group energy consumption
<i>Air Quality</i>	TR-AF-120a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Other direct emissions from logistics activities • Other indirect emissions from logistics activities
<i>Labor Practices</i>	FN-AC-510a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy





		<ul style="list-style-type: none"> • Relations with social partners • Protection of human rights • Number of disputes with employees
<i>Employee Health & Safety</i>	TR-AF-320a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Occupational health and safety • Type of injury, rate of occupational accidents that can be registered, rate of occupational accidents with severe consequences, absentee rate and work-related fatalities at the Group
<i>Supply Chain Management</i>	TR-AF-430a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Environmental impacts of logistics • Other total indirect GHG emissions (Scope 3)
Sector – COMMERCIAL BANKS		
<i>Data Security</i>	FN-CB-230a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Risk management and risk assessment • Cybersecurity, IT Security and Privacy • Privacy violations and data leaks • IT security and cybersecurity breaches • Number of customers involved in IT security breaches
<i>Financial Inclusion & Capacity Building</i>	FN-CB-240a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Financial inclusion • New customers in the categories most at risk of financial exclusion as a percentage of total new acquisitions



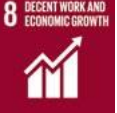
		<ul style="list-style-type: none"> • ATMs for inclusion • Post Offices for cultural integration
<i>Business Ethics</i>	FN-AC-510a	<ul style="list-style-type: none"> • Poste Italiane's sustainability strategy • Work with transparency and integrity • Companies assessed for risks related to corruption and percentage of operations audited for risks related to corruption • Reports managed by the Whistleblowing Committee • Anti-competitive practices • Specific training on procedures and policies of anti-corruption • Cases of bribery and corruption and corrective actions • Political contributions • Tax approach
<i>Systemic Risk Management</i>	FN-AC-550a	<ul style="list-style-type: none"> • Risk management and risk assessment









Main related types of capital




TABLE SHOWING LINKS BETWEEN THE SDGS AND THE GRI STANDARDS INDICATORS

SDG	Topic	GRI Indicator
 <p>Goal 1 – No Poverty</p> <p>End poverty in all its forms everywhere</p>	<ul style="list-style-type: none"> • Access to financial services 	<ul style="list-style-type: none"> • FS14
	<ul style="list-style-type: none"> • Taxation 	<ul style="list-style-type: none"> • 207-1 • 207-2 • 207-3 • 207-4
 <p>Goal 3 – Good health and well-being</p> <p>Ensure healthy lives and promote well-being for all at all ages.</p>	<ul style="list-style-type: none"> • Air quality 	<ul style="list-style-type: none"> • 305-1 • 305-2 • 305-3
	<ul style="list-style-type: none"> • Waste management 	<ul style="list-style-type: none"> • 306-1 • 306-2 • 306-3 • 306-4 • 306-5
	<ul style="list-style-type: none"> • Occupational health and safety 	<ul style="list-style-type: none"> • 403-2 • 403-3 • 403-6 • 403-9
 <p>Goal 4 – Quality education</p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>	<ul style="list-style-type: none"> • Employee training and education 	<ul style="list-style-type: none"> • 404-1
 <p>Goal 5 – Gender equality</p>	<ul style="list-style-type: none"> • Gender equality in governance bodies 	<ul style="list-style-type: none"> • 102-22 • 102-24
	<ul style="list-style-type: none"> • Infrastructure investment 	<ul style="list-style-type: none"> • 203-1

<p>Achieve gender equality and empower all women and girls.</p>	<ul style="list-style-type: none"> • Gender equality in employee training 	<ul style="list-style-type: none"> • 404-1 • 401-2 • 404-3
<ul style="list-style-type: none"> • Gender equality 		<ul style="list-style-type: none"> • 405-1
 <p>6 CLEAN WATER AND SANITATION</p> <p><i>Goal 6 – Clean water and sanitation</i></p> <p>Ensure availability and sustainable management of water and sanitation for all.</p>	<ul style="list-style-type: none"> • Sustainable water withdrawals 	<ul style="list-style-type: none"> • 303-1 • 303-2 • 303-3
	<ul style="list-style-type: none"> • Waste management 	<ul style="list-style-type: none"> • 306-1 • 306-2 • 306-3 • 306-5
 <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p><i>Goal 7 – Affordable and clean energy</i></p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all.</p>	<ul style="list-style-type: none"> • Energy efficiency 	<ul style="list-style-type: none"> • 302-1 • 302-2
	<ul style="list-style-type: none"> • Renewable energy 	<ul style="list-style-type: none"> • 302-1 • 302-2
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p><i>Goal 8 – Decent work and economic growth</i></p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	<ul style="list-style-type: none"> • Access to financial services 	<ul style="list-style-type: none"> • FS14
	<ul style="list-style-type: none"> • Information on employees 	<ul style="list-style-type: none"> • 102-8
	<ul style="list-style-type: none"> • National bargaining agreements 	<ul style="list-style-type: none"> • 102-41
	<ul style="list-style-type: none"> • Infrastructure investment 	<ul style="list-style-type: none"> • 201-1
	<ul style="list-style-type: none"> • Materials efficiency 	<ul style="list-style-type: none"> • 301-1
	<ul style="list-style-type: none"> • Energy efficiency 	<ul style="list-style-type: none"> • 302-1 • 302-2
	<ul style="list-style-type: none"> • Earnings, wages and benefits 	<ul style="list-style-type: none"> • 401-2
	<ul style="list-style-type: none"> • Labour/Management Relations 	<ul style="list-style-type: none"> • 402-1

		<ul style="list-style-type: none"> Occupational health and safety 	<ul style="list-style-type: none"> 403-1 403-2 403-3 403-4 403-5 403-7 403-8 403-9
		<ul style="list-style-type: none"> Employee training and education 	<ul style="list-style-type: none"> 404-1 404-3
		<ul style="list-style-type: none"> Diversity and equal opportunity 	<ul style="list-style-type: none"> 405-1
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p><i>Goal 9 – Industry, innovation and infrastructure</i></p>	<ul style="list-style-type: none"> Infrastructure investment 	<ul style="list-style-type: none"> 201-1 203-1
<p>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.</p>			
 <p>10 REDUCED INEQUALITIES</p>	<p><i>Goal 10 – Reduced inequalities</i></p>	<ul style="list-style-type: none"> Responsible finance 	<ul style="list-style-type: none"> FS11
		<ul style="list-style-type: none"> Information on employees 	<ul style="list-style-type: none"> 102-8
		<ul style="list-style-type: none"> Economic development in areas of high poverty 	<ul style="list-style-type: none"> 203-1
		<ul style="list-style-type: none"> Taxation 	<ul style="list-style-type: none"> 207-1 207-2 207-3 207-4
		<ul style="list-style-type: none"> Equal employee training 	<ul style="list-style-type: none"> 404-1 404-3
<p>Reduce inequalities within and among countries.</p>			

	<p><i>Goal 11 – Sustainable cities and communities</i></p>	<ul style="list-style-type: none"> • Infrastructure investment 	<ul style="list-style-type: none"> • 203-1
	<p>Make cities and human settlements inclusive, safe, resilient and sustainable.</p>	<ul style="list-style-type: none"> • Waste management 	<ul style="list-style-type: none"> • 306-4 • 306-5
	<p><i>Goal 12 – Responsible consumption and production</i></p>	<ul style="list-style-type: none"> • Materials efficiency/recycling 	<ul style="list-style-type: none"> • 301-1
	<p>Ensure sustainable consumption and production patterns.</p>	<ul style="list-style-type: none"> • Energy efficiency 	<ul style="list-style-type: none"> • 302-1 • 302-2
	<ul style="list-style-type: none"> • Water withdrawals by source 	<ul style="list-style-type: none"> • 303-1 • 303-3 	
	<ul style="list-style-type: none"> • Air quality 	<ul style="list-style-type: none"> • 305-1 • 305-2 • 305-3 	
	<ul style="list-style-type: none"> • Waste management 	<ul style="list-style-type: none"> • 306-1 • 306-2 • 306-3 • 306-4 • 306-5 	
	<p><i>Goal 13 – Climate action</i></p>	<ul style="list-style-type: none"> • Energy efficiency 	<ul style="list-style-type: none"> • 302-1 • 302-2
	<p>Take urgent action to combat climate change and its impacts.</p>	<ul style="list-style-type: none"> • GHG emissions 	<ul style="list-style-type: none"> • 305-1 • 305-2 • 305-3 • 305-4
	<p><i>Goal 14 – Life Below water</i></p>	<ul style="list-style-type: none"> • Ocean acidification 	<ul style="list-style-type: none"> • 305-1 • 305-2 • 305-3 • 305-4

<p>Conserve and sustainably use the oceans, seas and marine resources.</p>	<ul style="list-style-type: none"> Waste management 	<ul style="list-style-type: none"> 306-1 306-3 306-5
 <p><i>Goal 15 – Life on land</i></p> <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.</p>	<ul style="list-style-type: none"> Forest degradation 	<ul style="list-style-type: none"> 305-1 305-2 305-3 305-4
 <p><i>Goal 16 – Peace, justice and strong institutions</i></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"> Gender equality in governance bodies 	<ul style="list-style-type: none"> 102-22 102-24
	<ul style="list-style-type: none"> Anti-corruption 	<ul style="list-style-type: none"> 205-1 205-3
	<ul style="list-style-type: none"> Occupational health and safety 	<ul style="list-style-type: none"> 403-9 403-4
	<ul style="list-style-type: none"> Public Policy 	<ul style="list-style-type: none"> 415-1
	<ul style="list-style-type: none"> Protection of privacy 	<ul style="list-style-type: none"> 418-1
 <p><i>Goal 17 - Partnerships for the goals</i></p>	<ul style="list-style-type: none"> Taxation 	<ul style="list-style-type: none"> 207-1 207-2 207-3

• 207-4

Strengthening implementation methods and
relaunching global partnership for
sustainable development

FINANCIAL STATEMENTS OF POSTE ITALIANE AT 31 DECEMBER 2020

Posteitaliane

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 2020, 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 2020, 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 and Mobile, (iii) Financial Services and (iv) Insurance Services.

In addition to 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 the other segments in which the Group operates.

The Payment and Mobile Services Sector includes the activities of payment management, e-money services and mobile and fixed-line telephone services by Postepay SpA. Starting in 2020, and in line with the organisational changes that in 2019, saw the transfer of the digital channel control activities within the Mail, Parcels and Distribution Services Sector, the name of the Payments, Mobile and Digital Sectors has been updated to Payments and Mobile.

The Financial Services Sector regards the activities of BancoPosta RFC, which include the collection of all forms of savings deposits, the provision of payment services (of which some are outsourced to the Payments and Mobile sector), 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.

The Insurance Services Sector regards 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 2020 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 consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated

statement of changes in equity, the consolidated 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 2020;
- 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 in force at 31 December 2020, regarding which no derogations were made.

2.2 BASIS OF PRESENTATION

The accounting standards reflect the **full operations** of the Group and Poste Italiane SpA in the foreseeable future. As a going concern, Poste Italiane Group companies prepare their financial statements on a **going**

concern basis, taking account, among other things, of the Group's economic and financial outlook, as reflected in the "2024 Sustain & Innovate" strategic plan approved by the Board of Directors at its meeting of 18 March 2021.

The statement of financial position has been prepared on the basis of the "**current/non-current distinction**"⁷³. In the Statement of profit (loss) for the year, the **classification criterion based on the nature of the cost components** has been adopted; details of interest income calculated using the effective interest criterion, as well as gains and losses deriving from the derecognition of financial assets measured at amortised cost (as per IAS 1 - *Presentation of Financial Statements* paragraph 82) are provided in section 5.3 Notes to the Statement of profit or loss. The cash flow statement has been prepared under the **indirect method**⁷⁴.

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 2019.

The disclosures provided in these annual financial statements as well as the accounting standards adopted are in accordance with the guidelines and recommendations of the European regulatory and supervisory bodies and standard setters (ESMA, Consob and IFR Foundation)⁷⁵ published in 2020 and 2021 in order to provide a guideline in the current economic context, which is heavily influenced by the pandemic. The accounting implications of complying with these recommendations are described in section 2.5 - *Use of estimates*.

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 and of significant amount, **income and expenses deriving from non-recurring transactions**, or transactions that occur infrequently in the normal course of business. Detailed information about non-recurring events and transactions, including their impact on the financial position, results of operations and cash flows of the company and/or the group, is provided in the section "*Material non-recurring events and/or transactions*".

In order to allow for a uniform comparison with the figures for 2019, certain figures and notes for the comparison year have been reclassified.

In this regard, it should be noted that the presentation of the positive and negative income components relating to the financial business has been revised in the Consolidated Statement of Profit or Loss, in order to allow for a convergent interpretation with the presentation in the banking financial statements in accordance with Bank of Italy regulations; this presentation method also ensures greater consistency with respect to the current presentation of the positive and negative income components relating to the insurance business. In detail, and

⁷³ 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, par. 68).

⁷⁴ 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 deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.

⁷⁵ Public statement ESMA 32-63-951 of 25 March 2020 "Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9"; IASB document of 27 March 2020 "IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 - Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic"; Public statement ESMA 32-63-1041 of 28 October 2020 "European common enforcement priorities for 2020 annual financial reports"; Consob Notice of attention no. 1/21 of 16 February 2021.

in accordance with IAS 1, the consolidated statement of profit or loss for the year ended 31 December 2020 includes the item "Net revenue from financial services", defined as the sum of "Revenue from financial services" and "Expenses from financial activities", previously separately represented respectively under "Net operating revenue" and under costs, as a proportion of the Operating profit/(loss) and net trading income⁷⁶. In order to ensure the same set of information as in previous Financial Reports, the item is accompanied by details of the individual positive and negative components that contribute to the margin shown.

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 taxation⁷⁷, 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 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 or 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

⁷⁶ The individual components contributing to net revenue from financial services will continue, in the Consolidated Statement of Profit or Loss, to move the same items presented through 2019 and be separately presented under the new revenue item. The approach does not involve any change in key measures of the financial statements such as the Operating profit/(loss) and trading income and Net profit.

⁷⁷ 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).

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.

In 2020, as part of the broader process of updating the Business Plan, which included a strategic analysis of the Group's assets, a complex evaluation and articulation of the real estate portfolio was carried out in homogeneous clusters with the technical/specialist support of a third party, which required the update of the useful lives and residual values of certain categories of fixed assets. For details of the useful life of the main classes of property, plant and equipment of the Group and for the analysis of the effects deriving from this activity, reference should be made to Note 2.5 - *Use of estimates*.

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. For details on the useful life of the Group's investment property, please refer to Note 2.5 - *Use of estimates*.

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 carrying amount 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 or 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 or 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".

Lease arrangements

At the conclusion of the contract, the actual existence of a lease component is assessed. The contract is, or contains, a lease if in return for 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 customer. 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 latter is separated and treated in accordance with the relevant accounting standard. However, if separation cannot be achieved on the basis of objective criteria, the lease and non-lease component are submitted jointly to the accounting rules of the lease.

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.

The lease liability is initially recorded at the present value of the lease instalments not paid on the date the contract commences⁷⁸, discounted using the incremental borrowing rate, defined by loan period and for each Group company. The lease liability is subsequently reduced to reflect the lease payments made and increased to reflect interest on the remaining amount.

The lease liability is restated (resulting in a right-of-use adjustment) in the event of 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

⁷⁸ 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.

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, the remaining lease liability is remeasured 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.

If events or changes in circumstances indicate that the carrying amount of the right of use cannot be recovered, this asset is tested for impairment in accordance with the provisions of IAS 36 - *Impairment of Assets*.

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 or 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 amount⁷⁹. 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.

⁷⁹ 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 date⁸⁰. 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

⁸⁰ This is possible for transactions carried out on organised markets (the "regular way").

losses due to impairment and foreign exchange gains and losses recognised in the profit or 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.

- 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 or 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 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).

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 event of a change in the 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.

Financial liabilities, including loans, 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 hedge⁸¹

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 financial 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 hedge⁸²

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 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

⁸¹ 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.

⁸² 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.

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.

Repurchase agreements

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 in these financial statements. Consequently, in the case of securities purchased under a resale agreement, the amount paid is recognised as an amount due from customers or banks under Financial assets measured at amortised cost; in the case of securities sold under a repurchase agreement, the liability is recognised as an amount due to banks or customers under Financial liabilities measured at amortised cost. The transactions described are subject to offsetting if, and only if, they are carried out with the same counterparty, have the same maturity and offsetting is provided for in the contract.

Receivables acquired with reference to the relaunch decree no. 34/2020

Since it is not possible to identify an accounting framework directly applicable to this case, in compliance with the provisions of IAS 8, an *accounting policy* was defined suitable for providing relevant and reliable information aimed at ensuring a faithful representation of the financial position, income and cash flows and which reflects the economic substance and not merely the form of the transaction for the receivables acquired with reference to the relaunch decree no. 34/2020 (later converted into Law no. 77 of 17 July 2020). On the basis of the analyses carried out and the documents published by the main Italian supervisory bodies (Joint Document of the Bank of Italy, IVASS and Consob), although the definition of financial assets in IAS 32 is not directly applicable to this case, since:

- at inception, an asset as defined by the Conceptual Framework arises in the transferee's financial statements
- they may be used to offset a payable that is usually settled in cash (tax payables), and exchanged for other financial assets on terms that may be potentially favourable to the entity
- a business model can be identified (Hold to Collect, Hold to Collect and Sell)

an accounting model based on IFRS 9 has been developed, and consequently receivables are recorded at the date of purchase at their fair value (coinciding with the price paid) and subsequently measured on the basis of amortised cost.

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.

Taxes

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, Europa Gestioni Immobiliari SpA, Poste Welfare Servizi Srl, Poste Assicura SpA, BancoPostaFondi SpA SGR, PostePay SpA and as of 20 November 2020, Poste Insurance Broker Srl. 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 sale⁸³, 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 accounting⁸⁴.

Green Certificates (Emission Allowances)

With reference to Group companies subject to these rules⁸⁵, 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

⁸³ 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.

⁸⁴ 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.

⁸⁵ The subsidiary Poste Air Cargo Srl.

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.

Business Combinations

Business combinations are recognised using the acquisition method. The consideration transferred in a business combination is equal to the sum of the fair values, at the acquisition date, of the assets transferred, the liabilities incurred, and any interest issued by the acquirer. Costs directly attributable to the transaction are recognised in the Statement of profit or loss.

The amount transferred is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the related fair values at the acquisition date.

Any positive difference between the carrying amount of the asset and its recoverable value is recognised as goodwill and recorded under intangible assets:

- the sum of the consideration transferred, measured at fair value at the acquisition date, the amount of any non-controlling interest, and, in the case of business combinations achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and
- the net value of the amounts, at the acquisition date, of the assets acquired and liabilities assumed that are identifiable in the acquiree measured at fair value.

In the event of a negative difference, this surplus represents the profit from a purchase on favourable terms and is recognised in the statement of profit or loss.

If at the time of preparing the financial statements the fair value of the assets, liabilities and contingent liabilities arising from the transaction can only be determined provisionally, the business combination is recognised using these provisional values. Any adjustments resulting from the completion of the valuation process are recognised retrospectively within twelve months of the acquisition date.

In the case of a business combination achieved in stages, the interests previously held in the acquiree are remeasured at fair value at the new acquisition date and any difference (positive or negative) is recognised in the statement of profit or loss or in the statement of comprehensive income if appropriate.

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 2020 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, and transfers from other equity reserves, when they have been released from the restrictions to which they were subjected. In the consolidated financial statements, the item also includes any effects arising from transactions with minority shareholders.

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 Non-life sector.

Under IFRS 4, contracts that transfer significant insurance risk are considered insurance contracts. These contracts are accounted for and valued in accordance with the principles used to prepare the separate financial statements, observing the applicable laws and regulations⁸⁶.

Insurance risk is significant if, and only if, an insured event could cause the insurer to pay significant additional economic benefits under any circumstances, other than those that have no identifiable effect on the economic aspect of the transaction, even if the insured event is highly unlikely. The reference accounting standard does not provide a specific indication of the level of significance. Therefore, it is up to the Group insurance companies to define a threshold beyond which the additional payment in the event of the insured event may generate the transfer of a significant insurance risk⁸⁷.

The separation of a contract, classified as insurance, into deposit component and insurance component is mandatory in some circumstances and optional in others. In the case of separation, which can only occur under

⁸⁶ In detail, reference is made to the provisions of Legislative Decrees no. 173/2997 and no. 209/2005 as well as ISVAP Regulations no. 16, no. 21 and no. 22 (as amended and supplemented by ISVAP measure no. 2771 of 29 January 2010, ISVAP measure no. 2845 of 17 November 2010 and IVASS measure no. 53 of 6 December 2016).

⁸⁷ This threshold, defined by aggregating individual contracts into homogeneous categories based on the nature of the risk transferred to the Company, has been set by Poste Vita SpA's Board of Directors at 5%.

certain conditions, the deposit component falls under IFRS 9, while the insurance component falls under IFRS 4. Group insurance companies do not perform this breakdown.

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 Non-life 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 features⁸⁸ (DPF, as defined in Appendix A of IFRS 4), IFRS 4 makes reference, as illustrated above, to national GAAP. The contracts are classified as "financial", but accounted for as "insurance" as follows:

- premiums, changes in technical provisions and other claim 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).

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, where the time effect of money is relevant, at a rate that reflects current market values and takes into account the risks specific to the liability. Provisions are reviewed at each reporting date and are adjusted to reflect the best estimate of the expected charge to meet existing

⁸⁸ A contractual right of investors to receive returns on the separately managed account. This category includes contracts relating to the life business and referring to Class I and Class V products that envisage clauses for the revaluation of the insured benefit based on the returns achieved by a separately managed account.

obligations at the reporting date. Any effect of the passage of time and the effect of changes in interest rates are shown in the statement of profit or loss. 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 2006⁸⁹. 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

⁸⁹ 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.

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**
Employee termination benefits fall 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.

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, with equity instruments, or with 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 bonds, in which deposits paid into accounts by private customers are invested.

For details on the distinction between revenue from contracts with customers recognised at a point in time or over time, see section 5.3 Notes to the Statement of profit or loss.

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 or 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 characteristics⁹⁰.

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 2020, after appropriate adjustment, where necessary, to align accounting policies with those of the Parent Company.

⁹⁰ 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.

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.

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.

During the year, the Parent Company concluded the following business combinations by virtue of which it acquired control of the entities.

sennder Italia Srl

As part of the collaboration with the German digital carrier sennder GmbH, on 12 February 2020, Poste Italiane subscribed a capital increase of €255 thousand in the company sennder Italia Srl, acquiring 75% (25% is held by sennder GmbH). On 25 February 2020, to support business needs in the start-up phase, Poste Italiane made an additional capital contribution of €3 million.

Below is the carrying amount of the assets acquired and liabilities assumed at the date of acquisition:

	(€k)
	Carrying amount
<u>Net assets acquired</u>	
Property, plant and equipment	149
Trade and other receivables and other assets	332
Cash and cash equivalents	224
Employee termination benefits	(18)
Trade and other payables	(639)
Total net assets acquired	48
Equity attributable to non-controlling interests	12
Portion of net assets acquired by the Group	36
Goodwill	219
Total fee	255

Below are the economic values of the acquired company included in the consolidated profit or loss statement from the date of acquisition:

(€k)

**From the date of acquisition to 31
December 2020**

Revenue	126,606
Operating income	1,346
Profit/(loss) for the period	929

MLK Deliveries SpA

As part of its collaboration with technology start-up company Milkman SpA, which specialises in the management of "last mile" logistics for advanced delivery services in Italy, on 24 April 2020, Poste Italiane subscribed a capital increase of €15 million in MLK Deliveries SpA, acquiring 70%; the remaining 30% is held by Milkman SpA.

Moreover, the acquisition includes purchase and sale options that will allow Poste Italiane, starting from the second quarter of 2023, to purchase the additional 30% of MLK Deliveries SpA and ownership of the Milkman technology for e-commerce applications. The exercise price of these options is not fixed, but determined on the basis of a formula that provides for the application of a multiplier to certain economic/equity targets of MLK Deliveries SpA.

As a result of this acquisition, the following were recognised in the consolidated financial statements:

- portions of equity attributable to non-controlling interests;
- the financial liability estimated to take account of the possible exercise of the options, as a balancing entry to Group shareholders' equity. Subsequent changes in the value of the financial liability are reflected in the Group's PL statement.

Below is the carrying amount of the assets acquired and liabilities assumed at the date of acquisition:

	(€k)
	Carrying amount
<i>Net assets acquired</i>	
Intangible assets	193
Property, plant and equipment	49
Trade and other receivables and other assets	755
Cash and cash equivalents	15,000
Employee termination benefits	(145)
Trade and other payables	(878)
Total net assets acquired	14,974
PPA adjustments	(193)
Total net assets acquired after PPA adjustments	14,781
Equity attributable to non-controlling interests	4,434
Portion of net assets acquired by the Group	10,346
Goodwill	4,654
Total fee	15,000

Below are the economic values of the acquired company included in the consolidated profit or loss statement from the date of acquisition:

	(€k)
	From the date of acquisition to 31 December 2020
Revenue	14,037
Operating income	(3,671)
Profit/(loss) for the period	(2,787)

At the date of preparation of this annual report, the definitive difference between the consideration paid to the seller and the net value at the acquisition date of the identifiable assets acquired and liabilities assumed, measured in accordance with IFRS 3 in proportion to the recognised amounts of the identifiable net assets acquired, is equal respectively to:

- sennder Italia Srl: €219 thousand and
- MLK Deliveries SpA: €4,654 thousand.

This difference has been recognised entirely under Goodwill.

The following table shows the number of subsidiaries by method of consolidation and measurement:

Subsidiaries	31/12/2020	31/12/2019
Consolidated on a line-by-line basis	16	15
Accounted for using the equity method	4	4
Total companies	20	19

During the year, in addition to the transactions described above, which led to the entry of the subsidiaries, sennder Italia and MLK Deliveries, into the scope of consolidation, the liquidation of Poste Tributi S.c.p.A. was concluded with consequent removal from the Register of Companies.

A list of companies consolidated on a line-by-line basis and using the equity method is provided in Note 13 - *Additional information – Key information on investments*.

2.5 USE OF ESTIMATES

The preparation of financial information requires the use of estimates and assumptions that can have a significant effect on the final values indicated in the financial statements and in the disclosure provided. The preparation of these estimates involves the use of available information and the adoption of subjective assessments, also based on historical experience, used for the formulation of reasonable assumptions for the recognition of operating events. 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. Due to their nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that in subsequent years, the values recorded in these Financial Statements may also vary significantly as a result of changes in the subjective valuations used.

The following section describes the accounting treatments that require greater subjectivity in the preparation of estimates and for which a change in the conditions underlying the assumptions used could have a material impact on the financial statements, also taking account (in line with ESMA requirements and the related Consob warnings⁹¹) of the effects of the health emergency linked to the spread of the Covid-19 pandemic, which has had a significant impact on the economic and social context and makes it difficult to make realistic forecasts regarding the economic and financial performance of the market and the Poste Italiane Group.

Revenue and amounts 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 or loss,

⁹¹ Public statement ESMA32-63-951 of 25 March 2020, Public statement ESMA 32-63-1041 of 28 October 2020 and Consob Notice of attention no. 1/21 of 16 February 2021.

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 2020 to reflect variations in estimates, due to future regulatory enactments or following the finalisation of expired agreements to be renewed.

At 31 December 2020, Poste Italiane Group's receivables outstanding with central and local authorities amounted to €629 million (€693 million at 31 December 2019), gross of provisions for doubtful debts.

The table below summarises amounts due from the State.

Receivables	31/12/2020	31/12/2019	(€m)
Universal Service expense	31	31	
Remuneration of current account deposits	30	28	
Delegated services	5	15	
Electoral subsidies	1	1	
Other	2	2	
Trade receivables due from the MEF	69	77	
Shareholder transactions:			
Due from the MEF following cancellation of Decision EC 16/07/2008	39	39	
Total amounts due from the MEF	108	116	
Due from Ministries and Public Administration entities: Chair of the Board of Ministers for	67	50	
Due from Ministries and Public Administration entities: Ministry for Econ. Dev.	82	80	
Other trade receivables due from Public Administration entities	315	390	
Trade receivables due from Public Administration entities	464	520	
Other receivables and assets:			
Sundry receivables due from Public Administration entities	1	1	
Amounts receivable for IRES refund	55	55	
Amounts receivable for IRAP refund	1	1	
Current tax assets and related interest	56	56	
Total due from MEF and Public Administration entities	629	693	

At 31 December 2020, 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:

- estimate of ratings by counterparty;
- estimation of the probability of default "PD" for counterparties.

With regard to trade receivables, on the other hand, the Poste Italiane Group does not apply stage allocation in accordance with the Simplified Approach. Impairment, for these items in the Financial Statements, is based on:

- analytical impairment: when a defined credit threshold is exceeded, the individual credit position is analytically monitored on the basis of internal or external evidence; or
- on flat-rated basis: elaboration of a provision matrix for historical losses.

For further details, see Note 6 - Risk management.

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 current environment - which has resulted in highly volatile markets and great uncertainty with regard to economic projections, further aggravated by the ongoing pandemic, and the decline of the postal market in which the Group operates, make it complex to produce reliable economic/financial forecasts.

The impairment tests at 31 December 2020 were performed on the basis of the business plans of the CGUs (cash generating units) concerned or the latest available projections (except as specified below). 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), determined in accordance with the Operating Segment of reference and considering best market practices.

The impairment tests performed at 31 December 2020 refer to:

Mail, Parcels and Distribution CGU

In view of the continuing negative economic results, the decline in the postal market and the current macroeconomic scenario characterised by the health emergency caused by COVID-19, the Mail, Parcels and

Distribution CGU was subjected to an impairment test in order to determine a value in use comparable with the overall carrying amount of net invested capital.

The radical transformation of the Mail, Parcels and Distribution segment in recent years, deriving from the transformation of SDA Express Courier and PosteAir Cargo into operational companies, the acquisition of sender Italia and MLK Deliveries, and the centralisation of the main personnel functions at the Parent Company, has led management to revise the methodological approach used to carry out the impairment tests which, starting from the year in question, and in line with as represented on the market, was carried out at consolidated level, including the companies belonging to the same operating sector.

The value in use of the CGU was estimated on the basis of the economic forecasts contained in the "2024 Sustain & Innovate" strategic plan approved by Poste Italiane SpA's Board of Directors on 18 March 2021. In determining the terminal value, calculated on the basis of the last year of explicit forecasts, income was normalised. 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 long-term growth rate of 1.23% and a WACC of 4.14% were used. The analysis made it possible to conclude positively on the appropriateness of the figures of the financial statements, as well as the related sensitivity analyses on the significant variables that have confirmed the carrying amounts.

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.

Investment in Anima Holding SpA

With reference to the impairment test of the investment in Anima Holding SpA, the value in use was determined taking into account available 2021-2022 forecasts, a long-term growth rate of 0.92% (1.14% at 31 December 2019) and a cost of equity (ke) of 6.51% (compared to 7.54% used at 31 December 2019).

At 31 December 2020, there was no need for any further impairment adjustments, in addition to the negative adjustments of €19 million to consolidated profit or loss and €11 million to Poste Italiane SpA's profit or loss, already recognised in 2020.

Investment in FSIA Investimenti Srl

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 2020 was determined (level 3 in the

hierarchy) using market multiples. To identify the market multiple to use, reference was made to studies of comparable companies by leading investment banks. The multiple used was 12x based on EBITDA for 2021. The test result did not reveal any critical issues.

Investment in Poste Welfare Servizi Srl

With reference to the impairment test of the investment in Poste Welfare Servizi Srl, the value in use was determined taking into account the available forecasts for the years 2021-2024, a long-term growth rate of 1.23% and a WACC of 4.14%. Based on the test results, there was no need to adjust the carrying amount of the investment at 31 December 2020.

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.

As a result of the strategic analysis carried out on the Group's real estate assets in 2020, with the technical and specialist support of a third party, the residual economic-technical life of certain categories of assets was revised in accordance with the reference accounting standards and the relative residual value was recalculated.

The useful life of the main asset classes of the Group, restated as a result of the above analyses, is detailed in the following table:

Property, plant and equipment	Years (until 31 December 2019)	Years (from 1 January 2020)
Buildings	25-33	40-59
Structural improvements to own properties	20	18-31
Plant	4-10	8-23
Light constructions	10	10
Equipment	3-10	3-10
Furniture and fittings	3-8	3-8
Electrical and electronic office equipment	3-10	3-10
Motor vehicles, automobiles, motorcycles	4-10	4-10
Leasehold improvements	estimated lease term*	estimated lease term*
Other assets	3-5	3-5

(*) Or the useful life of the improvement if shorter than the estimated lease term.

Investment property	Years (until 31 December 2019)	Years (from 1 January 2020)
Property	25-33	39-42
Structural improvements to own properties	20	17-18

The Group's amortisation and depreciation for the year ended 31 December 2020, calculated in accordance with the restated values at 1 January, is approximately €120 million lower than the amortisation and depreciation

that would have been determined on the basis of forecasts of useful lives and residual values estimated in previous years.

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.

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 policyholder⁹². 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 claim expenses. If necessary, technical provisions are topped up and the related cost charged to profit or loss.

Share-based payments

As described in more detail in Note 14 - *Additional information - Share-based payment arrangements*, for the valuation of the Poste Italiane Group's Share-based payment arrangements in place at closing of these financial statements, an internal pricing tool was used, which adopts simulation models that meet the requirements of the relevant accounting standards and take account of the specific characteristics of the Plans. An exception to this is the valuation of the "ESOP2020" Stock Option Plan of MLK Deliveries SpA, for which the conclusions reached by actuaries external to the Group were used. 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

⁹² For example, with reference to the Life business, the approach adopted for the quantification of technical items useful for the implementation of the LAT consists in the development, for each product line, of a calculation model that replicates the (probable) economic commitments of the Group insurance company over the entire projection horizon coinciding with the residual duration of the contracts. The projections of future cash flows take into account the general and special policy conditions, with particular reference to the time structure of premiums, insured benefits, payments per claim, maturities or redemptions, as well as revaluation clauses and any other contractual options present. Future assumptions express reliable estimates of the probability of exit for the various causes, impacting future cash flows of investment returns, policyholder participation rates, and levels of acquisition and operating expenses.

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.

Determination of the lease liability

To determine the financial lease liability, the Group has opted to use an incremental borrowing rate or (IBR) 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 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.

With regard instead to determination of the lease term at the commencement date or of the remaining term at a later date (in the event of substantial and significant changes to contract conditions) and, in particular, for property leases, the Group uses 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. This has resulted in a set of rules for determining the lease term, to be applied to leased properties classified previously 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 lease term for all of the other agreements was set as 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.

Options on minority interests⁹³

As mentioned in Note 2.4 - Basis of consolidation, as part of the transaction that led to the holding of 70% of the share capital of MLK Deliveries SpA, purchase and sale options are envisaged that will allow Poste Italiane

⁹³ An option contract that allows an entity to purchase the interests of minority shareholders of a subsidiary in exchange for cash or other financial assets gives rise to a financial liability in the consolidated financial statements for the present value of the amount payable. Any change in the financial liability from the date of recognition is accounted for with a different balancing entry depending on whether it refers to:

to purchase a further 30% of the company, the exercise price of which is determined on the basis of a formula that provides for the application of a multiplier to certain economic/equity targets of MLK Deliveries SpA. In the consolidated financial statements, a financial liability has been recognised (in addition to the portion of equity attributable to non-controlling interests), to take account of the possible exercise of options, as matching entry to Group's equity, the value of which depends on estimates made internally and which could change even significantly in the current and future years. Subsequent changes in the value of the financial liability will be reflected in the Group's PL statement.

2.6 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS AND THOSE SOON TO BE EFFECTIVE

Accounting standards and interpretations 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 that 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 express opinions about materiality of information in the notes to the financial statements. The concept of "obscured information" has also been introduced, clarifying that information is "obscured" if it has been described in such a way as to produce an effect similar to that which would have been produced if said information had been omitted or incorrect.
- 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 Reform⁹⁴. The purpose of the exceptions is to avoid possible interruptions in hedging operations due to interest rate reforms.
- Amendments to **IFRS 3 - Business Combinations** providing clarification on the definition of business activities in order to simplify practical implementation.

-
- minority shareholders directly interested in the performance of the subsidiary's business with regard to the transfer of risks and benefits on the shares subject to the option. One of the indicators of this interest is the fair value measurement of the option exercise price. In addition to the presence of this indicator, the Group makes a case-by-case assessment of the facts and circumstances that characterise existing transactions. In this case, the discounted value of the option is initially deducted from the Group's equity reserves. Any subsequent changes in the valuation of the exercise price of the option are reflected in the PL statement.
 - minority shareholders not directly interested in the performance of the business (e.g. exercise price of the predetermined option). The exercise price of the option, duly discounted, is deducted from the corresponding amount of Capital and Reserves pertaining to third parties. Any subsequent changes in the valuation of the option exercise price follow the same logic, with no impact on the PL statement.

⁹⁴ 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".

It should also be noted that on 12 October 2020 an amendment to **IFRS 16 - Leases - Covid-19-Related Rent Concessions** was published in the Official Journal of the European Union. The document provides lessees with the right to account for the reductions in fees related to Covid-19 without having to evaluate, through contract analysis, whether the definition of lease modification of IFRS 16 is respected. Therefore, lessees that apply this option may account for the effects of the reductions in the lease fees directly in the statement of profit or loss on the effective date of the reduction. The application of this amendment, which was introduced with effect from 1 June 2020 for years beginning on or after 1 January 2020, has not been reflected in this Annual Report nor are significant effects expected from its future application.

Accounting standards and interpretations soon to be effective

The following are applicable from 1 January 2021:

- Amendments to **IFRS 4 - Insurance Contracts** by which the temporary exemption to the application of IFRS 9 by insurance companies and financial conglomerates principally engaged in insurance business is extended until 1 January 2023. Entities that have decided to take advantage of this exemption may therefore continue to apply IAS 39 instead of IFRS 9 until that date (coinciding with the presumed effective date of the new standard IFRS 17 on insurance contracts).
- Amendments to certain accounting standards following the reform of interbank rates. The planned amendments, the purpose of which is to take account of the consequences of effectively replacing the existing interest rate reference indices with alternative reference rates, relate to the following standards:
 - **IFRS 9 - Financial instruments** introduces a practical expedient for accounting for changes in the basis on which contractual cash flows of financial assets and liabilities are calculated, in order to allow the effective interest rate to be adjusted, thus avoiding changes to the carrying amount;
 - **IAS 39 - Financial Instruments: Recognition and Measurement** envisages exemptions relating to the termination of hedging that may occur as a result of the reform;
 - **IFRS 7 - Financial Instruments: Disclosures** requires additional disclosures to enable readers of the financial statements to better understand the effect of the reform on benchmark interest rates, financial instruments and an entity's risk management strategy;
 - **IFRS 4 - Insurance Contracts** allows insurance companies that chose to postpone the adoption of IFRS 9 to apply the amendments to IAS 39 necessary to comply with the rate reform;
 - **IFRS 16 - Leases** allows leases that specifically refer to an IBOR rate to be amended to refer to an alternative rate resulting from rate reform.

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 IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date;
- Amendments to IFRS 3 - Business Combinations: Reference to the Conceptual Framework;
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts-Cost of Fulfilling a Contract;
- Annual Improvements 2018-2020 that include amendments to the following standards:
 - IFRS 1 First-time Adoption of International Financial Reporting Standards,

- IFRS 9 Financial Instruments,
- IAS 41 Agriculture
- Illustrative Examples of IFRS 16 Leases.
- Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies;
- Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions.

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.

3. MATERIAL EVENTS DURING THE YEAR

3.1 PRINCIPAL CORPORATE ACTIONS

- sennder Italia Srl

As part of the collaboration with the German digital carrier sennder GmbH, on 12 February 2020, Poste Italiane subscribed a capital increase of €255 thousand in the company sennder Italia Srl, acquiring an investment of 75% of the share capital (25% is held by sennder GmbH). Moreover, on 25 February 2020, on the basis of agreements between the parties to support business needs in the start-up phase, Poste Italiane made an additional capital contribution of €3 million. (For accounting, equity and income details of the investment acquired, refer to paragraph 2.4 - Basis of consolidation).

- sennder GmbH

In January 2021, Poste Italiane took part in a new capital increase promoted by sennder GmbH, investing €7.5 million and increasing its holding in the German company to 2.0% (1.8% on a fully diluted basis).

- Partnership with Tink AB

During the first quarter of 2020, as part of the agreements signed in December 2019 with the Swedish company Tink AB, one of the leading Open Banking platforms⁹⁵ in Europe, the Poste Group, through its subsidiary Postepay S.p.A. and other investors, subscribed to a capital increase in TINK with an investment of approximately €20 million, acquiring an investment of 5.1% in the share capital issued, or 4.8% on a fully diluted basis in Tink capital. The subscription of the capital increase was completed on 10 March 2020.

Subsequently, on 18 June 2020, PostePay participated in a new capital increase with an investment of €0.63 million, keeping the investment of 4.8% unchanged. This capital increase by Tink was carried out to partially finance the acquisition of the Spanish company Eurobits Technologies S.L, Tink competitor in the open banking technology solutions market, which includes among its customers the main financial institutions in its reference market.

On 11 December 2020, PostePay took part in a new capital increase at Tink with an investment of €1.5 million, keeping its interest in the company's share capital virtually unchanged (4.7% on a fully diluted basis).

- MLK Deliveries SpA

As part of its collaboration with technology start-up company Milkman SpA, which specialises in the management of "last mile" logistics for advanced delivery services in Italy, on 24 April 2020, Poste Italiane subscribed a capital increase of €15 million in MLK Deliveries SpA, acquiring 70%. The remaining 30% of MLK Deliveries is owned by Milkman SpA. At the same time, Poste Italiane acquired about 7% in the share capital of Milkman by participating in a capital increase with an investment of €5 million. Purchase and sale options are provided that will allow Poste Italiane, starting from the second quarter of 2023, to purchase the additional

⁹⁵ 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.

30% of MLK Deliveries and ownership of the Milkman technology for e-commerce applications. (For accounting, equity and income details of the investment acquired, refer to paragraph 2.4 - Basis of consolidation).

- Partnership with MFM Investments Ltd (Moneyfarm)

On 2 August 2019, Poste Italiane launched a partnership with the digital asset management company MFM Investments Ltd (Moneyfarm) to offer innovative digital investment and asset management services. 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 involved 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). In the second, additional MFM Holding shares were subscribed for a total value of approximately €9.6 million, with an increase in the investment of up to 14.10% of voting rights (15.16% of property rights). The latter was finalised on 13 May 2020 when the necessary authorisations were obtained by the supervisory authorities of Germany (Bafin) and the United Kingdom (FCA).

- Partnership with Volante Technologies Inc

On 26 June 2020, PostePay signed the agreements for the establishment of a strategic partnership with Volante Technologies Inc (Volante), a US company specialising in the development of technological solutions underlying payment processes. In addition to the provision to Poste Italiane under perpetual license of the Volpay payment platform for enabling instant bank transfers (SEPA Credit Transfer Instant) and the development of payments based on QR Code, these agreements also provide for the launch of a long-term strategic collaboration aimed at developing new solutions in the world of payments to enrich the Poste Italiane Group offer to customers.

As part of these agreements, Postepay also adhered, with other investors, to a capital increase in Volante with an investment of approximately \$5 million for an interest of 3.5% in the share capital issued, or 2.9% on a fully diluted basis. The operation will take effect on 2 July.

- Nexive Group Srl

On 16 November 2020, Poste Italiane SpA signed a preliminary agreement ("Agreement") with the Dutch company PostNL European Mail Holdings B.V. ("PostNL") and the German company Mutares Holding - 32 GmbH ("Mutares Holding"), for the purchase by Poste Italiane of the entire share capital of Nexive Group Srl ("Nexive").

On 29 January 2021, the transaction was completed and Poste Italiane acquired the entire share capital of Nexive from PostNL and Mutares at a price of €34.4 million, based on an enterprise value of €50 million and net debt of €15.6 million.

The transaction was carried out pursuant to article 75 of Law Decree no. 104 of 14 August 2020 (converted into Law no. 126 of 13 October 2020), which provides that certain concentration transactions shall be considered authorised upon indication to the Antitrust Authority (AGCM) of suitable measures to prevent the risk of imposition of prices or other contractual conditions that could be costly for the user as a result of the transaction.

- *BNL Finance*

On 23 December 2020, Poste Italiane SpA and BNL Gruppo BNP Paribas signed a binding framework agreement to strengthen their partnership in the sector of loans secured by the assignment of one-fifth of salary or pensions ("CQ Credits"). The framework agreement calls for Poste Italiane to acquire a 40% interest in BNL Finance, a company belonging to BNL Gruppo BNP Paribas and a leader in the CQ Credits market, for a consideration of €40 million.

Under the terms of the transaction, Poste Italiane will acquire a stake in BNL Finance following the demerger, by Poste Italiane in favour of its parent, BNL S.p.A., of its non-perimeter assets, primarily consisting of around €2 billion in loans compared with a total loan portfolio of over 2.8 billion at the end of 2020.

BNL Finance, as the product manufacturer, will distribute its CQ Credits through the post office network on the basis of a ten-year commercial agreement with Poste Italiane - BancoPosta RFC, in continuity with the existing commercial agreement.

The transaction is subject to regulatory approval and closing is expected by the end of the first half of 2021.

- *Sengi Express Limited*

On 19 January 2021, Poste Italiane SpA and Cloud Seven Holding Limited signed a binding framework agreement for strengthening the partnership in the e-commerce market between China and Italy. The framework agreement provides for the acquisition by Poste Italiane of 51% of the voting capital of Sengi Express Limited ("Sengi Express"), a company wholly owned by Cloud Seven Holding Limited based in Hong Kong. Sengi Express is a leading company in the creation and management of cross-border logistics solutions for Chinese e-commerce merchants active in the Italian market, with a pro-forma turnover of approximately €80 million in 2020. The closing of the transaction was completed on 1 March 2021.

The following material events also took place during 2020.

- The sale of Poste Vita, Poste Assicura and Poste Welfare Servizi ICT management business units to Poste Italiane took effect on 1 March 2020. The transaction is part of the process of making Poste Group ICT processes more efficient by centralising the management of the subsidiaries' information systems at the Parent Company.
- On 19 May 2020, the General Shareholders' Meeting of Poste Tributi S.c.p.A. in liquidation approved the Company's final liquidation financial statements and on 26 May 2020, the Company was removed from the Register of Companies.
- On 25 May 2020, the Board of Directors of Consorzio Logistica Pacchi S.c.p.A. approved the sale of the business unit "CLP Mercato" in favour of Poste Italiane SpA. The transaction is effective from 1 July 2020.
- On 30 June 2020, the Board of Directors of SDA Express Courier S.p.A. approved the sale of 5% of the shares held in Consorzio Logistica e Pacchi S.c.p.A. to Poste Assicura S.p.A. The transaction will take effect as of 30 June 2020.
- On 23 September 2020, the Board of Directors of PostePay SpA approved the sale of the ICT business unit dedicated to telecommunications and Electronic Postman services to Poste Italiane SpA. The transaction took effect on 1 October 2020.
- On 7 December 2020, the Board of Directors of Conio Inc. approved a capital increase of approximately \$13.8 million, which included a new shareholder in the company's shareholding

structure. Poste Italiane's shareholding at 31 December 2020 has been reduced from 19.7% to 17.6% as it did not participate in the above increase.

- On 27 January 2021, Poste Italiane's Board of Directors approved an amendment to BancoPosta RFC resulting in the removal of the restriction on the assets, properties and legal relationships that make up the Debit Business, to be submitted for final approval by Poste Italiane's Extraordinary Shareholders' Meeting, after obtaining all the authorisations required by current legislation and regulations; on 4 February 2021, PostePay's Extraordinary Shareholders' Meeting approved, among other things, a divisible capital increase to be subscribed and paid up by 30 September 2021 via the contribution in kind of the Debit Business by Poste Italiane.

3.2 OTHER MATERIAL EVENTS

The following material events also occurred in 2020:

- Poste Italiane SpA: interim dividend 2020

On 11 November 2020, Poste Italiane's Board of Directors, in light of the Parent Company's performance and financial position in the first half of 2020 and in line with prevailing practice, decided to advance part of the ordinary dividend for 2020 as an interim dividend. The advance of €0.162 per share, gross of any withholding taxes, was paid with effect from 25 November 2020 for a total of €211 million.

- Poste Italiane SpA: bond issue

As part of Poste Italiane's €2 billion Euro Medium Term Notes (EMTN) Programme, with a rating of "BBB" from Standard and Poor's and "Baa3" from Moody's, the Parent Company issued a senior unsecured bond with a total nominal value of €1 billion on 10 December 2020 in two tranches, placed in public form with institutional investors. The first tranche of €500 million matures on 10 December 2024, has an above-par issue price of 100.10 with fixed annual coupon of 0.00% and an effective yield to maturity of -0.025%; the second tranche of €500 million matures on 10 December 2028, with an issue price below par of 99.758, a fixed annual coupon of 0.50% and an effective yield to maturity of 0.531%. The securities are listed on the regulated market managed by the Luxembourg Stock Exchange.

4. POSTE ITALIANE GROUP - FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Posteitaliane

4.1 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€m)					
ASSETS	Notes	31 December 2020	of which related parties	31 December 2019	of which related parties
Non-current assets					
Property, plant and equipment	[A1]	2,134	-	2,015	-
Investment property	[A2]	31	-	44	-
Intangible assets	[A3]	755	-	648	-
Right-of-use assets	[A4]	1,200	-	1,254	-
Investments accounted for using the equity method	[A5]	615	615	617	617
Financial assets	[A6]	217,877	3,879	194,207	4,522
Trade receivables	[A8]	2	-	5	-
Deferred tax assets	[C13]	1,123	-	1,199	-
Other receivables and assets	[A9]	3,868	2	3,729	1
Technical provisions attributable to reinsurers		54	-	58	-
Total		227,659		203,776	
Current assets					
Inventories	[A7]	165	-	140	-
Trade receivables	[A8]	2,373	582	2,166	664
Current tax assets	[C13]	187	-	52	-
Other receivables and assets	[A9]	1,060	3	938	2
Financial assets	[A6]	30,006	7,617	23,569	7,220
Cash and deposits attributable to BancoPosta	[A10]	6,391	-	4,303	-
Cash and cash equivalents	[A11]	4,516	1,992	2,149	495
Total		44,698		33,317	
TOTAL ASSETS		272,357		237,093	

LIABILITIES AND EQUITY	Notes	31 December 2020	of which related parties	31 December 2019	of which related parties
Equity					
Share capital	[B2]	1,306	-	1,306	-
Reserves	[B4]	3,909	-	2,646	-
Treasury shares		(40)	-	(40)	-
Retained earnings		6,327	-	5,786	-
Total equity attributable to owners of the Parent		11,502		9,698	
Equity attributable to non-controlling interests		5	-	0	-
Total		11,507		9,698	
Non-current liabilities					
Technical provisions for insurance business	[B5]	153,794	-	140,261	-
Provisions for risks and charges	[B6]	625	59	501	58
Employee termination benefits	[B7]	1,030	-	1,135	-
Financial liabilities	[B8]	18,366	241	13,964	132
Deferred tax liabilities	[C13]	1,229	-	887	-
Other liabilities	[B10]	1,576	-	1,525	-
Total		176,620		158,273	
Current liabilities					
Provisions for risks and charges	[B6]	771	13	717	12
Trade payables	[B9]	1,837	56	1,627	98
Current tax liabilities	[C13]	13	-	274	-
Other liabilities	[B10]	1,745	74	2,110	74
Financial liabilities	[B8]	79,864	4,373	64,394	4,820
Total		84,230		69,122	
TOTAL LIABILITIES AND EQUITY		272,357		237,093	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(€m)

	Notes	FY 2020	of which related parties	FY 2019	of which related parties
Revenue from Mail, Parcels and other	[C1]	3,201	400	3,492	498
Revenue from Payments and Mobile	[C2]	737	48	664	59
Net revenue from Financial Services	[C3]	4,945	2,017	5,134	1,993
Revenue from Financial Services		5,151	2,022	5,213	1,998
Expenses from financial activities		(206)	(5)	(79)	(5)
Revenue from Insurance Services after changes in technical provisions and other claim expenses	[C4]	1,643	15	1,669	16
Insurance premium revenue		16,865	-	17,913	-
Income from insurance activities		4,065	15	5,478	16
Change in technical provisions for insurance business and other claim expenses		(18,767)	-	(21,463)	-
Expenses from insurance activities		(520)	-	(259)	-
Net operating revenue		10,526		10,959	
Cost of goods and services	[C5]	2,523	159	2,287	169
Personnel expenses	[C6]	5,638	75	5,896	50
Depreciation, amortisation and impairments	[C7]	700	-	774	-
Capitalised costs and expenses	[C8]	(37)	-	(31)	-
Other operating costs	[C9]	103	3	200	3
Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets	[C10]	75	2	59	-
Operating profit/(loss)		1,524		1,774	
Finance costs	[C11]	75	3	73	2
Finance income	[C11]	123	-	105	-
Impairment losses/(reversals of impairment losses) on financial assets	[C12]	1	-	46	-
<i>of which, non-recurring costs/(income)</i>		-	-	46	-
Profit/(Loss) on investments accounted for using the equity method	[A5]	5	-	112	-
<i>of which, non-recurring income (costs)</i>		-	-	88	-
Profit/(Loss) before tax		1,576		1,872	
Income tax expense	[C13]	370	-	530	-
<i>of which, non-recurring costs/(income)</i>		(96)	-	-	-
NET PROFIT FOR THE YEAR		1,206		1,342	
of which attributable to owners of the Parent		1,207		1,342	
of which attributable to non-controlling interests		(1)		-	
Earnings per share	[B1]	0.927		1.032	
Diluted earnings per share		0.927		1.032	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€m)

	Notes	FY 2020	FY 2019
Profit/(Loss) for the year		1,206	1,342
Items to be reclassified in the Statement of profit or loss for the year			
FVOCI debt instruments			
Increase/(decrease) in fair value during the year	[tab. B4]	2,016	1,767
Transfers to profit or loss	[tab. B4]	(263)	(244)
Increase/(decrease) for expected losses		7	(2)
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B4]	(28)	95
Transfers to profit or loss	[tab. B4]	5	(59)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the year		(495)	(445)
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		-	(1)
Items not to be reclassified in the Statement of profit or loss for the year			
FVOCI equity instruments			
Increase/(decrease) in fair value during the period		17	1
Transfers to equity		-	-
Actuarial gains /(losses) on employee termination benefits	[tab. B7]	(5)	(70)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		1	20
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		-	-
Total other comprehensive income		1,255	1,062
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,461	2,404
of which attributable to owners of the Parent		2,462	2,404
of which attributable to non-controlling interests		(1)	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€m)

	Equity											
	Share capital	Reserves							Retained earnings	Total equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
		Treasury shares	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Reserve for investees accounted for using equity method	Incentive plans reserve				
Balance at 1 January 2019	1,306	-	299	1,210	(69)	89	2	-	5,268	8,105	-	8,105
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)
Interim dividend	-	-	-	-	-	-	-	-	(200)	(200)	-	(200)
Other changes	-	(40)	-	-	-	-	1	-	-	(39)	-	(39)
Balance at 31 December 2019	1,306	(40)	299	1,210	1,018	115	2	2	5,786	9,698	-	9,698
Total comprehensive income for the year	-	-	-	-	1,276	(17)	-	-	1,203 (*)	2,462	(1)	2,461
Dividends paid	-	-	-	-	-	-	-	-	(402)	(402)	-	(402)
Interim dividend	-	-	-	-	-	-	-	-	(211)	(211)	-	(211)
Transactions with minority shareholders	-	-	-	-	-	-	-	-	(49)	(49)	-	(49)
Incentive plans	-	-	-	-	-	-	-	4	-	4	-	4
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	6	6
Balance at 31 December 2020	1,306	(40)	299	1,210	2,294	98	2	6	6,327	11,502	5	11,507

* This item includes profit for the year (Group portion) of €1,207 million and actuarial losses on provisions for employee termination benefits of €4 million, after the related current and deferred taxation.

CONSOLIDATED STATEMENT OF CASH FLOWS

		(€m)	
	Notes	FY 2020	FY 2019
Cash and cash equivalents at beginning of year		2,149	3,195
Profit/(Loss) before tax		1,576	1,872
Depreciation, amortisation and impairments	[tab. C7]	700	774
Goodwill impairment	[tab. A3]	-	-
Net provisions for risks and charges	[tab. B6]	566	394
Use of provisions for risks and charges	[tab. B6]	(388)	(696)
Provisions for employee termination benefits	[tab. B7]	2	1
Employee termination benefits	[tab. B7]	(120)	(140)
(Gains)/Losses on disposals		(2)	1
Impairment losses/(reversals of impairment losses) on financial assets	[tab. C12]	-	46
(Dividends)	[tab. C11.1]	-	-
Dividends received		-	-
(Finance income realised)	[tab. C11.1]	(1)	(7)
(Finance income in form of interest)	[tab. C11.1]	(108)	(94)
Interest received		112	95
Interest expense and other finance costs	[tab. C11.2]	62	68
Interest paid		(28)	(23)
Losses and impairment losses/(reversals of impairment losses) on receivables	[tab. C10]	61	62
Income tax paid	[tab. C13.3]	(823)	(252)
Other changes		7	(104)
Cash flow generated by operating activities before movements in working capital	[a]	1,616	1,997
<i>Movements in working capital:</i>			
(Increase)/decrease in Inventories	[tab. A7]	(26)	(4)
(Increase)/decrease in Trade receivables		(262)	(40)
(Increase)/decrease in Other receivables and assets		(162)	(16)
Increase/(decrease) in Trade payables		209	43
Increase/(decrease) in Other liabilities		(436)	(197)
Cash flow generated by /(used in) movements in working capital	[b]	(677)	(214)
Increase/(decrease) in liabilities attributable to financial activities, payments, cards and acquiring and insurance		14,469	7,980
Net cash generated by/(used for) financial assets attributable to financial activities, payments, cards and acquiring and insurance		(15,961)	(10,904)
(Increase)/decrease in cash and deposits attributable to BancoPosta	[tab. A10]	(2,088)	(984)
Increase/(decrease) in net technical provisions for insurance business		7,813	7,456
(Income)/Expense and other non-cash components		(3,255)	(4,211)
Cash generated by/(used for) financial assets/liabilities attributable to financial activities, payments, cards and acquiring and insurance	[c]	978	(663)
Net cash flow from /(for) operating activities - of which related party transactions	[d]=[a+b+c]	1,917 (39)	1,120 248
<i>Investing activities:</i>			
Property, plant and equipment	[tab. A1]	(300)	(391)

Investment property	[tab. A2]	(1)	(1)
Intangible assets	[tab. A3]	(379)	(342)
Investments		(1)	(15)
Other financial assets		(35)	(17)
<i>Disposals:</i>			
Property, plant and equipment, investment property, intangible assets and assets held for sale		6	4
Investments		-	1
Other financial assets		109	29
Net cash flow from /(for) investing activities	[e]	(601)	(732)
- of which related party transactions		(28)	3
Proceeds from/(Repayments of) long-term borrowings	[tab. B8.4]	1,248	573
(Increase)/decrease in loans and receivables		-	-
Increase/(decrease) in short-term borrowings	[tab. B8.4]	415	(1,193)
(Purchase)/sale of treasury shares		-	(40)
Dividends paid	[B3]	(613)	(774)
Other transactions with minority shareholders		1	-
Net cash flow from/(for) financing activities and shareholder transactions	[f]	1,051	(1,434)
- of which related party transactions		(388)	(492)
Net increase/(decrease) in cash	[g]=[d+e+f]	2,367	(1,046)
Cash and cash equivalents at end of year	[tab. A11]	4,516	2,149
Cash and cash equivalents at end of year	[tab. A11]	4,516	2,149
Restricted cash and cash equivalents at end of year		(1,705)	(884)
Unrestricted cash and cash equivalents at end of year		2,811	1,265

4.2 NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

A1 - PROPERTY, PLANT AND EQUIPMENT (€2,134 million)

The following table shows movements in property, plant and equipment in 2020:

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	3,055	2,296	331	567	1,969	89	8,383
Accumulated depreciation	-	(1,984)	(1,886)	(293)	(350)	(1,777)	-	(6,290)
Impairment losses	-	(56)	(10)	(1)	(9)	(2)	-	(78)
Balance at 1 January 2020	76	1,015	400	37	208	190	89	2,015
Changes during the year								
Additions	-	37	68	12	45	58	80	300
Reclassifications	-	27	31	-	10	9	(65)	12
Disposals	-	-	-	-	(1)	-	(1)	(2)
Depreciation	-	(27)	(46)	(13)	(39)	(85)	-	(210)
(Impairments)/Reversal of impairments	-	20	-	-	1	(1)	-	20
Balance at 31 December 2020	-	57	53	(1)	16	(19)	14	120
Cost	76	3,160	2,354	340	616	1,987	103	8,636
Accumulated depreciation	-	(2,052)	(1,892)	(303)	(384)	(1,813)	-	(6,444)
Impairment losses	-	(36)	(9)	(1)	(8)	(4)	-	(58)
Balance at 31 December 2020	76	1,072	453	36	224	170	103	2,134

At 31 December 2020, 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 €44 million.

Investments of €300 million in 2020 consists largely of:

- €37 million relating to extraordinary maintenance of Post Offices and local head offices around the country (€15 million), personnel offices (€13 million) and mail sorting offices (€9 million);
- €68 million for plants, with the most significant expenditure made by the Parent Company, of which €39 million for the realisation of plant and equipment related to buildings, €11 million for the realisation and extraordinary maintenance of connectivity systems and €8 million for the installation of ATMs;
- €45 million invested in the upgrade of plant (€22 million) and the structure (€22 million) of properties held under lease;
- €58 million relating to Other assets, of which €42 million incurred by the Parent Company for the purchase of hardware for the renewal of technological equipment at the post offices and head offices and the consolidation of storage systems and €13 million incurred by PostePay SpA mainly for the purchase of electronic devices to be used in the provision of Electronic Postman services (€5 million), "PosteMobile Casa" devices (€5 million) and equipment for the offer of rental telephones (€1 million).

Investments in progress amounted to €80 million, including €51 million incurred by the Parent Company, of which €29 million for extraordinary maintenance and the provision of infrastructure for the commercial and production network, €8 million for the provision and maintenance of active and passive infrastructure for the security and remote surveillance network at sites and €7 million for the acquisition of industrial parcel processing equipment.

Reclassifications from tangible assets under construction amount to €65 million and mainly refer to the purchase cost of assets that have become available and ready for use during the year; in particular, they refer to the Parent Company for the conclusion of extraordinary renovations of owned properties and improvements to leased properties (€33 million) and to the subsidiary SDA Express Courier SpA mainly for the commissioning of the new automated sorting system of the Centre Hub, which entered the production process in December 2020 (€19 million).

With regard to the revision of the residual useful lives and residual values of the main categories of fixed assets, reference should be made to paragraph 2.5 - Use of estimates.

A2 - INVESTMENT PROPERTY (€31 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 2020
Cost	139
Accumulated depreciation	(95)
Impairment losses	-
Balance at 1 January	44
Changes during the year	
Additions	1
Reclassifications	(12)
Disposals	(1)
Depreciation	(1)
Total changes	(13)
Cost	86
Accumulated depreciation	(55)
Impairment losses	-
Balance at 31 December	31
Fair value at 31 December	75

The fair value of investment property at 31 December 2020 includes €64 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 Company⁹⁶.

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.

With regard to the revision of the residual useful lives and residual values of the main categories of fixed assets, reference should be made to paragraph 2.5 - Use of estimates.

⁹⁶ 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 (€755 million)

The following table shows movements in intangible assets in 2020:

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	3,354	221	120	106	3,801
Accumulated amortisation and impairments	(2,951)	-	(102)	(100)	(3,153)
Balance at 1 January 2020	403	221	18	6	648
Changes during the year					
Additions	245	131	5	3	384
Reclassifications	190	(190)	-	-	-
Transfers and disposals	-	(1)	-	-	(1)
Amortisation and impairments	(273)	-	-	(3)	(276)
Balance at 31 December 2020	162	(60)	5	-	107
Cost	3,790	161	125	109	4,185
Accumulated amortisation and impairments	(3,225)	-	(102)	(103)	(3,430)
Balance at 31 December 2020	565	161	23	6	755

Investments in Intangible assets during 2020 amounted to €384 million, including about €33 million in software development activities and the related expenses developed within the Group, primarily relating to personnel expenses (€26 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 and intellectual property rights, concessions, licences, trademarks and similar rights** totals €245 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 (€80 million), for BancoPosta services (€39 million), for use in providing support to the sales network (€24 million), for the postal products platform (€10 million) and for the engineering of reporting processes (€6 million).

During the year the Group effected reclassifications from intangible assets under construction to industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights, amounting to €190 million, reflecting the completion and commissioning of software and the upgrade of existing software.

The breakdown of the item Goodwill is as follows:

tab. A3.1 - Goodwill

(€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
SBU Insurance Services		
Poste Welfare Servizi Srl	18	18
Mail, Parcels and Distribution SBU		
MLK Deliveries SpA	5	-
sennder Italia Srl	-	-
Total	23	18

The balance of €23 million refers to goodwill allocated to the Insurance Services SBU and the Mail, Parcels and Distribution SBU.

Goodwill related to the Insurance Services SBU, referring to the subsidiary Poste Welfare Servizi Srl, has been tested for impairment as required by IAS 36. Based on the information available and the impairment tests conducted, there has been no need for impairment on the goodwill recognised.

The value of **goodwill** attributable to the Mail, Parcels and Distribution SBU comprises the final difference between the consideration paid to the seller and the net value at the acquisition date of the identifiable assets acquired and liabilities assumed, measured in accordance with IFRS 3, for the Parent Company's acquisitions of the subsidiaries MLK Deliveries SpA and sennder Italia Srl, both made during the first half of 2020. This difference amounted to €4,654 thousand and €219 thousand respectively. For details of the transactions, refer to paragraph 2.4 - *Basis of consolidation*. With reference to the impairment test on goodwill and cash generating units, please refer to paragraph 2.5 - *Use of estimates*.

A4 – RIGHT-OF-USE ASSETS (€1,200 million)

tab. A4 - Movements in right-of-use assets

(€m)

	Properties used in operations	Company fleet	Vehicles for mixed use	Other assets	Total
Cost	1,285	135	18	43	1,481
Accumulated depreciation and impairments	(146)	(60)	(5)	(16)	(227)
Balance at 1 January 2020	1,139	75	13	27	1,254
Changes during the year					
New contract acquisitions	139	38	5	19	201
Adjustments	2	-	-	-	2
Contract terminations	(25)	-	(1)	-	(26)
Accumulated depreciation and impairments	(146)	(67)	(6)	(12)	(231)
Balance at 31 December 2020	(30)	(29)	(2)	7	(54)
Cost	1,399	173	22	60	1,654
Accumulated depreciation and impairments	(290)	(127)	(11)	(26)	(454)
Balance at 31 December 2020	1,109	46	11	34	1,200

Acquisitions during the year refer to the Parent Company (€135 million) and relate to new contracts and renewal of existing contracts at the beginning of the year of a real estate nature (€83 million), hire of company vehicles (€42 million) and hire of IT equipment (€10 million) and to the subsidiary SDA Express Courier (€65 million) mainly for new contracts and renewal of existing contracts of a real estate nature. The item "Adjustments" refers to contractual changes during the period in question, e.g. for changes in duration due to extension, revision of economic conditions, etc.

A5 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (€615 million)

tab. A5 - Investments (€m)		
Description	Balance at 31/12/2020	Balance at 31/12/2019
Investments in associates	613	615
Investments in subsidiaries	2	2
Total	615	617

tab. 5.1 - Movements in investments

Investments	Balance at 01/01/2020	Increases / (Decreases)	Impairment losses		Balance at 31/12/2020
			accounted for using the equity method	dividend adjustments	
in associates					
Anima Holding SpA	221	-	(3)	(8)	210
Fsia Investimenti Srl	393	1	8	-	402
Total associates	615	1	5	(8)	613
in subsidiaries					
Kipoint SpA	1	-	1	-	2
Indabox Srl	1	-	(1)	-	-
Total subsidiaries	2	-	-	-	2
Total	617	1	5	(8)	615

The item **Investments in associates** (valued using the equity method) mainly refers to the companies Anima Holding and FSIA Investimenti Srl.

The changes in the year in the associate Anima Holding are due to a net negative adjustment to the carrying amount of about €11 million, of which:

- an increase of €16 million for the share of the economic results achieved by the investee company between 30 September 2019 and 30 September 2020, the date of the last financial statements available;
- a decrease of €8 million due to dividends received from the result for 2019;
- an impairment adjustment of €19 million, recognised in the first half of 2020, following the impairment test carried out on the value of the goodwill implicit in the value of the investment.

The changes during the year of the associate FSIA Investimenti are attributable to the net positive adjustment of the relative carrying amount for the year of around €9 million:

- an increase of €1.5 million related to the capital contribution made by the Parent Company on 23 June 2020;
- an increase of €8 million for the share of the joint venture's results, after amortisation of the intangible assets identified at the time of the purchase price allocation.

Following the transactions that led FSIA Investimenti Srl, at the end of the 2019 financial year, to acquire sole control of SIA SpA (step up acquisition), it became necessary for FSIA to initiate a new process of purchase price allocation of the assets and liabilities of SIA at the date of the acquisition of control, in line with the provisions of IFRS 3 - Business Combinations⁹⁷. The following table shows the values of intangible assets and

⁹⁷ During 2020, the value of intangible assets and goodwill was recalculated in the FSIA reporting package prepared in accordance with IFRS 10 - Consolidated Financial Statements for the purposes of Poste Italiane's consolidated financial statements, compared with the value identified in the original purchase price allocation.

goodwill identified at the time of the purchase price allocation, distinguishing the values resulting from the new allocation (balance at 1 January 2020) from the original values.

FSIA Investimenti Srl				(€m)
Description	Balance at 31/12/2020	Balance at 01/01/2020	Balance at 31/12/2019	Acquisition-date values
Intangible assets	172	184	83	116
<i>Customer relationships</i>	123	125	46	55
<i>Backlog</i>	39	46	25	36
<i>Software</i>	10	13	12	24
Deferred tax liabilities	(48)	(51)	(23)	(30)
Goodwill	358	358	254	254

During 2018, Poste Italiane SpA proceeded with tax redemption pursuant to art. 15, paragraph 10-ter of Law Decree no. 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 franked, referring to the values that emerged at the time of acquisition of the equity investment in 2017, is made up as follows:

	(€m)
Goodwill	103
Customer relationships	48
Backlog	32
Software	15
Total	198
Substitute tax paid	32

The substitute tax paid has been accounted for in current tax assets.

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 (€247,883 million)

tab. A6 - Financial assets

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
	(€m)					
Financial assets at amortised cost	33,465	17,212	50,677	25,260	14,903	40,163
Financial assets at FVTOCI	144,256	12,455	156,711	131,560	8,284	139,844
Financial assets at FVTPL	40,081	335	40,416	37,318	378	37,696
Derivative financial instruments	75	4	79	69	4	73
Total	217,877	30,006	247,883	194,207	23,569	217,776

Financial assets by type of activity

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
	(€m)					
FINANCIAL SERVICES	68,436	22,976	91,412	58,285	16,934	75,219
Financial assets at amortised cost	31,596	16,994	48,590	23,637	14,607	38,244
Financial assets at FVTOCI	36,693	5,978	42,671	34,508	2,323	36,831
Financial assets at FVTPL	72	-	72	71	-	71
Derivative financial instruments	75	4	79	69	4	73
INSURANCE SERVICES	149,308	6,472	155,780	135,448	6,385	141,833
Financial assets at amortised cost	1811	68	1,879	1,586	156	1,742
Financial assets at FVTOCI	107,488	6,069	113,557	96,615	5,851	102,466
Financial assets at FVTPL	40,009	335	40,344	37,247	378	37,625
Derivative financial instruments	-	-	-	-	-	-
POSTAL AND BUSINESS SERVICES	97	425	522	474	135	609
Financial assets at amortised cost	58	17	75	37	25	62
Financial assets at FVTOCI	39	408	447	437	10	547
Financial assets at FVTPL	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
PAYMENT SERVICES AND CARD PAYMENTS	36	133	169	-	115	115
Financial assets at amortised cost	-	133	133	-	115	115
Financial assets at FVTOCI	36	-	36	-	-	-
Total	217,877	30,006	247,883	194,207	23,569	217,776

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)		
	Loans and receivables	Fixed income instruments	Total
Balance at 1 January 2020	13,180	25,064	38,244
Purchases		9,734	9,734
Changes in amortised cost	-	(92)	(92)
Transfers to equity reserves	-	-	-
Changes in fair value through equity	-	1,708	1,708
Changes in cash flow hedges (*)	-	-	-
Changes due to impairment	(1)	(7)	(8)
Net changes	1,362		1,362
Effects of sales on profit or loss	-	63	63
Accruals	-	235	235
Sales, redemptions and settlement of accruals		(3,451)	(3,451)
Other changes	795	-	795
Balance at 31 December 2020	15,336	33,254	48,590

(*) 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	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans	-	1	1	-	-	-
Receivables	-	15,335	15,335	-	13,180	13,180
Deposits with the MEF	-	7,336	7,336	-	7,064	7,064
Receivables	-	7,340	7,340	-	7,066	7,066
Provisions for doubtful amounts deposited with MEF	-	(4)	(4)	-	(3)	(3)
Other financial receivables	-	7,999	7,999	-	6,116	6,116
Total	-	15,336	15,336	-	13,180	13,180

The item **Loans** refers to reverse repurchase agreements of €364 million entered into with Cassa di Compensazione e Garanzia SpA (hereinafter the Central Counterparty) for the temporary use of liquidity from private inflows. These transactions are guaranteed by securities for a total notional amount of €360 million. Financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2020, already included in the exposure to net balances, amounted to €363 million (€1,158 million at 31 December 2019).

Receivables include:

- **Deposits with the MEF**, including public customers' current account deposits, which earn a variable rate of return, calculated on a basket of government bonds⁹⁸. The deposit has been adjusted to reflect accumulated impairments of approximately €4 million, to reflect the risk of counterparty default (€3

⁹⁸ The variable rate in question is calculated as follows: 50% is based on the average return on 6-month BOTs recognised monthly and the remaining 50% is based on the average ten-year BTP return recognised monthly.

million at 31 December 2019). During 2020, in the phase of increasing returns following the onset of the pandemic, the Parent Company entered into (operating) hedging derivative contracts on the 10-year indexed remuneration component. The hedging transaction was carried out through forward purchases of the 10-year BTP with settlement of the differential between the pre-set price of the security and its market value.

- **Other financial receivables**, including €7,494 million in deposits as collateral for amounts paid to counterparties for interest rate swap transactions (collateral provided under specific Credit Support Annexes).

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 €26,157 million. Their carrying amount of €33,254 million reflects the amortised cost of unhedged fixed income instruments, totalling €11,380 million, the amortised cost of fair-value hedged fixed income bonds, totalling €17,485 million, increased by €4,389 million to take into account the effects of the hedge. Fixed income instruments measured at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2020 amount to approximately €15 million (€8 million at 31 December 2019).

At 31 December 2020, the fair value⁹⁹ of these securities was €34,760 million (including €235 million in accrued income).

The change in fair value in profit or loss for the positive amount of €1,708 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 nominal €3,000 million, issued by Cassa Depositi e Prestiti SpA and guaranteed by the Italian government (at 31 December 2020, their carrying amount totals €3,300 million).

⁹⁹ In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €31,188 million of the total amount qualifies for inclusion in level 1 and €3,572 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
Balance at 1 January 2020	36,831
Purchases	15,983
Transfers to equity reserves	(224)
Changes in amortised cost	(42)
Changes in fair value through equity	1,946
Changes in fair value through equity	1,698
Changes in cash flow hedges (*)	(49)
Effects of sales on profit or loss	302
Accruals	293
Sales, redemptions and settlement of accruals	(14,067)
Balance at 31 December 2020	42,671

(*) 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 €33,600 million.

Total fair value fluctuation for the year was positive for €3,644 million, with gains of €1,946 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 €1,698 million recognised through profit or loss in relation to the hedged portion.

Accumulated impairments at 31 December 2020 amount to €18 million (€11 million at 31 December 2019).

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
Balance at 1 January 2020	-	71	71
Purchases	-	-	-
Changes in fair value through profit or loss	-	1	1
Net changes	-	-	-
Accruals	-	-	-
Effects of sales on profit or loss	-	-	-
Sales, redemptions and settlement of accruals	-	-	-
Balance at 31 December 2020	-	72	72

Equity instruments

Equity instruments include:

- for €34 million, 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 6.853¹⁰⁰ ordinary shares for each C share, minus a suitable illiquidity discount. These shares can be converted into several tranches starting from the fourth year after closing and up to the twelfth year. On 21 June 2020 (the fourth year after closing), the process of determining the proportion of convertibility and related rate of Visa Incorporated Series C Convertible Participating Preferred Stock commenced, partially concluded on 24 September 2020 with the grant of 2,199 preference shares of Visa Incorporated Series A Preferred Stock;
- for €38 million, the fair value of 2,199 Visa Incorporated preference shares (Series A Preferred Stock); these shares are convertible into ordinary shares on the basis of a ratio of one hundred ordinary shares for every share of Class A Preferred Stock.

Net fair value gains in the year under review, amounting to €1 million, have been recognised in profit or loss in the items Income and Expenses from financial activities.

Given the conversion rate at 31 December 2020, the VISA Incorporated preference shares (Series A and C) held in the portfolio correspond to 439,600 VISA Incorporated ordinary shares.

In 2019, the Parent Company entered into a forward sale agreement for 400,000 Visa Incorporated ordinary 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 fair value of the forward sale has decreased by €5 million in the reporting year, reflecting movements in both the price of the shares in US dollars and the euro/dollar exchange rate. This reduction has been recognised in profit or loss in "Expenses 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 purchases		Forward sales		nominal	fair value
	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value		
Balance at 1 January 2020	-	-	1,280	(36)	1,670	(4)	25,690	(5,439)	-	-	-	(15)	28,640	(5,494)
Increases/(decreases) *	100	4	2,645	(71)	50	40	9,214	(3,434)	165	11	-	(6)	12,174	(3,456)
Gains/(Losses) through profit or loss **	-	-	-	-	-	-	-	(2)	-	-	-	-	-	(2)
Transactions settled ***	(100)	(4)	(1,857)	53	-	(36)	(3,870)	764	(165)	(11)	-	1	(5,992)	767
Balance at 31 December 2020	-	-	2,068	(54)	1,720	-	31,034	(8,111)	-	-	-	(20)	34,822	(8,185)
Of which:														
Derivative assets	-	-	268	-	725	68	1,220	11	-	-	-	-	2,213	79
Derivative liabilities	-	-	1,800	(54)	995	(68)	29,814	(8,122)	-	-	-	(20)	32,609	(8,264)

* Increases/(decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the period.

** Income/(expense) recognised in 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 €1,720 million and €2,068 million, respectively.

¹⁰⁰ 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.

Cash flow interest rate hedges recorded a total net fair value loss of €27 million on the effective portion, reflected in the cash flow hedge reserve.

Fair value hedges in interest rate swaps are used to hedge:

- securities classified at amortised cost with a nominal value of €15,420 million and securities classified at FVTOCI with a nominal value of €14,714 million; overall, they underwent a net effective negative fair value change of €3,434 million during the year, taking into account the net positive fair value change of €3,405 million in hedged securities (Table A6.1 and A6.2) net of €29 million for differentials paid;
- repurchase agreements classified at amortised cost with a nominal value of €900 million. These transactions, entered into in 2020, allow a portion of repurchase agreement transactions to be transformed to a variable rate, thereby reducing exposure to interest rate risk. The fair value at 31 December 2020 is not significant.

In the year under review, the Parent Company carried out the following transactions:

- forward and settlement purchases with a nominal amount of €100 million;
- forward sales for a nominal amount of €2,645 million and settlement for €1,857 million, of which €1,280 million outstanding at 1 January 2020;
- new interest rate swaps designated as cash flow hedges with a nominal value of €50 million;
- new fair value hedge interest rate swaps with a nominal amount of €9,214 million, including €900 million in hedges for repurchase agreement transactions;
- settlement of fair value hedge interest rate swaps on securities sold, whose fair value changes were hedged, for a notional amount of €3,870 million.

In addition, the Parent Company entered into and settled forward purchases for a total nominal value of €165 million (recognised at fair value through profit or loss), aimed at blocking the return, for 2020, on the investment of inflows from public customers on the deposit with the parent company (MEF), remunerated at a variable rate (table A6.1.1). These transactions had a positive impact of €11 million on profit or loss for the year (tab. C.3.1.1).

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

	Loans and receivables	Fixed income instruments	Total
Balance at 1 January 2020	13	1,729	1,742
Purchases		251	251
Changes in amortised cost	-	3	3
Changes in fair value through equity	-	-	-
Changes in cash flow hedges	-	-	-
Changes due to impairment	-	-	-
Net changes	8		8
Effects of sales on profit or loss	-	-	-
Accruals	-	18	18
Sales, redemptions and settlement of accruals		(143)	(143)
Balance at 31 December 2020	21	1,858	1,879

Receivables

Financial receivables of €21 million mainly regard receivables for management commissions of Poste Vita internal funds.

Fixed income instruments

Fixed income instruments at amortised cost at 31 December 2020 have a carrying amount of €1,858 million. These instruments exclusively relate to the free capital of Poste Vita SpA and Poste Assicura SpA. At 31 December 2020, the fair value¹⁰¹ of these instruments is €2,191 million.

Fixed income instruments recognised at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2020 amount to approximately €1 million (unchanged compared to 31 December 2019).

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

	Fixed income instruments	Other investments	Total
Balance at 1 January 2020	101,928	539	102,467
Purchases	19,416	-	19,416
Transfers to equity reserves	(178)	-	(178)
Changes in amortised cost	141	-	141
Changes in fair value through equity	5,974	1	5,975
Changes in fair value through equity	8	-	8
Changes in cash flow hedges	-	-	-
Effects of sales on profit or loss	21	-	21
Accruals	752	-	752
Sales, redemptions and settlement of accruals	(15,045)	-	(15,045)
Balance at 31 December 2020	113,017	540	113,557

¹⁰¹ In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €1,875 million of the total amount qualifies for inclusion in level 1 and €316 million for inclusion in level 2.

These financial instruments have recorded a fair value gain of €5,975 million. This includes €5,899 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 €76 million reflected in a matching positive movement in the related equity reserve.

Fixed income instruments

At 31 December 2020, fixed income instruments relate to investments primarily held by Poste Vita SpA for €112,762 million (a nominal value of €96,549 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 €605 million.

Total fair value fluctuation for the year was positive for €5,982 million, with gains of €5,974 million (€5,899 million transferred to policyholders) recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges, and a gain of €8 million recognised through profit or loss in relation to the hedged portion.

Accumulated impairments at 31 December 2020 amount to €59 million, almost entirely transferred to policyholders using the shadow accounting method (at 31 December 2019, impairments amounted to €37 million, almost entirely transferred to policyholders using the shadow accounting method).

Other investments

At 31 December 2020, Cassa Depositi e Prestiti's private placement of a Constant Maturity Swap, classified as at FVTOCI, amounts to €540 million. The increase in fair value of €1 million during the period was transferred to policyholders using the shadow accounting method.

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	Units of mutual investment funds	Equity instruments	Other investments	Total
Balance at 1 January 2020	-	1,500	35,927	177	21	37,625
Purchases	-	843	5,583	163	-	6,589
Changes in fair value through profit or loss	-	27	847	4	1	879
Net changes	15	-	-	-	-	15
Effects of sales on profit or loss	-	(6)	(33)	(15)	-	(54)
Accruals	-	26	-	-	-	26
Sales, redemptions and settlement of accruals	-	(398)	(4,209)	(129)	-	(4,736)
Balance at 31 December 2020	15	1,992	38,115	200	22	40,344

Receivables

This item refers to contributions by way of subscription and capital calls on mutual funds of which the corresponding units have not yet been issued.

Fixed income instruments

At 31 December 2020, fixed income instruments of €1,992 million consist of €50 million in coupon stripped and Zero Coupon bonds, while the balance of €1,942 million is primarily made up of corporate bonds issued by blue-chip companies. Corporate financial instruments totalling €1,584 million are linked to separately managed accounts, €285 million covers contractual obligations arising on Class III insurance policies and the remaining €73 million relates to securities in which the Company's free capital has been invested.

Units of mutual investment funds

At 31 December 2020, units of mutual investment funds amounting to €38,115 million include €33,789 million to cover Class I separately managed account products and €4,320 million to cover Class III products. The remaining €6 million relates to investment of the company's free capital (see note 13 – *Additional information - Unconsolidated structured entities*). Net investment in the funds during the period amounts to €1,374 million and the fair value has increased by approximately €847 million, almost entirely transferred to Class I policyholders using the shadow accounting method. At 31 December 2020, the investments which primarily regard equity funds total €34,830 million, units in mutual real estate funds total €1,959 million, and mutual funds that primarily invest in bonds total €1,326 million.

Equity instruments

Equity instruments amount to €200 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 investments of approximately €34 million, the effects from sales of approximately €15 million and fair value gains of approximately €4 million.

Other investments

Other investments of €22 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 2020, Poste Vita had forward sales of fair value hedges on BTPs for a notional amount of €1,260 million. The value of the derivative at 31 December 2020 was negative for €10 million, entirely transferred to policyholders through the shadow accounting method, as it refers to financial instruments included in separately managed accounts.

POSTAL AND BUSINESS SERVICES

Financial assets at amortised cost

Financial assets at amortised cost refer to loans and financial receivables totalling €75 million. This item breaks down as follows:

tab. A6.8 - Loans and receivables at amortised cost (€m)

	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans	21	-	21	-	-	-
Receivables	37	17	54	37	25	62
Guarantee deposits	-	15	15	-	23	23
Due from the purchasers of service accommodation	3	2	5	4	2	6
Due from others	34	20	54	33	20	53
Provisions for doubtful debts	-	(21)	(21)	-	(20)	(20)
Total	58	17	75	37	25	62

The item **Loans** of €21 million refers to the loan granted to the associate FSIA Investimenti Srl on 23 June 2020 and repayable in a single instalment on 29 September 2023, in order to repay the Bank Loan subscribed by the company and finance current operations.

Receivables for **Guarantee deposits** include €11 million for amounts paid to counterparties for interest rate swap transactions and €4 million for amounts paid to counterparties with whom repurchase transactions on fixed-income securities are in place.

Amounts due from others 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 2017¹⁰².

Financial assets at fair value through other comprehensive income

tab. A6.9 - Movements in financial assets at FVTOCI

	Fixed income instruments	Equity instruments	Total
Balance at 1 January 2020	524	23	547
Purchases	-	15	15
Transfers to equity reserves	-	-	-
Changes in amortised cost	-	-	-
Changes in fair value through equity	(6)	7	1
Changes in fair value through equity	(11)	-	(11)
Changes in cash flow hedges	-	-	-
Effects of sales on profit or loss	-	-	-
Accruals	5	-	5
Sales, redemptions and settlement of accruals	(105)	(5)	(110)
Balance at 31 December 2020	407	40	447

Fixed income instruments

This item entirely regards BTPs with a total nominal value of €400 million. Of these, instruments with a value of €375 million have been hedged using interest rate swaps designated as fair value hedges. In November 2020, securities with a nominal value of €100 million matured.

The overall fluctuation in fair value in the year in question was negative for €6 million and recognised in the specific equity reserve.

Certain securities are encumbered as they have been delivered to counterparties for use as collateral in connection with loans, as described in note 13 – *Additional information*.

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;
- for €25 million the investment in MFM Investments Ltd, acquired on 9 August 2019 for the first tranche of €15 million and on 13 May 2020 for the second tranche of €9.6 million;
- for €10 million the investment in sender GmbH acquired on 11 November 2019;
- €5 million for the investment in Milkman SpA acquired on 24 April 2020.

¹⁰² 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.

Lastly, on 9 April 2020, the company, Innovazione e Progetti ScpA, which was already in liquidation, was removed from the Register of Companies.

Fair value gains in the year under review, amounting to €7 million, have been recognised in the specific Equity reserve.

Corporate actions during 2020, are described in note 3.1 – *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 Notes¹⁰³, whose value at 31 December 2020 is zero.

Derivative financial instruments

tab. A6.10 - Movements in derivative financial instruments (€m)

	FY 2020			
	Cash Flow hedges	Fair value hedges	Fair value through profit or loss	Total
Balance at 1 January 2020	(6)	(16)	-	(22)
Increases/(decreases)	(1)	-	-	(1)
Gains/(Losses) through profit or loss	-	-	-	-
Transactions settled (*)	2	11	-	13
Balance at 31 December 2020	(5)	(5)	-	(10)
of which:				
Derivative assets	-	-	-	-
Derivative liabilities	(5)	(5)	-	(10)

* Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

At 31 December 2020, 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 variable rate of the bond, which at 31 December 2020 was 0.703%;
- 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;

¹⁰³ 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.

- three swap contracts entered into in 2020, of which two are outstanding at 31 December, to cover fuel costs relating to the air transport of mail carried out via the subsidiary, Poste Air Cargo Srl, for the three-year period 2020-2022.

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 €133 million.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income of €36 million relate to investments in Tink AB for €32 million and Volante for €4 million (see also Note 4.1 - *Principal corporate actions*). Fair value gains in the year under review, amounting to €10 million, have been recognised in the specific Equity reserve.

A7 - INVENTORIES (€165 million)

tab. A7 - Inventories

Description	Balance at 31/12/2019	Increase / (decrease)	Reclassifications	Balance at 31/12/2020
Properties held for sale	123	5	-	128
Work in progress, semi-finished and finished goods and goods for resale	9	-	2	11
Raw, ancillary and consumable materials	8	20	(2)	26
Total	140	25	-	165

Properties held for sale refer entirely to the portion of EGI SpA's real estate portfolio to be sold, whose fair value¹⁰⁴ at 31 December 2020 amounts to approximately €297 million.

The change in raw, ancillary and consumable materials mainly refers to protective equipment, disinfectant gel and other materials purchased during the year and which will be used in 2021.

A8 - TRADE RECEIVABLES (€2,375 million)

tab. A8 - Trade receivables

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Due from customers	2	2,331	2,333	5	2,113	2,118
Due from the Parent company (MEF)	-	36	36	-	45	45
Due from subsidiaries, associates and joint ventures	-	1	1	-	1	1
Prepayments to suppliers	-	5	5	-	7	7
Total	2	2,373	2,375	5	2,166	2,171

Amounts due from customers

tab. A8.1 - Due from customers

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Ministries and Public Administration entities	-	464	464	-	520	520
Cassa Depositi e Prestiti	-	432	432	-	451	451
Parcel express courier and express parcel services	-	624	624	-	327	327
Overseas counterparties	-	455	455	-	357	357
Unfranked mail delivered and other value added services	-	228	228	17	240	257
Overdrawn current accounts	-	42	42	-	38	38
Amounts due for other BancoPosta services	-	84	84	-	105	105
Other trade receivables	2	546	548	1	587	588
Provisions for doubtful debts due from customers	-	(544)	(544)	(13)	(512)	(525)
Total	2	2,331	2,333	5	2,113	2,118

Specifically¹⁰⁵:

- 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 authorities, amounting to €108 million.
 - Reimbursement of the costs associated with the management of property, vehicles and security incurred on behalf of the Ministry for Economic Development, totalling €81 million¹⁰⁶, including €62

¹⁰⁴ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

¹⁰⁵ At 31 December 2020, the balance of trade receivables includes €11 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.

¹⁰⁶ See “Revenue and amounts due from the State”, showing overall amounts due from the Ministry for Economic Development (€82 million), including amounts due for postal and other services.

million involved in legal action brought by Poste Italiane in order to claim sundry costs resulting from the use of properties. On 30 April 2020, a partially favourable judgement was published for Poste Italiane; the judgement was notified to MiSE and the latter appealed before the Court of Appeal with a request for suspension. On 3 December 2020, the request was not granted and a decision is now pending in the second instance.

- Unfranked mail services provided on credit, totalling €67 million, to central and local government authorities.
- Compensation for Publisher tariff subsidies, due from the Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria (Cabinet Office – Publishing Department), amounting to €67 million, of which €53 million accrued during the year. These receivables are shown gross of the collection of an unavailable amount of €24 million, relating to the tariff subsidies applied in the first half of 2020, deposited by the Cabinet Office - Publishing Department, during the year, in a non-interest-bearing account held by the Company with the State Treasury and for this reason recorded under Payables for advances received. Release of the amount deposited and extinguishment of the receivables in question are awaiting approval from the European Commission. A further €17 million, without financial coverage in the State Budget, was entirely impaired. In February 2021, €11 million, which was not available, was collected related to tariff subsidies charged in the third quarter of 2020.
- The payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security), totalling €25 million.
- Amounts due from Cassa Depositi e Prestiti refer to fees for BancoPosta's deposit-taking activities during 2020.
- **Parcels, express courier and express parcel** receivables relate to shipments carried out by the Parent Company and services provided by the subsidiary SDA Express Courier SpA.
- Amounts due 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.
- **Other trade receivables** include mainly: €91 million from Postepay SpA primarily in relation to the sale of TLC subscription services, acquiring services and other services provided to customers in the telecommunications sector, in the payment circuit and money transfer sectors €47 million in relation to the Posta Time service, €33 million relating to the Posta Contest service, €27 million relating to the Posta Target service, €24 million relating to non-universal mail services, €19 million relating to telegraphic services, €19 million relating to the Raccomandata Market service and €14 million relating to the service for the notification of judicial documents.

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 agreements¹⁰⁷ and soliciting requests for appropriations.

Provisions for doubtful debts due from customers are described in note 6 – *Risk management*.

Amounts due from the Parent Company

This item relates to trade receivables due to the Parent Company from the Ministry of the Economy and Finance.

tab. A8.2 - Due from the Parent Company (€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Universal Service compensation	31	31
Delegated services	30	28
Remuneration of current account deposits	5	15
Publisher tariff and electoral subsidies	1	1
Other	2	2
Provision for doubtful debts due from the Parent company	(33)	(32)
Total	36	45

Specifically:

- **Universal Service compensation** includes:

tab. A8.2.1 - Universal Service compensation receivable (€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Remaining balance for 2012	23	23
Remaining balance for 2005	8	8
Total	31	31

In the year under review, the Group received €262 million in accrued compensation for the period. The amount of compensation was recognised based on the terms of the new 2020-2024 Service Contract, effective 1 January 2020. On 1 December 2020, the European Commission approved the compensation for public service obligations envisaged in the new Service Contract, in the amount of €262 million per year, as it was deemed to be fully in line with the relevant EU rules on state aid.

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.

¹⁰⁷ The principal agreements that have expired regard those governing relations with the tax authorities in relation to the collection and reporting of payments.

- Receivables for **delegated services** relate to fees accrued solely in 2020 for treasury services performed by BancoPosta on behalf of the State in accordance with a specific agreement with the MEF signed on 22 May 2020 for the three-year period 2020-2022.
- The **remuneration of current account deposits** refers entirely to amounts accruing in 2020 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 due from the Parent Company are described in note 6 – *Risk management*.

A9 - OTHER RECEIVABLES AND ASSETS (€4,928 million)

tab. A9 - Other receivables and assets (€m)

Description	Notes	Balance at 31/12/2020			Balance at 31/12/2019		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Substitute tax paid		3,759	545	4,304	3,645	548	4,193
Due from social security agencies and pension funds (excl. fixed-term contract settlements)		-	176	176	-	94	94
Receivables relating to fixed-term contract settlements	57	79	136	136	66	81	147
Receivables for amounts that cannot be drawn on due to court rulings		-	78	78	-	79	79
Accrued income and prepaid expenses from trading transactions		-	12	12	-	12	12
Receivables Relaunch Decree 34/2020	29	-	6	6	-	-	-
Tax assets		-	67	67	-	17	17
Interest accrued on IRES refund		-	47	47	-	47	47
Sundry receivables	25	194	219	219	19	205	224
Provisions for doubtful debts due from others		(2)	(144)	(146)	(1)	(145)	(146)
Total		3,868	1,060	4,928	3,729	938	4,667

Specifically:

- **Substitute tax paid** refers mainly to:
 - €2,262 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 policies¹⁰⁸;
 - €1,496 million charged to holders of Interest-bearing Postal Certificates and Class III and V insurance policies for stamp duty at 31 December 2020¹⁰⁹; 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);
 - €320 million relating to advances paid in relation to stamp duty to be paid in virtual form in 2021 and charged to customers and to be recovered from customers by Poste Italiane;
 - €118 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 social security agencies and pension funds** refer for €57 million to sums relating to periods of suspension or reduction of work for Covid-19, which the Company has advanced to its employees and which, following access to the benefits of the Bilateral Solidarity Fund at INPS, enabled by

¹⁰⁸ Of the total amount, €250 million, assessed on the basis of provisions at 31 December 2020, has yet to be paid and is accounted for in "Other taxes payable" (tab. B10.3).

¹⁰⁹ 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 no. 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

the signing of the labour union agreements of 30 April 2020 and 21 December 2020, will be recovered by means of an adjustment with the contributions due to the Social Security Agency.

- **Receivables relating to 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 S.p.A. and the Labour Unions, regarding the re-employment by court order of personnel previously employed on fixed-term contracts. This item refers to receivables with a present value of €136 million from personnel, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2042. This item includes a receivable of €42 million from INPS (formerly IPOST) under a specific agreement entered into with IPOST on 23 December 2009, consisting of six instalments of €6.9 million each, falling due between 30 June 2012 and 31 December 2014. Negotiations are underway to recover this amount and, should the outcome prove unsuccessful, Poste Italiane reserves the right to take all necessary steps to protect its rights.
- **Amounts that cannot be drawn on due to court rulings** include €65 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.
- Receivables under **Relaunch Decree no. 34/2020** refer to receivables acquired in the last months of 2020 under the provisions of the aforementioned decree later converted with amendments into Law no. 77 of 17 July 2020. These receivables will be used to offset, in the years from 2021 to 2030, tax, social security or tax payables on the basis of as provided by the Revenue Agency with reference to the characteristics of the individual receivables.
- **Interest accrued on IRES refund**, refers to interest accruing up to 31 December 2020 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 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 no. 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. Elements of uncertainty about the final outcome of the case are taken into account in determining the provision for doubtful debts due from others.

Provisions for doubtful debts due from others are described in note 6 – *Risk management*.

A10 – CASH AND DEPOSITS ATTRIBUTABLE TO BANCOPOSTA (€6,391 million)

tab. A10 - Cash and deposits attributable to BancoPosta (€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Cash and cash equivalents in hand	3,027	3,487
Bank deposits	3,364	816
Total	6,391	4,303

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 (€1,198 million) and service companies that provide cash transportation services¹¹⁰ whilst awaiting transfer to the Italian Treasury (€1,829 million). The increase in the item Bank deposits is due to temporary excess liquidity deriving from private customer deposits on the account opened with the Bank of Italy, intended for interbank settlements, and not yet invested.

A11 – CASH AND CASH EQUIVALENTS (€4,516 million)

tab. A11 - Cash and cash equivalents (€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Bank deposits and amounts held at the Italian Treasury	2,503	1,638
Deposits with the MEF	1,991	495
Cash and cash equivalents in hand	22	16
Total	4,516	2,149

The balance of cash and cash equivalents at 31 December 2020 includes restricted cash of approximately €1,705 million, of which €929 million relates to funds on deposit with the MEF, known as the "Buffer" account, collected from customers and subject to a restriction on their use, €718 million consisting of liquidity used to cover insurance technical provisions, €24 million deposited by the Cabinet Office - Publishing Department in a non-interest-bearing account with the State Treasury as an advance on payments for reductions in publisher fees granted by the Company (note A8), €21 million restricted as a result of judicial decisions regarding disputes of various kinds and €13 million for cash on delivery collections and other restrictions.

¹¹⁰ They carry out transport and custody of valuables awaiting payment to the State Treasury.

EQUITY

B1 – EQUITY (€11,507 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

(€m)

	Equity at 31/12/2020	Changes in equity during 2020	Net profit/(loss) for 2020	Equity at 31/12/2019
Financial statements of Poste Italiane SpA	7,239	586	325	6,328
- Balance of profit (loss) of consolidated subsidiaries	6,319	-	1,035	5,284
- Investments accounted for using the equity method	120	-	5	115
- Balance of FV and CFH reserves of investee companies	103	61	-	42
- Actuarial gains and losses on employee termination benefits of investee companies	(6)	(1)	-	(5)
- Fees to be amortised attributable to Poste Vita SpA and Poste Assicura SpA	(34)	-	3	(37)
- Effects of intercompany transactions	(75)	-	-	(75)
- Derecognition of infra-group dividends	(2,464)	-	(164)	(2,300)
- Elimination of adjustments to value of consolidated companies	598	-	12	586
- Amortisation/depreciation until 1 January 2004/Impairment of goodwill	(156)	-	-	(156)
- Impairments of disposal groups held for sale	(40)	-	-	(40)
- Recognition of liabilities for call options	(46)	(49)	3	-
- Other consolidation adjustments	(56)	-	(12)	(44)
Equity attributable to owners of the Parent	11,502	597	1,207	9,698
- Equity attributable to non-controlling interests (excluding profit/(loss))	6	6	-	-
- Net profit/(loss) attributable to non-controlling interests	(1)	-	(1)	-
Equity attributable to non-controlling interests	5	6	(1)	-
TOTAL CONSOLIDATED EQUITY	11,507	603	1,206	9,698

At 31 December 2020, earnings per share were €0.927 (€1.032 at 31 December 2019), calculated as the ratio of the profit for the year of €1,206 million to the number of outstanding shares of 1,300,852,035.

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 2020, 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 approved by the General Shareholders' Meeting of 15 May 2020, on 24 June 2020, the Parent Company distributed dividends of €402 million (dividend per share equal to €0.309) as the balance for 2019, taking into account the interim dividend of €200 million (dividend per share equal to €0.154) already paid in November 2019. In addition, on 11 November 2020, Poste Italiane's Board of Directors resolved to advance part of the ordinary dividend for 2020 as an interim dividend. The interim dividend of €211 million was distributed on 25 November 2020 (unit dividend of €0.162).

B4 – RESERVES (€3,909 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
Balance at 1 January 2020	299	1,210	1,018	115	2	2	2,646
Increases/(decreases) in fair value during the year	-	-	2,033	(28)	-	-	2,005
Tax effect of changes in fair value	-	-	(576)	7	-	-	(569)
Transfers to profit or loss	-	-	(263)	5	-	-	(258)
Tax effect of transfers to profit or loss	-	-	75	(1)	-	-	74
Increase/(decrease) for expected losses	-	-	7	-	-	-	7
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-	-	-	-	-
Gains/(losses) recognised in equity	-	-	1,276	(17)	-	-	1,259
Reserves related to disposal groups and liabilities held for sale	-	-	-	-	-	-	-
Incentive plans	-	-	-	-	-	4	4
Other changes	-	-	-	-	-	-	-
Balance at 31 December 2020	299	1,210	2,294	98	2	6	3,909

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 €2,033 million during 2020 reflects:
 - a net increase of €1,946 million in financial assets attributable to the Group's Financial Services segment;
 - a net increase of €76 million in financial assets attributable to the Group's Insurance Services segment;
 - a net increase of €1 million in financial assets attributable to the Group's Postal and Business Services segment;
 - a net increase of €10 million in financial assets attributable to the Group's Payment and Mobile 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 2020, the fair value loss of €28 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 and the MBO short-term incentive plan, carried out on the basis of the provisions of IFRS 2.

LIABILITIES

B5 - TECHNICAL PROVISIONS FOR INSURANCE BUSINESS (€153,794 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

(€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Mathematical provisions	129,796	123,820
Outstanding claims provisions	801	663
Technical provisions where investment risk is transferred to policyholders	4,975	3,930
Other provisions	17,986	11,641
for operating costs	70	79
for deferred liabilities to policyholders	17,916	11,562
Technical provisions for claims	236	207
Total	153,794	140,261

The technical provisions borne by reinsurers are shown under assets in the balance sheet and amount to a total of €54 million.

Details of changes in technical provisions for the insurance business and other claim expenses are provided in the notes to the consolidated statement of profit or loss.

The **provisions for deferred liabilities 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 2020 and, to a lesser extent, on financial instruments at fair value through profit or loss.

B6 - PROVISIONS FOR RISKS AND CHARGES (€1,396 million)

Movements in provisions for risks and charges are as follows:

tab. B6 - Movements in provisions for risks and charges for FY 2020

(€m)

Description	Balance at 1 January 2020	Provisions	Finance costs	Transfers to profit or loss	Uses	Balance at 31/12/2020
Provisions for operational risk	241	26	-	(88)	(40)	139
Provisions for disputes with third parties	313	30	-	(43)	(33)	267
Provisions for disputes with staff (1)	54	12	-	-	(16)	50
Provisions for personnel expenses	68	223	-	(29)	(32)	230
Provisions for early retirement incentives	421	416	-	-	(261)	576
Provisions for taxation/social security contributions	22	1	-	(3)	(2)	18
Other provisions for risks and charges	99	25	-	(4)	(4)	116
Total	1,218	733	-	(167)	(388)	1,396
Overall analysis of provisions:						
- non-current portion	501					625
- current portion	717					771
	<u>1,218</u>					<u>1,396</u>

(1) Net provisions for personnel expenses amount to €8 million. Service costs (legal assistance) total €4 million.

Specifically:

- **Provisions for operational risks**, which primarily regard liabilities deriving from transactions carried out by BancoPosta, primarily reflect risks linked to the distribution of postal savings products issued in previous years, adjustments and settlements of income for previous years, estimated risks for charges and expenses to be incurred as a result of seizures suffered by BancoPosta, primarily in its capacity as a third party in foreclosure, and fraud. Provisions for the year totalling €26 million mainly reflect risks associated with the distribution of postal savings products issued in previous years and expenses to be incurred as a result of seizures suffered by BancoPosta mainly as a third party. Transfers to profit or loss are due to the elimination of liabilities identified in the past and refer mainly to the revised estimate of certain risks associated with the distribution of postal savings products and the conclusion of voluntary protection initiatives undertaken for the Europa Immobiliare I and Obelisco funds. Uses are primarily attributable to risks linked to the distribution of postal savings products and to liabilities defined in favour of customers subscribing to the Obelisco fund who have taken part in the above initiative.
- **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. Provisions of €12 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 €223 million to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€29 million) and settled disputes (€32 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 2022. The provisions made at 31 December 2019, amounting to €261 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 for risks and charges** 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, claims for rent arrears on properties used free of charge, claims for payment of accrued interest expense due to certain suppliers, frauds and expenses for reclamation of owned land.

B7 – EMPLOYEE TERMINATION BENEFITS (€1,030 million)

The following movements in employee termination benefits took place in 2020:

tab. B7 - Movements in provisions for employee termination benefits (€m)

	FY 2020
Balance at 1 January	1,135
Current service cost	2
Interest component	8
Effect of actuarial (gains)/losses	5
Uses for the period	(120)
Balance at 31 December 2020	1,030

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

	31/12/2020
Discount rate	0.300%
Inflation rate	1.500%
Annual rate of increase of employee termination benefits	2.625%

B7.2 - Demographic assumptions

	31/12/2020
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:

tab. B7.3 - Actuarial gains and losses

	31/12/2020
	Employee termination benefits
Change in demographic assumptions	-
Change in financial assumptions	22
Other experience-related adjustments	(17)
Total	5

The sensitivity of employee termination benefits to changes in the principal actuarial assumptions is analysed below.

tab. B7.4 - Sensitivity analysis

	31/12/2020
	Employee termination benefits
Inflation rate +0.25%	1,044
Inflation rate -0.25%	1,016
Discount rate +0.25%	1,008
Discount rate -0.25%	1,053
Turnover rate +0.25%	1,028
Turnover rate -0.25%	1,032

The following table provides further information in relation to employee termination benefits.

B7.5 - Other information

	31/12/2020
Expected service cost	1
Average duration of defined benefit plan	8.76
Average employee turnover	0.146%

B8 - FINANCIAL LIABILITIES (€98,230 million)

tab. B8 - Financial liabilities

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Financial liabilities at amortised cost	10,174	79,727	89,901	8,424	64,344	72,768
Postal current accounts	-	58,810	58,810	-	48,317	48,317
Loans	9,154	7,727	16,881	7,364	4,296	11,660
Bonds	1,046	-	1,046	50	-	50
Due to financial institutions	8,108	7,727	15,835	7,314	4,296	11,610
Lease payables	1,019	216	1,235	1,060	219	1,279
MEF account held at the Treasury	-	3,588	3,588	-	4,542	4,542
Other financial liabilities	-	9,387	9,387	-	6,970	6,970
Financial liabilities at FVTPL	46	-	46	-	-	-
Financial liabilities for purchase of minority interests	46	-	46	-	-	-
Derivative financial instruments	8,146	137	8,283	5,540	50	5,590
Cash flow hedges	53	73	126	76	31	107
Fair value hedges	8,093	44	8,137	5,449	18	5,467
Fair value through profit or loss	-	20	20	16	1	16
Total	18,366	79,864	98,230	13,964	64,394	78,358

Postal current accounts

They represent BancoPosta's direct deposit. These payables include net amounts accrued at 31 December 2020 and settled with customers in January 2021.

Loans

Other than the guarantees described in the following notes, loans 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. EIB loans are subject to the maintenance of a minimum rating level of BBB- (or equivalent) by the two rating agencies of Poste, without prejudice to the bank's right to request guarantees or an increase in the margin, or in the event of failure to agree immediate early repayment of the loan. Standard negative pledge provisions do apply, however¹¹¹.

Bonds

The item **Bonds** refers to two loans issued by the Parent Company as part of the €2 billion Euro Medium Term Notes (EMTN) Programme promoted by the Company during the 2013 financial year on the Luxembourg Stock Exchange. Specifically:

- a senior unsecured loan with a total nominal value of €1 billion issued on 10 December 2020 in two tranches, placed in public form with institutional investors. The first tranche of €500 million matures on 10 December 2024, has an above-par issue price of 100.10 with fixed annual coupon of 0.00% and an effective yield to maturity of -0.025%; the second tranche of €500 million matures on 10 December 2028, with an issue price below par of 99.758, a fixed annual coupon of 0.50% and an effective yield to maturity of 0.531%. At 31 December 2020, the fair value¹¹² of the loan was €1,004 million;
- a loan with a nominal value of €50 million, privately placed and issued at par 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 A6 – *Financial assets*. At 31 December 2020, the fair value¹¹³ of the loan was €51 million.

Amounts due to financial institutions

tab. B8.1 - Due to financial institutions

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Repurchase agreements	7,285	7,476	14,761	6,741	4,295	11,036
EIB fixed rate loan maturing 12/03/2026	173	-	173	173	-	173
EIB fixed rate loan maturing 16/10/2026	400	-	400	400	-	400
Other loans	250	250	500	-	-	-
Accrued interest expense	-	1	1	-	1	1
Total	8,108	7,727	15,835	7,314	4,296	11,610

Amounts due to financial institutions are subject to standard negative pledge clauses¹¹⁴.

At 31 December 2020, outstanding liabilities of €15,123 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 €13,856 million. €7,083 million of this amount regards Long Term Repos and €8,040 million to ordinary loan operations, the resources from both invested in Italian fixed income government securities and

¹¹¹ 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.

¹¹² In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 1.

¹¹³ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

¹¹⁴ 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.

as funding for incremental deposits used as collateral. At 31 December 2020, repurchase agreements with a nominal value of €900 million were the subject of fair value hedge transactions executed to hedge interest rate risk. Finally, financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2020, already included in the exposure to net balances, amounted to €362 million (€1,158 million at 31 December 2019).

The fair value¹¹⁵ of the repurchase agreements in question at 31 December 2020 is €14,743 million.

At 31 December 2020, the fair value¹¹⁶ of the two EIB loans totalling €573 million is €604 million.

At 31 December 2020, the fair value¹¹⁷ of the medium- and long-term loan, repaid in advance in January 2021, is €258 million.

For information regarding the Poste Group's credit lines and available liquidity at 31 December 2020, reference should be made to note 6 - *Risk management - Financial risks - Liquidity risk*.

Lease payables

Lease liabilities at 31 December 2020 amount to €1,235 million. Total cash outflows for leases in 2020 amount to €248 million.

MEF account held at the Treasury

tab. B8.2 - MEF account held at the Treasury

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Balance of cash flows for advances	-	3,602	3,602	-	4,397	4,397
Balance of cash flows from management of postal savings	-	(192)	(192)	-	(47)	(47)
Amounts payable due to theft	-	159	159	-	158	158
Amounts payable for operational risks	-	19	19	-	34	34
Total	-	3,588	3,588	-	4,542	4,542

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

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Net advances	-	3,603	3,603	-	4,397	4,397
MEF postal current accounts and other payables	-	670	670	-	670	670
MEF - State pensions	-	(671)	(671)	-	(670)	(670)
Total	-	3,602	3,602	-	4,397	4,397

The decrease in the item Net advances, compared to 31 December 2019, is mainly due to the advance payment, made in the last working days of December, of the January pension accrual due to the provisions of

¹¹⁵ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

¹¹⁶ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

¹¹⁷ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

the Ordinance of the Head of the Civil Protection Department no. 680 of 10 December 2020 in order to comply with the measures to contain the spread of the COVID-19 virus.

The **balance of cash flows from management of postal savings**, amounting to a positive €192 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 2020 consists of €146 million receivable from Cassa Depositi e Prestiti, less €46 million receivable from the MEF for Interest-bearing Postal Certificates issued on its behalf.

Amounts payable due to thefts from Post Offices of €159 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 €19 million regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset under recovery is certain or probable.

Other financial liabilities

Other financial liabilities have a fair value that approximates to their carrying amount.

tab. B8.3 - Other financial liabilities

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Prepaid cards	-	6,979	6,979	-	5,053	5,053
Domestic and international money transfers	-	917	917	-	668	668
Guarantee deposits	-	392	392	-	112	112
Endorsed cheques	-	382	382	-	140	140
Payables for items in process	-	186	186	-	246	246
Other amounts payable to third parties	-	149	149	-	164	164
Amounts to be credited to customers	-	139	139	-	168	168
Cashed cheques	-	135	135	-	255	255
Tax collection and road tax	-	79	79	-	139	139
Other	-	29	29	-	26	26
Total	-	9,387	9,387	-	6,970	6,970

Liabilities for **prepaid card management** refer to the subsidiary PostePay SpA.

The increase in the item **Domestic and international money transfers** is mainly due to the greater use of money orders and transfers by customers in the last days of December.

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).

Financial liabilities for purchase of minority interests

The item refers to the estimate of the amount (purchase and sale options) that will allow Poste Italiane, starting from the second quarter of 2023, to purchase the additional 30% of MLK Deliveries SpA and ownership of the Milkman technology for e-commerce applications. The exercise price of these options is not fixed, but determined on the basis of a formula that provides for the application of a multiplier to certain economic/equity targets of MLK Deliveries SpA.

Derivative financial instruments

Movements in derivative financial instruments during 2020 are described in note A6 – *Financial assets*.

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

(€m)

Description	Balance at 31/12/2019	Net cash flow from/(for) financing activities	Net cash flow from/(for) operating activities (*)	Non-cash flows	Balance at 31/12/2020
Loans	11,660	1,908	2,516	797	16,881
Bonds	50	996	-	-	1,046
Due to financial institutions	11,610	912	2,516	797	15,835
Lease payables	1,279	(248)	-	204	1,235
Other financial liabilities	6,970	3	2,368	46	9,387
Total	19,909	1,663	4,884	1,047	27,503

(*) The total amount of €4,884 million is included in the cash flow from/(for) operating activities, the balance of which in the statement of cash flows amounts to €1,917 million and regards loans and other financial liabilities not attributable to financing activities.

B9 - TRADE PAYABLES (€1,837 million)

tab. B9 - Trade payables (€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Due to suppliers	1,368	1,274
Contract liabilities	461	345
Due to subsidiaries	2	1
Due to associates	6	7
Total	1,837	1,627

Amounts due to suppliers

tab. B9.1 - Due to suppliers (€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Italian suppliers	1,217	1,129
Overseas suppliers	17	34
Overseas counterparties (1)	134	111
Total	1,368	1,274

(1) 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 (€m)

Description	Balance at 1 January 2020	Change due to recognition of revenue for period	Other changes	Balance at 31 December 2020
Prepayments and advances from customers	274	(1)	108	381
Other contract liabilities	48	(74)	78	53
Liabilities for fees to be refunded	20	43	(39)	24
Liabilities for volume discounts	3	-	(1)	3
Total	345	(31)	147	461

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 (€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Prepayments from overseas counterparties	275	196
Automated franking	40	38
Advances for Publishing from PCM	[tab. A8.1]	-
Unfranked mail	17	16
Postage-paid mailing services	6	6
Other services	19	18
Total	381	274

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 (€3,321 million)

tab. B10 - Other liabilities

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Due to staff	19	696	715	21	786	807
Social security payables	26	442	468	30	500	530
Other taxes payable	1,496	504	2,000	1,370	699	2,069
Sundry payables	29	67	96	94	93	187
Accrued liabilities and deferred income	6	36	42	10	32	42
Total	1,576	1,745	3,321	1,525	2,110	3,635

Amounts due to staff

tab. B10.1 - Due to staff

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Fourteenth month salaries	-	210	210	-	219	219
Incentives	19	380	399	21	358	379
Accrued vacation pay	-	45	45	-	56	56
Other amounts due to staff	-	61	61	-	153	153
Total	19	696	715	21	786	807

The reduction in **Other amounts due to staff** is due to the one-off payment to cover the 2019 contractual *vacatio*, which occurred in April 2020.

Social security payables

tab. B10.2 - Social security payables

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
INPS	1	335	336	2	393	395
Pension funds	-	87	87	-	87	87
INAIL	25	-	25	28	-	28
Other agencies	-	20	20	-	20	20
Total	26	442	468	30	500	530

The decrease in **amounts due to INPS** is partly due to the payment of the one-off contribution component mentioned above.

Other taxes payable

tab. B10.3 - Other taxes payable

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Stamp duty payable	1,496	52	1,548	1,370	8	1,378
Tax due on insurance provisions	-	250	250	-	487	487
Withholding tax on employees' and consultants' salaries	-	95	95	-	92	92
VAT payable	-	41	41	-	39	39
Substitute tax	-	31	31	-	36	36
Withholding tax on postal current accounts	-	10	10	-	10	10
Other taxes due	-	25	25	-	27	27
Total	1,496	504	2,000	1,370	699	2,069

Specifically:

- **Stamp duty payable** represents the amount payable to the tax authorities for stamp duty in virtual form, before the adjustment applied in 2021 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 2020 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 2021 as withholding agents.

Sundry payables

tab. B10.4 - Sundry payables

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	-	5	5	74	8	82
Guarantee deposits	12	8	20	12	1	13
Other payables	17	54	71	8	84	92
Total	29	67	96	94	93	187

The decrease in the item **Sundry payables attributable to BancoPosta** compared with 31 December 2019 is due to the settlement of prior year items resulting from a comprehensive review of estimates completed during the year, with the resulting positive impact recognised in the statement of profit or loss.

Guarantee deposits primarily relate to amounts collected from customers as a guarantee of payment for services (postage-paid mailing services, the use of post office boxes, lease contracts, telegraphic service contracts, etc.).

4.3 NOTES TO THE STATEMENT OF PROFIT OR LOSS

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers		(€m)	
Description	Notes	FY 2020	FY 2019
Revenue from Mail, Parcels and other	[C1]	3,201	3,492
of which Revenue from contracts with customers		3,132	3,439
recognised at a point in time		259	509
recognised over time		2,873	2,930
Revenue from Payments and Mobile	[C2]	737	664
of which Revenue from contracts with customers		737	664
recognised at a point in time		241	287
recognised over time		497	377
Net revenue from Financial Services	[C3]	4,945	5,135
Revenue from Financial Services		5,151	5,213
Expenses from financial activities		(206)	(79)
of which Revenue from contracts with customers		2,847	3,033
recognised at a point in time		315	412
recognised over time		2,532	2,621
Revenue from Insurance Services after changes in technical provisions and other claim expenses	[C4]	1,643	1,669
Insurance premium revenue		16,865	17,913
Income from insurance activities		4,065	5,478
Change in technical provisions for insurance business and other claim expenses		(18,768)	(21,463)
Expenses from insurance activities		(520)	(259)
of which Revenue from contracts with customers		9	9
recognised at a point in time		-	-
recognised over time		9	9
Total		10,526	10,960

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. In addition, revenue not arising from contracts with customers are accounted for in accordance with IFRS 16 - Leases and IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.
- **Revenue from payments and mobile** refers to:
 - 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;
 - 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 and mobile services;

- 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.
- **Net revenue from financial services** refers to:
 - 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 commissions on payment of bills by payment slip: 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 not from contracts with customers accounted for in accordance with IFRS 9 - *Financial Instruments*.

C1 – REVENUE FROM MAIL, PARCELS AND OTHER (€3,201 million)

This item breaks down as follows:

tab. C1 - Revenue from Mail, Parcels & other

(€m)

Description	FY 2020	FY 2019
Mail	1,582	2,134
Parcels	1,160	852
Other revenue	144	185
Total external revenue	2,886	3,171
Universal Service compensation	262	262
Publisher tariff subsidies	53	59
Total revenue	3,201	3,492

External revenue showed a decrease due to the decrease in revenue from Mail, partially offset by the increase in revenue from Parcels, mainly due to the increase in e-commerce shipments. This trend reflects the critical issues that emerged as a result of the health emergency that has affected Italy since March 2020 and has had a significant impact on normal operations.

Universal Service compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. The amount of the annual compensation of €262 million is defined in the 2020-2024 Service Contract, effective as of 1 January 2020 and approved by the European Commission, which has determined that the state compensation granted to the Company is in line with EU state aid rules.

Publisher tariff subsidies¹¹⁸ 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 2020 State Budget.

C2 – REVENUE FROM PAYMENTS AND MOBILE (€737 million)

This item breaks down as follows:

tab. C2 - Revenue from Payments and Mobile

Description	FY 2020	FY 2019
Electronic money	376	338
Fees for issue and use of prepaid cards	301	277
Acquiring	3	2
Other fees	72	59
Mobile	283	240
Transaction Banking	77	86
Payment Slips	1	2
Commissions for processing tax payments using forms F23/F24	47	61
Money transfers	29	23
Other operating income	1	-
Total	737	664

This item primarily regards revenue from the mobile telecommunications services and card payment and payment services provided by Postepay SpA.

¹¹⁸ 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.

C3 – NET REVENUE FROM FINANCIAL SERVICES (€4,945 million)

This item breaks down as follows:

tab. C3 - Net revenue from Financial Services (€m)

Description	FY 2020	FY 2019
Financial services	4,532	4,766
Income from financial activities	516	384
Other operating income	103	63
Expenses from financial activities	(206)	(79)
Total	4,945	5,134

Revenue from financial services regard services provided mainly within the Parent Company's BancoPosta RFC and the subsidiary BancoPosta Fondi SGR.

The item **Other operating income** includes the effects related to the derecognition of items previously recorded under liabilities, resulting from a comprehensive review of estimates completed during the year under review.

Revenue from Financial Services breaks down as follows:

tab. C3.1 - Revenue from financial services (€m)

Description	FY 2020	FY 2019
Fees for collection of postal savings deposits	1,851	1,799
Income from investment of postal current account deposits	1,590	1,635
Other revenue from current account services	396	417
Commissions on payment of bills by payment slip	297	390
Distribution of loan products	168	294
Income from delegated services	103	97
Mutual fund management fees	97	100
Money transfers	16	21
Other	14	13
Total	4,532	4,766

Revenue from financial services showed a decrease compared to the 2019 due to the health emergency that has affected our country since March 2020 and that has significantly affected normal operations. The largest decreases refer to revenue from commissions on payment of bills by payment slip and commissions for the distribution of loan products.

In particular:

- **Fees for 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 expired 31 December 2020 and being renewed.
- **Income from investment of postal current account deposits** breaks down as follows:

tab. C3.1.1 - Income from investment of postal current account deposits (€m)

Description	FY 2020	FY 2019
Income from investments in securities	1,546	1,570
Interest income on securities at amortised cost	649	535
Interest income on securities at FVOCI	894	1,012
Interest income (expense) on asset swaps of CFH on securities at FVOCI and AC	21	4
Interest income (expense) on asset swaps of FVH on securities at FVOCI and AC	(58)	(27)
Interest income on repurchase agreements	40	46
Income from deposits held with the MEF	43	64
Remuneration of current account deposits (deposited with the MEF)	32	64
Differential on derivatives stabilising returns	11	-
Other income	1	1
Total	1,590	1,635

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 (€m)

Description	FY 2020	FY 2019
Income from financial assets at FVOCI	399	353
Realised gains	399	353
Income from equity instruments at FVTPL	8	27
Fair value gains	8	25
Realised gains	-	2
Income from financial assets at amortised cost	102	-
Realised gains	102	-
Remuneration of own liquid funds entered under finance income	-	-
Foreign exchange gains	6	4
Realised gains	6	4
Other income	1	-
Total	516	384

Other income from financial activities increased by €132 million compared to 2019, mainly due to higher profits from the sale of financial assets at FVTOCI (+€46 million) and at amortised cost (+€102 million), partly offset by the lower profits from fair value measurement of instruments at FVTPL (-€17 million).

tab. C3.3 - Expenses from financial activities (€m)

Description	FY 2020	FY 2019
Expenses from financial instruments at FVTPL	6	15
Fair value losses	5	15
Realised losses	1	-
Expenses from financial assets at FVOCI	97	3
Realised losses	97	3
Expenses from equity instruments at FVTPL	6	-
Fair value losses	5	-
Realised losses	1	-
Expenses from financial assets at amortised cost	38	11
Realised losses	38	11
Expenses from fair value hedges	3	4
Fair value losses	3	4
Foreign exchange losses	5	-
Fair value losses	5	-
Interest expense	51	46
in customers' deposits	3	11
Interest expense on repurchase agreements	6	9
due to the Parent company	6	5
on guarantee deposits	36	21
Total	206	79

Expenses from financial activities showed an increase of €127 million compared to 2019, mainly due to higher realised losses from financial assets at FVTOCI (+€94 million) and at amortised cost (+€27 million).

C4 – REVENUE FROM INSURANCE SERVICES AFTER CHANGES IN TECHNICAL PROVISIONS AND OTHER CLAIM EXPENSES (€1,643 million)

This item breaks down as follows:

tab. C4 - Revenue from Insurance Services after changes in technical provisions and other claim expenses (€m)

Description	FY 2020	FY 2019
Insurance premium revenue	16,865	17,913
Income from insurance activities	4,065	5,478
Change in technical provisions for insurance business and other claim expenses	(18,767)	(21,463)
Expenses from insurance activities	(520)	(259)
Total	1,643	1,669

A breakdown of insurance premium revenue, showing outward reinsurance premiums, is as follows:

tab. C4.1 - Insurance premium revenue

(€m)

Description	FY 2020	FY 2019
Class I	15,898	15,702
Class III	681	1,939
Classes IV and V	82	91
Gross "life" premiums	16,661	17,732
Outward reinsurance premiums	(10)	(12)
Net "life" premiums	16,651	17,720
Non-life premiums	235	222
Outward reinsurance premiums	(21)	(29)
Net "Non-life" premiums	214	193
Total	16,865	17,913

Gross life premiums amounted to €16,661 million, down 6% on the previous year, with a significant contribution from Multi-class products, mainly as a result of the health emergency that affected Italy from March 2020.

Although marginal in relation to total net inflows, the contribution of net premiums pertaining to the Non-Life segment was up from €193 million in 2019 to the current €214 million.

Income from insurance activities is as follows:

tab. C4.2 - Income from insurance activities

(€m)

Description	FY 2020	FY 2019
Income from financial assets at amortised cost	5	4
Interest	5	4
Income from financial assets at FVTPL	1,501	2,669
Interest	351	418
Fair value gains	1,096	2,171
Realised gains	54	80
Income from financial assets at FVOCI	2,481	2,741
Interest	2,397	2,526
Realised gains	84	215
Other income	78	64
Total	4,065	5,478

The decrease in income from insurance activities (-€1,413 million compared with 2019) primarily reflects a decrease in income from financial assets at FVTPL, reflecting the negative performance of the financial markets at 31 December 2020, compared with 31 December 2019 impacted by the known health emergency. These valuation gains, which are almost exclusively related to investments included in separately managed accounts, were almost entirely transferred to policyholders through shadow accounting.

A breakdown of the change in technical provisions and other claim expenses, showing the portion ceded to reinsurers, is as follows:

tab. C4.3 - Change in technical provisions for insurance business and other claim expenses

(€m)

Description	FY 2020	FY 2019
Claims paid	10,896	13,966
Change in mathematical provisions	5,999	4,421
Change in outstanding claim provisions	138	(117)
Change in Other technical provisions	599	1,862
Change in technical provisions where investment risk is transferred to policyholders	1,045	1,278
Total change in technical provisions for insurance business and other claim expenses: Life	18,677	21,410
Portion ceded to reinsurers: Life	(3)	(7)
Total change in technical provisions for insurance business and other claim expenses: Non-life	102	65
Portion ceded to reinsurers: Non-life	(8)	(5)
Total	18,768	21,463

The change in technical provisions for the insurance business and other claim expenses primarily reflect:

- claims paid, policies redeemed, expiries and the related expenses incurred by Poste Vita SpA during the year;
- the change in mathematical provisions reflecting increased obligations to policyholders;
- the change in Other technical provisions is entirely attributable to the change recorded in the period in the DPL reserve, related to the valuation of securities included in the separately managed accounts and classified in the FVTPL category;
- 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

(€m)

Description	FY 2020	FY 2019
Expenses from financial assets at FVTPL	380	121
Fair value losses	213	69
Realised losses	167	52
Expenses from financial assets at FVOCI	71	98
Interest	7	5
Realised losses	64	93
Impairment losses/reversals of impairment losses due to credit risk	22	(4)
Other expenses	47	44
Total	520	259

The increase in Expenses from insurance activities (+€261 million compared to 2019) was mainly attributable to the negative financial market dynamics experienced in 2020, which resulted in the recognition of Expenses from financial activities at FVTPL of €380 million compared to €121 million in 2019.

C5 - COST OF GOODS AND SERVICES (€2,523 million)

tab. C5 - Cost of goods and services

(€m)

Description	FY 2020	FY 2019
Service costs	2,262	2,086
Lease expense	98	77
Raw , ancillary and consumable materials and goods for resale	163	124
Total	2,523	2,287

Costs of goods and services increased by a total of €236 million compared to 2019 mainly due to extraordinary expenses incurred to deal with the health emergency (€106 million for the purchase of personal protective equipment, plexiglass screens, sanitisation expenses, extraordinary cleaning of premises, communication expenses, etc.) and higher variable costs related to business development and in particular parcel costs.

Service costs

tab. C5.1 - Service costs

(€m)

Description	FY 2020	FY 2019
Transport of mail, parcels and forms	816	677
Routine maintenance and technical assistance	243	239
Outsourcing fees and external service charges	202	217
Mobile telecommunication services for customers	171	119
Credit and debit card fees and charges	121	121
Personnel services	116	137
Energy and water	110	125
Cleaning, waste disposal and security	110	74
Transport of cash	79	89
Advertising and promotions	65	63
Mail, telegraph and telex	55	58
Telecommunications and data transmission	52	49
Asset management fees	37	32
Consultants' fees and legal expenses	21	23
Electronic document management, printing and enveloping services	19	20
Remuneration of Statutory Auditors	1	1
Other	44	42
Total	2,262	2,086

Lease expense

tab. C5.2 - Lease expense

(€m)

Description	FY 2020	FY 2019
Equipment hire and software licences	61	54
Real estate leases and ancillary costs	14	8
Vehicle leases	2	2
Other lease expense	21	13
Total	98	77

Lease expense include €20 million for short-term leases and €15 million for low-value leases.

Raw, ancillary and consumable materials and goods for resale

tab. C5.3 - Raw, ancillary and consumable materials and goods for resale

(€m)

Description	Note	FY 2020	FY 2019
Consumables, advertising materials and goods for resale		136	68
Fuels and lubricants		47	52
Printing of postage and revenue stamps		4	7
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)
Change in inventories of raw, ancillary and consumable materials	[tab. A7]	(20)	-
Change in property held for sale	[tab. A7]	(5)	(3)
Total		163	124

The increase in consumables is due to the health emergency that has made it necessary to procure personal protective equipment (such as masks, gloves, detergent gels and disinfectants) in order to guarantee the maintenance of operations both at post offices and at mail processing and sorting sites.

C6 - PERSONNEL EXPENSES (€5,638 million)

Personnel expenses include the cost of personnel seconded to other organisations. The recovery of such expenses, determined by the relevant charge-backs, is posted to other operating income. Personnel expenses break down as follows:

tab. C6 - Personnel expenses

(€m)

Description	Note	FY 2020	FY 2019
Wages and salaries		3,869	4,122
Social security contributions		1,114	1,200
Employee termination benefits: current service cost	[tab. B7]	1	1
Employee termination benefits: supplementary pension funds and INPS		240	250
Agency staff		22	17
Remuneration and expenses paid to Directors		2	2
Early retirement incentives		20	17
Net provisions (reversals) for disputes with staff	[tab. B6]	7	4
Provisions for early retirement incentives	[tab. B6]	416	370
Amounts recovered from staff due to disputes		(8)	(10)
Share-based payments		6	12
Other personnel expenses/(cost recoveries)		(51)	(89)
Total		5,638	5,896

Personnel expenses decreased by €258 million overall compared to 2019, mainly due to the ordinary component of personnel expenses, which was affected by the reduction in the average workforce during the period (approximately 4,500 FTE less than 2019). The reduction is also affected by the mobilisation of the Solidarity Fund, the estimated effects of which amount to about €57 million. The decrease in the ordinary component was partly offset by the increase in the cost of early retirement incentives.

Net provisions for disputes with staff and provisions for restructuring charges are described in note B6 – *Provisions for risks and charges*.

The following table shows the Group's average and year-end headcount:

tab. C6.1 - Number of employees

Category	Average		Year end	
	FY 2020	FY 2019	31/12/2020	31/12/2019
Executives	697	674	675	675
Middle managers	14,838	15,078	14,704	14,705
Operational staff	96,397	103,181	92,689	98,975
Back-office staff	4,954	2,175	4,641	4,168
Total employees on permanent contracts (*)	116,886	121,108	112,709	118,523

(*) Figures expressed in Full Time Equivalent terms

Furthermore, taking account of personnel on flexible contracts, the average number of full-time equivalent personnel is 124,695 (in 2019: 129,243).

C7 - DEPRECIATION, AMORTISATION AND IMPAIRMENTS (€700 million)

This item breaks down as follows:

tab. C7 - Depreciation, amortisation and impairments (€m)

Description	FY 2020	FY 2019
Depreciation of property, plant and equipment	210	324
Properties used in operations	27	12
Plant and machinery	46	75
Industrial and commercial equipment	13	9
Leasehold improvements	39	40
Other assets	85	88
Impairments/recoveries/adjustments of property, plant and equipment	(20)	(4)
Depreciation of investment property	1	4
Depreciation of right-of-use assets	231	222
Properties used in operations	146	149
Company fleet	67	60
Vehicles for mixed use	6	5
Other assets	12	8
Impairments/recoveries/adjustments of right of use	2	-
Amortisation and impairments of intangible assets	276	228
Industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights	273	224
Other	3	4
Total	700	774

Amortisation, depreciation, and impairments decreased by €74 million compared to 2019, due mainly to lower depreciation (-€120 million) recognised as a result of the revision of the residual useful lives and residual values of the main categories of non-current assets (for more details, see paragraph 2.5 - Use of Estimates), offset in part by higher amortisation of intangible assets (+€48 million) resulting from the completion and commissioning of new software programs and the development of existing ones.

C8 - CAPITALISED COSTS AND EXPENSES (€37 million)

Capitalised costs and expenses break down as follows:

tab. C8 - Increases relating to assets under construction (€m)

Description	Note	FY 2020	FY 2019
Property, plant and machinery:	[A1]	4	6
Cost of goods and services		3	5
Personnel expenses		1	1
Intangible assets:	[A3]	33	25
Cost of goods and services		5	8
Personnel expenses		26	16
Amortisation		2	1
Total		37	31

C9 - OTHER OPERATING COSTS (€103 million)

Other operating costs break down as follows:

tab. C9 - Other operating costs (€m)

Description	Note	FY 2020	FY 2019
Operational risk events		39	34
Thefts		6	4
Loss of BancoPosta assets, net of recoveries		1	-
Other operating losses of BancoPosta		32	30
Net provisions for risks and charges made/(released)		(54)	21
for disputes with third parties	[tab. B6]	(13)	7
for operational risks	[tab. B6]	(62)	12
for other risks and charges	[tab. B6]	21	2
Capital losses		1	2
Municipal property tax, urban waste tax and other taxes and duties		61	98
Other current expenses		56	45
Total		103	200

The decrease of €97 million in Other operating costs is due mainly to the net reversal of provisions for risks and charges (-€54 million), for which reference is made to note B6 - *Provisions for risks and charges*.

C10 – IMPAIRMENT LOSSES/(REVERSALS OF IMPAIRMENT LOSSES) ON DEBT INSTRUMENTS, RECEIVABLES AND OTHER ASSETS (€75 million)

tab. C10 - Impairment losses/(Reversals of impairment losses) on debt instruments, receivables and other assets (€m)

Description	FY 2020	FY 2019
Net impairments and losses on receivables and other assets (uses of provisions)	61	62
Impairment losses/(reversals of impairment losses) due from customers	48	48
Impairment losses/(reversals of impairment losses) sundry receivables	13	14
Impairment losses/(reversals of impairment losses) financial operations	1	-
Impairment losses/(reversals of impairment losses) debt instruments at FVTOCI	6	(2)
Impairment losses/(reversals of impairment losses) debt instruments at amortised cost	7	(1)
Total	75	59

The increase of €16 million compared to 2019 is mainly due to higher impairment of securities at FVTOCI and securities at amortised cost (+€14 million), offset in part by lower impairment of other receivables. The estimates were partly influenced by the effect of the crisis triggered by the current health emergency. For further details, reference should be made to Note 6 - Risk management.

C11 – FINANCE INCOME (€123 million) AND COSTS (€75 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. C11.1 - Finance income (€m)

Description	FY 2020	FY 2019
Income from financial assets at FVOCI	38	36
Interest	48	40
Accrued differentials on fair value hedges	(11)	(11)
Realised gains	1	7
Income from financial assets at amortised cost	56	54
Interest	56	54
Income from financial assets at FVTPL	3	3
Income from financial liabilities at FVTPL	2	-
Other finance income	9	8
Finance income on discounted receivables	3	4
Late payment interest	20	15
Impairment of amounts due as late payment interest	(19)	(15)
Other income	5	4
Foreign exchange gains	15	4
Total	123	105

For the purposes of reconciliation with the statement of cash flows, in 2020 finance income after both realised gains and foreign exchange gains amounted to €108 million (€94 million in 2019).

Finance costs

tab. C11.2 - Finance costs

(€m)

Description	Note	FY 2020	FY 2019
Finance costs on financial liabilities		40	41
on bonds		1	10
on due to financial institutions		11	2
on lease payables		26	28
on derivative financial instruments		2	1
Finance costs on provisions for employee termination benefits and pension plans	[tab. B7]	8	17
Other finance costs		14	9
Foreign exchange losses		13	5
Total		75	73

For the purposes of reconciliation with the statement of cash flows, in 2020 finance costs after foreign exchange losses amounted to €62 million (€68 million in 2019).

C12 – IMPAIRMENT LOSSES/(REVERSALS OF IMPAIRMENT LOSSES) ON FINANCIAL ASSETS (€1 million)

tab. C12 - Impairment losses/(Reversals of impairment losses) on financial assets

(€m)

Description	FY 2020	FY 2019
Impairment losses/(reversals of impairment losses) on other assets	1	1
Impairment of interest accrued on IRES refund	-	46
Total	1	46

The item at 31 December 2019 included the impairment of the receivable for interest accrued on IRES refund, see in this regard as reported in Note A9 - *Other receivables and assets*.

C13 - INCOME TAX EXPENSE (€370 million)

The nominal IRES rate has been 24% since 1 January 2017, while the Group's theoretical average IRAP rate is 6.01%¹¹⁹. The breakdown of income taxes for the year is as follows.

tab. C13 - Income tax expense

(€m)

Description	FY 2020			FY 2019		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	350	97	447	464	141	605
Deferred tax assets	(72)	(11)	(83)	33	13	46
Deferred tax liabilities	6	-	6	(94)	(27)	(121)
Total	284	86	370	403	127	530

¹¹⁹ The nominal IRAP rate is 3.90% for most taxpayers, 4.20% for companies that operate under concession arrangements

Income taxes decreased by €160 million compared to the previous year and include the positive non-recurring effect of €96 million, including €81 million relating to the "Patent Box" for the years 2015-2019, of which €58 million was recognised by Poste Vita and Poste Assicura and €23 million by the Parent Company. Agreements to recognise the economic contribution were entered into with the Revenue Agency on 16 December 2020 for Poste Vita, 21 December 2020 for Poste Italiane and 22 December 2020 for Poste Assicura. The remaining €15 million refers to the tax benefit for the Parent Company related to the Aid to Economic Growth (ACE), referring to the 2015-2016 financial years for which, in the year under review, the uncertainties associated with the quantification no longer exist.

The tax rate for 2020, before recognition of non-recurring income, was 29.56%; however, the effective tax rate for the year was 23.49%.

tab. C13.1 - Reconciliation between theoretical and effective IRES rate (€m)

Description	FY 2020		FY 2019	
	IRES	Tax Rate	IRES	Tax Rate
<u>Profit before tax</u>	<u>1,577</u>		<u>1,873</u>	
Theoretical tax charge	378	24.0%	449	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Adjustments to equity investments measured using the equity method	(1)	-0.07%	(26)	-1.44%
Realignment of tax bases and carrying amounts and taxation for previous years	(4)	-0.24%	(19)	-1.01%
Non-deductible out-of-period losses	7	0.42%	6	0.33%
Net provisions for risks and charges and doubtful debts	(10)	-0.61%	6	0.30%
Non-deductible taxes	4	0.28%	4	0.22%
Realised gains on investments	-	0.00%	-	-0.02%
Other	(10)	-0.67%	(17)	-0.84%
Effective tax (before Patent Box and ACE tax effect)	364	23.10%	403	21.54%
Patent Box and ACE tax effect	(80)	-5.07%	-	0.00%
Effective tax charge	284	18.03%	403	21.54%

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).

tab. C13.2 - Reconciliation between theoretical and effective IRAP rate

(€m)

Description	FY 2020		FY 2019	
	IRAP	Tax Rate	IRAP	Tax Rate
Profit before tax	1,577		1,873	
Theoretical tax charge	95	6.01%	109	5.84%
Effect of increases/(decreases) on theoretical tax charge				
Non-deductible personnel expenses	13	0.84%	14	0.72%
Net provisions for risks and charges and doubtful debts	1	0.09%	7	0.38%
Impairment losses/(reversals of impairment losses) on financial assets	-	-0.01%	2	0.11%
Adjustments to equity investments measured using the equity method	-	-0.02%	(5)	-0.27%
Realignment of tax bases and carrying amounts and taxation for previous years	(4)	-0.29%	(1)	-0.05%
Other	(3)	-0.17%	1	0.04%
Effective tax (before Patent Box tax effect)	102	6.46%	127	6.77%
Patent Box tax effect	(16)	-1.00%	-	0.00%
Effective tax charge	86	5.46%	127	6.77%

Current tax expense

tab. C13.3 - Movements in current tax assets /(liabilities)

(€m)

Description	Current tax 2020		
	IRES	IRAP	Total
	Assets/ (Liabilities)	Assets/ (Liabilities)	
Balance at 1 January	(160)	(62)	(222)
Payments	631	192	823
for payments on account for the current year	428	113	541
for balance payable for the previous year	203	79	282
Provisions to profit or loss	(350)	(97)	(447)
current tax	(430)	(113)	(543)
Patent Box tax effect	80	16	96
Provisions to equity	1	-	1
Other	19	-	19
Balance at 31 December	141	33	174
of which:			
Current tax assets	143	44	187
Current tax liabilities	(2)	(11)	(13)

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 2020, current tax assets/(liabilities) include:

- the asset of €87 million deriving from IRES and IRAP advances paid and the positive effect of the Patent Box tax benefit for the 2017-2019 financial years (€53 million in total, including €38 million relating to the Poste Vita and Poste Assicura companies and €15 million to the Parent Company), net of IRES and IRAP provisions for the year;

- assets totalling €43 million (including €20 million recognised by the Poste Vita and Poste Assicura companies and €23 million by the Parent Company), relating to participation in the Patent Box scheme and the tax benefit for the Parent Company linked to the Aid to Economic Growth (ACE) for 2015-2016. These assets will become compensable after the submission of the relevant supplementary tax returns;
- the substitute tax credit of €27 million relating to the redemption carried out by the Parent Company during 2018, pursuant to art. 15, paragraph 10-ter of Law Decree no. 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 A5 - *Investments accounted for using the equity method*);
- assets totalling €9 million recognised as a result of the responses received to two petitions filed with the Revenue Agency concerning the correct implementation of IFRS 9 and 15. These assets will become compensable after the submission of the relevant supplementary tax returns;
- 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 no. 185 of 29 November 2008 and art. 2 of Law Decree no. 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. C13.4 - Deferred taxes

(€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Deferred tax assets	1,123	1,199
Deferred tax liabilities	(1,229)	(887)
Total	(106)	312

Movements in deferred tax assets and liabilities are shown below:

tab. C13.5 - Movements in deferred tax assets and liabilities

(€m)

Description	FY 2020	FY 2019
Balance at 1 January	312	667
Net income/(expense) recognised in profit or loss	77	74
Net income/(expense) recognised in equity	(495)	(429)
Balance at 31 December	(106)	312

The following table shows movements in deferred tax assets and liabilities, broken down according to the events that generated such movements:

tab. C13.6 - Movements in deferred tax assets

Description	Property, plant and equipment and intangible assets	Depreciation and amortisation	Financial assets and liabilities	Provisions to cover expected losses	Provisions for risks and charges	Discounting of provisions for employee termination benefits	Technical provisions for insurance business	Other	Total
Balance at 1 January 2020	50	15	233	100	263	38	408	92	1,199
Income/(expense) recognised in profit or loss	1	(1)	-	3	74	-	18	(12)	83
Income/(expense) recognised in equity	-	-	(159)	-	-	-	-	-	(159)
Balance at 31 December 2020	51	14	74	103	337	38	426	80	1,123

tab. C13.7 - Movements in deferred tax liabilities

Description	Financial assets and liabilities	Other	Total
Balance at 1 January 2020	846	41	887
Expense/(income) recognised in profit or loss	(7)	13	6
Expense/(income) recognised in equity	336	-	336
Balance at 31 December 2020	1,175	54	1,229

Movements in deferred tax assets and liabilities recognised directly in equity during the year are as follows:

tab. C13.8 - Income/(expense) recognised in equity (€m)

Description	FY 2020	FY 2019
Fair value reserve for financial assets at FVTOCI	(501)	(435)
Cash flow hedge reserve for hedging instruments	6	(10)
Actuarial gains /(losses) on employee termination benefits	-	16
Total	(495)	(429)

4.4 - OPERATING SEGMENTS

The identified operating segments, which are in line with the Group's new strategic guidelines reflected in the 2024 Sustain & Innovate Strategic Plan, are as follows:

- Mail, Parcels and Distribution
- Payments and Mobile
- 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 RFC's By-laws, identify the services provided by Poste Italiane SpA functions to BancoPosta and determines the manner in which they are remunerated.

The Payment and Mobile Services Sector includes the activities of payment management, e-money services and mobile and fixed-line telephone services by Postepay SpA. Starting in 2020, and in line with the organisational changes that in 2019, saw the transfer of the digital channel control activities within the Mail, Parcels and Distribution Services Sector, the name of the Payments, Mobile and Digital Sectors has been updated to Payments and Mobile.

The Financial Services segment includes the activities of BancoPosta RFC, and BancoPosta Fondi SpA SGR.

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.

						(€m)
FY 2020	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Adjustments and eliminations	Total
Net external revenue from ordinary activities	3,201	737	4,945	1,643	-	10,526
Net intersegment revenue from ordinary activities	4,634	341	665	1	(5,641)	-
Net operating revenue	7,835	1,078	5,610	1,644	(5,641)	10,526
Depreciation, amortisation and impairments	(667)	(25)	(1)	(8)	1	(700)
Non-cash expenses	(60)	(5)	33	(3)	-	(35)
Total non-cash expenses	(727)	(30)	32	(11)	1	(735)
Operating profit/(loss)	(588)	258	866	988	-	1,524
Finance income/(costs)	(35)	-	(7)	90	-	48
(Impairment losses)/reversal of impairment losses on debt instruments, receivables	-	-	-	(1)	-	(1)
Profit/(Loss) on investments accounted for using the equity method	-	8	(3)	-	-	5
Intersegment finance income/(costs)	46	1	1	(48)	-	-
Income tax expense	158	(73)	(210)	(245)	-	(370)
Net profit/(loss) for the year	(419)	194	647	784	-	1,206
Assets	12,867	8,735	104,229	160,243	(13,717)	272,357
Non-current assets	7,002	484	70,254	152,302	(2,383)	227,659
Current assets	5,865	8,251	33,975	7,941	(11,334)	44,698
Non-current assets and disposal groups held for sale	-	-	-	-	-	-
Liabilities	10,885	8,193	98,948	154,953	(12,129)	260,850
Non-current liabilities	4,519	304	18,290	154,300	(793)	176,620
Current liabilities	6,366	7,889	80,658	653	(11,336)	84,230
Liabilities related to assets held for sale	-	-	-	-	-	-
Other information						
Capital expenditure	658	20	1	1	-	680
Investments accounted for using the equity method	3	402	210	-	-	615
External revenue from contracts with customers	3,132	737	2,847	9	-	6,726
Recognition at a point in time	259	241	315	-	-	815
Recognition over time	2,873	497	2,532	9	-	5,911

						(€m)
FY 2019	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Adjustments and eliminations	Total
Net external revenue from ordinary activities	3,492	664	5,134	1,669	-	10,959
Net intersegment revenue from ordinary activities	4,723	375	691	1	(5,790)	-
Net operating revenue	8,215	1,039	5,825	1,670	(5,790)	10,959
Depreciation, amortisation and impairments	(724)	(27)	-	(24)	1	(774)
Non-cash expenses	(77)	(4)	(46)	(7)	-	(134)
Total non-cash expenses	(801)	(31)	(46)	(31)	1	(908)
Operating profit/(loss)	(347)	241	874	1,006	-	1,774
Finance income/(costs)	(40)	-	(5)	77	-	32
(Impairment losses)/reversal of impairment losses on debt instruments, receivables	(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)
Net profit/(loss) for the year	(306)	271	640	737	-	1,342
Assets	10,704	6,437	85,279	146,263	(10,432)	238,251
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	-	-	-	-	-	-
Liabilities	8,336	5,958	81,292	141,811	(8,844)	228,553
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	-	-	-	-	-	-
Other information						
Capital expenditure	685	25	1	23	-	734
Investments accounted for using the equity method	3	393	221	-	-	617
External revenue from contracts with customers	3,439	664	3,033	9	-	7,145
Recognition at a point in time	509	287	412	-	-	1,208
Recognition over time	2,930	377	2,621	9	-	5,937

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 2020, 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.

4.5 – RELATED PARTY TRANSACTIONS

Impact of related party transactions on the financial position and profit or 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 statement of financial position at 31 December 2020 (€m)

Name	Balance at 31/12/2020						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	-	-	-	-	1	-
Kipoint SpA	-	-	-	-	1	1	-
Associates							
Anima Holding Group	-	-	-	-	-	7	-
FSIA Srl	21	-	-	-	-	-	-
Related parties external to the Group							
MEF	7,340	145	12	1,991	3,592	4	8
Cassa Depositi e Prestiti Group	3,863	433	-	-	-	1	-
Enel Group	-	24	-	-	-	4	-
Eni Group	-	2	-	-	-	9	-
Leonardo Group	-	1	-	-	-	25	-
Montepaschi Group	248	4	-	1	1,018	-	-
Other related parties external to the Group	50	13	-	-	3	4	66
Provision for doubtful debts due from external related parties	(26)	(40)	(7)	-	-	-	-
Total	11,496	582	5	1,992	4,614	56	74

At 31 December 2020, 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 €71 million (€70 million at 31 December 2019).

Impact of related party transactions on the statement of financial position at 31 December 2019 (€m)

Name	Balance at 31/12/2019						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	-	-	-	-	1	-
Kipoint SpA	-	-	-	-	1	1	-
Associates							
Anima Holding Group	-	-	-	-	-	7	-
Indabox	-	-	-	-	-	-	-
Related parties external to the Group							
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 due from external related parties	(24)	(39)	-	-	-	-	-
Total	11,742	664	3	495	4,952	98	74

Impact of related party transactions on profit or loss in FY 2020

(€m)

Name	Balance at 31/12/2020												
	Revenue				Costs								
					Investments			Current expenditure					
	Revenue from sales and services	Revenue from Payments and Mobile	Revenue from Financial Services	Revenue from Insurance Services after changes in technical provisions and other claim expenses	Finance income	Property, plant and equipment	Intangible assets	Cost of goods and services	Personnel expenses	Other operating costs	Expenses from financial activities	Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
Subsidiaries													
Kpoint SpA	-	-	-	-	-	-	-	2	-	-	-	-	-
Associates													
Anima Holding Group	3	-	-	-	-	-	-	27	-	-	-	-	-
FSIA Srl	-	-	-	-	-	-	-	-	-	-	-	-	-
Related parties external to the Group													
MEF	313	48	93	-	-	1	-	2	-	-	5	2	1
Cassa Depositi e Prestiti Group	2	-	1,921	15	-	-	-	7	-	-	-	-	2
Enel Group	40	-	4	-	-	-	-	25	-	-	-	-	-
Eni Group	12	-	2	-	-	-	-	29	-	-	-	-	-
Equitalia Group	-	-	-	-	-	-	-	-	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	13	32	-	-	-	-	-
Montepaschi Group	16	-	2	-	-	-	-	-	-	-	-	-	-
Other related parties external to the Group	14	-	-	-	-	-	-	34	75	1	-	-	-
Total	400	48	2,022	15	-	1	13	159	75	1	5	2	3

At 31 December 2020, 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 about €1 million (€1 million at 31 December 2019).

Impact of related party transactions on profit or loss in FY 2019

Name	Balance at 31/12/2019												
	Revenue				Costs								
					Investments			Current expenditure					
	Revenue from sales and services	Revenue from Payments and Mobile	Revenue from Financial Services	Revenue from Insurance Services after changes in technical provisions and other claim expenses	Finance income	Property, plant and equipment	Intangible assets	Cost of goods and services	Personnel expenses	Other operating costs	Expenses from financial activities	Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
Subsidiaries													
Address Software Srl	-	-	-	-	-	-	-	1	-	-	-	-	-
Kpoint SpA	-	-	-	-	-	-	-	2	-	-	-	-	-
Associates													
Anima Holding Group	3	-	-	-	-	-	-	25	-	-	-	-	-
FSIA Srl	-	-	-	-	-	-	-	4	-	-	-	-	-
Related parties external to the Group													
MEF	349	58	124	-	-	-	-	-	-	1	5	-	1
Cassa Depositi e Prestiti Group	3	-	1,873	16	-	-	-	6	-	-	-	1	1
Enel Group	59	1	-	-	-	-	-	31	-	-	-	-	-
Eni Group	19	-	-	-	-	-	-	35	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	3	21	-	-	-	-	-
Montepaschi Group	22	-	1	-	-	-	-	-	-	-	-	-	-
Other related parties external to the Group	43	-	-	-	-	-	-	44	50	1	-	-	-
Total	498	59	1,998	16	-	-	3	169	50	2	5	1	2

The nature of the Parent Company's principal related party transactions 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.

Related party transactions have been carried out on terms equivalent to those prevailing in arm's length transactions between independent parties.

Impact of related party transactions or 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 (€m)						
Description	Total in financial statements	Total related parties	Impact (%)	Total in financial statements	Total related parties	Impact (%)
	Balance at 31/12/2020			Balance at 31/12/2019		
Financial position						
Financial assets	247,883	11,496	4.6	217,776	11,742	5.4
Trade receivables	2,375	582	24.5	2,171	664	30.6
Other receivables and assets	4,928	5	0.1	4,667	3	0.1
Cash and cash equivalents	4,516	1,992	44.1	2,149	495	23.0
Provisions for risks and charges	1,396	72	5.2	1,218	70	5.7
Financial liabilities	98,230	4,614	4.7	78,358	4,952	6.3
Trade payables	1,837	56	3.0	1,627	98	6.0
Other liabilities	3,321	74	2.2	3,635	74	2.0
Liabilities related to assets held for sale	-	-	n.a.	-	-	n.a.
Profit or loss						
Revenue from Mail, Parcels & other	3,201	400	12.5	3,492	498	14.3
Revenue from Payments and Mobile	737	48	6.5	664	59	8.9
Net revenue from Financial Services	4,945	2,017	40.8	5,134	1,993	38.8
Revenue from Insurance Services after changes in technical provisions and other claim expenses	1,643	15	0.9	1,669	16	1.0
Cost of goods and services	2,523	159	6.3	2,287	169	7.4
Personnel expenses	5,638	75	1.3	5,896	50	0.8
Other operating costs	103	3	2.9	200	3	1.5
Finance costs	75	3	4.0	73	2	2.7
Finance income	123	-	n.a.	105	-	n.a.
Cash flow						
Net cash flow from/(for) operating activities	1,917	(39)	n.a.	1,120	248	22.1
Net cash flow from/(for) investing activities	(601)	(28)	4.7	(732)	3	n.a.
Net cash flow from/(for) financing activities and shareholder transactions	1,051	(388)	n.a.	(1,434)	(492)	34.3

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 (€k)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Remuneration to be paid in short/medium term	10,625	7,351
Post-employment benefits	544	237
Other benefits to be paid in longer term	3,162	842
Termination benefits	-	854
Share-based payments	2,176	3,104
Total	16,507	12,388

Remuneration of Statutory Auditors (€k)

Name	Balance at 31/12/2020	Balance at 31/12/2019
Remuneration	1,164	1,235
Expenses	12	45
Total	1,176	1,280

The remuneration paid to members of the Parent Company's Supervisory Board for 2020 amounts to approximately €96 thousand. 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 2020, Group companies do not report receivables in respect of loans granted to key management personnel.

Transactions with personnel 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.

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5. POSTE ITALIANE SPA - FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Posteitaliane

5.1 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(figures in €)					
ASSETS	Notes	31 December 2020	of which related parties	31 December 2019	of which related parties
Non-current assets					
Property, plant and equipment	[A1]	1,986,743,453	-	1,886,540,623	-
Investment property	[A2]	30,687,475	-	44,128,398	-
Intangible assets	[A3]	718,601,813	-	561,731,422	-
Right-of-use assets	[A4]	1,033,550,702	-	1,119,172,897	-
Investments	[A5]	2,214,927,360	2,214,927,360	2,204,509,011	2,204,509,011
Financial assets attributable to BancoPosta	[A6]	68,406,294,179	3,287,955,544	58,251,783,573	3,934,272,101
Financial assets	[A7]	377,272,520	334,658,403	740,256,035	299,846,801
Trade receivables	[A9]	665,532	-	5,342,396	-
Deferred tax assets	[C12]	578,754,129	-	674,374,767	-
Other receivables and assets	[A10]	1,575,661,316	1,586,649	1,434,680,477	1,465,574
Total		76,923,158,479		66,922,519,599	
Current assets					
Inventories	[A8]	21,099,271	-	-	-
Trade receivables	[A9]	2,983,421,633	1,467,425,998	2,385,157,946	1,138,628,308
Current tax assets	[C12]	142,699,497	-	45,551,784	-
Other receivables and assets	[A10]	902,315,974	44,291,307	1,020,012,494	259,081,401
Financial assets attributable to BancoPosta	[A6]	23,046,288,863	7,667,988,635	16,985,734,851	7,269,242,445
Financial assets	[A7]	494,656,142	69,986,697	201,153,077	66,578,886
Cash and deposits attributable to BancoPosta	[A11]	6,390,872,209	-	4,302,784,484	-
Cash and cash equivalents	[A12]	4,029,413,235	1,992,153,562	1,206,344,232	494,646,677
Total		38,010,766,824		26,146,738,868	
TOTAL ASSETS		114,933,925,303		93,069,258,467	
LIABILITIES AND EQUITY					
	Notes	31 December 2020	of which related parties	31 December 2019	of which related parties
Equity					
Share capital	[B1]	1,306,110,000	-	1,306,110,000	-
Treasury shares		(39,999,994)	-	(39,999,994)	-
Reserves	[B2]	3,819,911,251	-	2,617,378,839	-
Retained earnings		2,153,083,896	-	2,444,407,492	-
Total		7,239,105,153		6,327,896,337	
Non-current liabilities					
Provisions for risks and charges	[B4]	578,215,975	58,654,291	433,333,017	58,175,681
Employee termination benefits	[B5]	1,003,134,681	-	1,107,576,437	-
Financial liabilities attributable to BancoPosta	[B6]	15,426,111,473	234,329,405	12,262,575,528	123,088,330
Financial liabilities	[B7]	2,752,442,336	45,326,831	1,600,683,086	46,662,705
Deferred tax liabilities	[C12]	981,429,453	-	665,691,092	-
Other liabilities	[B9]	1,534,388,905	15,155	1,505,000,678	5,070,470
Total		22,275,722,823		17,574,859,838	
Current liabilities					
Provisions for risks and charges	[B4]	730,570,386	12,804,269	697,112,713	12,316,411
Trade payables	[B8]	2,121,325,455	824,344,244	1,598,377,722	497,270,191
Current tax liabilities	[C12]	5,682,281	-	199,316,209	-
Other liabilities	[B9]	1,455,279,361	212,994,212	1,455,449,570	109,149,934
Financial liabilities attributable to BancoPosta	[B6]	79,519,833,708	12,023,409,221	64,515,976,368	10,394,940,206
Financial liabilities	[B7]	1,586,406,136	734,667,067	700,269,710	509,569,892
Total		85,419,097,327		69,166,502,292	
TOTAL LIABILITIES AND EQUITY		114,933,925,303		93,069,258,467	

STATEMENT OF FINANCIAL POSITION (continued)

SUPPLEMENTARY STATEMENT SHOWING BANCOPOSTA RFC AT 31 DECEMBER 2020

(figures in €)					
ASSETS	Notes	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ELIMINATIONS	TOTAL
Non-current assets					
Property, plant and equipment		1,986,743,453	-	-	1,986,743,453
Investment property		30,687,475	-	-	30,687,475
Intangible assets		718,601,813	-	-	718,601,813
Right-of-use assets		1,033,550,702	-	-	1,033,550,702
Investments		2,214,927,360	-	-	2,214,927,360
Financial assets attributable to BancoPosta	[A5]	-	68,406,294,179	-	68,406,294,179
Financial assets		377,272,520	-	-	377,272,520
Trade receivables		665,532	-	-	665,532
Deferred tax assets	[C12]	449,120,844	129,633,285	-	578,754,129
Other receivables and assets	[A8]	101,529,749	1,474,131,567	-	1,575,661,316
Total		6,913,099,448	70,010,059,031	-	76,923,158,479
Current assets					
Inventories		21,099,271	-	-	21,099,271
Trade receivables	[A9]	1,931,065,640	1,052,355,993	-	2,983,421,633
Current tax assets		142,699,497	-	-	142,699,497
Other receivables and assets	[A10]	353,609,515	548,706,459	-	902,315,974
Financial assets attributable to BancoPosta	[A5]	-	23,046,288,863	-	23,046,288,863
Financial assets		494,656,142	-	-	494,656,142
Cash and deposits attributable to BancoPosta	[A11]	-	6,390,872,209	-	6,390,872,209
Cash and cash equivalents	[A12]	2,020,848,707	2,008,564,528	-	4,029,413,235
Total		4,963,978,772	33,046,788,052	-	38,010,766,824
Non-current assets held for sale		-	-	-	-
Intersegment relations net amount		-	293,207,342	(293,207,342)	-
TOTAL ASSETS		11,877,078,220	103,350,054,425	(293,207,342)	114,933,925,303
LIABILITIES AND EQUITY					
	Notes	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ELIMINATIONS	TOTAL
Equity					
Share capital		1,306,110,000	-	-	1,306,110,000
Treasury shares		(39,999,994)	-	-	(39,999,994)
Reserves	[B2]	329,153,464	3,490,757,787	-	3,819,911,251
Retained earnings		384,181,633	1,768,902,263	-	2,153,083,896
Total		1,979,445,103	5,259,660,050	-	7,239,105,153
Non-current liabilities					
Provisions for risks and charges	[B4]	415,936,395	162,279,580	-	578,215,975
Employee termination benefits	[B5]	1,000,265,372	2,869,309	-	1,003,134,681
Financial liabilities attributable to BancoPosta	[B6]	-	15,426,111,473	-	15,426,111,473
Financial liabilities		2,752,442,336	-	-	2,752,442,336
Deferred tax liabilities	[C12]	2,765,139	978,664,314	-	981,429,453
Other liabilities	[B9]	58,881,466	1,475,507,439	-	1,534,388,905
Total		4,230,290,708	18,045,432,115	-	22,275,722,823
Current liabilities					
Provisions for risks and charges	[B4]	679,351,492	51,218,894	-	730,570,386
Trade payables	[B8]	1,727,900,424	393,425,031	-	2,121,325,455
Current tax liabilities		5,682,281	-	-	5,682,281
Other liabilities	[B9]	1,374,794,734	80,484,627	-	1,455,279,361
Financial liabilities attributable to BancoPosta	[B6]	-	79,519,833,708	-	79,519,833,708
Financial liabilities		1,586,406,136	-	-	1,586,406,136
Total		5,374,135,067	80,044,962,260	-	85,419,097,327
Intersegment relations net amount		293,207,342	-	(293,207,342)	-
TOTAL LIABILITIES AND EQUITY		11,877,078,220	103,350,054,425	(293,207,342)	114,933,925,303

STATEMENT OF FINANCIAL POSITION (continued)

SUPPLEMENTARY STATEMENT SHOWING BANCOPOSTA RFC AT 31 DECEMBER 2019

(figures in €)					
ASSETS	Notes	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ELIMINATIONS	TOTAL
Non-current assets					
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
Total		7,001,743,169	59,920,776,430	-	66,922,519,599
Current assets					
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]	-	16,985,734,851	-	16,985,734,851
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
Total		2,945,605,840	23,201,133,028	-	26,146,738,868
Non-current assets held for sale		-	-	-	-
Intersegment relations net amount		(234,020,934)	-	234,020,934	-
TOTAL ASSETS		9,713,328,075	83,121,909,458	234,020,934	93,069,258,467
LIABILITIES AND EQUITY					
	Notes	CAPITAL OUTSIDE THE RING-FENCE	BANCOPOSTA RFC	ELIMINATIONS	TOTAL
Equity					
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		778,509,508	1,665,897,984	-	2,444,407,492
Total		2,366,949,090	3,960,947,247	-	6,327,896,337
Non-current liabilities					
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
Total		2,950,596,418	14,624,263,420	-	17,574,859,838
Current liabilities					
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]	-	64,515,976,368	-	64,515,976,368
Financial liabilities		700,269,710	-	-	700,269,710
Total		4,395,782,567	64,770,719,725	-	69,166,502,292
Intersegment relations net amount		-	(234,020,934)	234,020,934	-
TOTAL LIABILITIES AND EQUITY		9,713,328,075	83,121,909,458	234,020,934	93,069,258,467

STATEMENT OF PROFIT OR LOSS

		(figures in €)			
	Notes	FY 2020	of which related parties	FY 2019	of which related parties
Revenue from sales and services	[C1]	8,226,155,731	3,436,943,759	8,540,946,485	3,523,917,698
Other income from financial activities	[C2]	515,879,936	-	383,707,355	-
Other operating income	[C3]	299,410,351	166,701,128	478,311,303	358,299,023
Total revenue		9,041,446,018		9,402,965,143	
Cost of goods and services	[C4]	2,318,026,994	1,418,738,314	1,854,255,032	921,806,625
Expenses from financial activities	[C5]	235,035,464	34,072,989	99,906,997	26,550,722
Personnel expenses	[C6]	5,445,824,661	72,744,411	5,702,348,094	57,722,241
Depreciation, amortisation and impairments	[C7]	621,516,414	6,253,027	674,243,350	-
Capitalised costs and expenses		(31,911,771)	-	(20,982,783)	-
Other operating costs	[C8]	67,224,421	15,608,551	195,995,317	6,351,404
Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets	[C9]	55,397,720	1,823,962	40,830,116	749,805
Operating profit/(loss)		330,332,115		856,369,020	
Finance costs	[C10]	79,404,195	14,345,983	58,769,029	2,775,255
Finance income	[C10]	82,067,483	55,952,358	70,444,039	54,180,877
Impairment losses/(reversals of impairment losses) on financial assets of which non-recurring costs	[C11]	182,593	266,741	45,457,823	32,571
		-	-	45,443,654	-
Profit/(Loss) before tax		332,812,810		822,586,207	
Income tax expense	[C12]	8,057,433	-	162,054,754	-
of which, non-recurring costs/(income)		(37,902,133)	-	-	-
PROFIT/(LOSS) FOR THE YEAR		324,755,377		660,531,453	

STATEMENT OF COMPREHENSIVE INCOME

		(figures in €)	
	Notes	FY 2020	FY 2019
Profit/(loss) for the year		324,755,377	660,531,453
Items to be reclassified in the Statement of profit or loss for the year			
FVOCI debt instruments			
		1,940,703,867	1,703,465,640
Increase/(decrease) in fair value during the year			
Transfers to profit or loss	[tab. B2]	(259,887,094)	(242,941,853)
Increase/(decrease) for expected losses	[tab. B2]	6,083,233	(1,692,638)
Cash flow hedges			
		(27,841,189)	95,566,193
Increase/(decrease) in fair value during the year	[tab. B2]		
Transfers to profit or loss	[tab. B2]	4,642,832	(58,881,475)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the year		(472,484,919)	(426,498,199)
Items not to be reclassified in the Statement of profit or loss for the year			
FVOCI equity instruments			
		6,861,133	1,203,368
Increase/(decrease) in fair value during the year			
Transfers to equity		-	(112,089)
Actuarial gains /(losses) on employee termination benefits	[tab. B5]	(4,760,823)	(68,414,816)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		1,575,193	19,202,952
Total other comprehensive income		1,194,892,233	1,020,897,083
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,519,647,610	1,681,428,536

STATEMENT OF CHANGES IN EQUITY

(Values in €)

	Equity									Total
	Share capital	Treasury shares	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Incentive plans reserve	Merger surplus reserve	Retained earnings / (Accumulated losses)	
Balance at 1 January 2019	1,306,110,000	-	299,234,320	1,210,000,000	(67,798,533)	89,371,098	-	14,907,464	2,606,922,919	5,458,747,268
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
Balance at 31 December 2019	1,306,110,000	(39,999,994)	299,234,320	1,210,000,000	975,935,595	115,569,198	1,732,262	14,907,464	2,444,407,492	6,327,896,337
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
Total comprehensive income for the year	-	-	-	-	1,214,829,318	(16,559,421)	-	-	321,377,713 ^(*)	1,519,647,610
Balance dividends paid on FY 2019 profits	-	-	-	-	-	-	-	-	(401,963,279)	(401,963,279)
Interim dividend on FY 2020 profits	-	-	-	-	-	-	-	-	(210,738,030)	(210,738,030)
Incentive plans	-	-	-	-	-	-	4,262,515	-	-	4,262,515
Balance at 31 December 2020	1,306,110,000	(39,999,994)	299,234,320	1,210,000,000	2,190,764,913	99,009,777	5,994,777	14,907,464	2,153,083,896	7,239,105,153
of which attributable to BancoPosta RFC	-	-	-	1,210,000,000	2,182,204,891	97,997,544	555,352	-	1,768,902,263	5,259,660,050

(*) This item includes profit for the period of €325 million, actuarial losses on provisions for employee termination benefits of €5 million, after the related current and deferred taxation.

STATEMENT OF CASH FLOWS

		(€k)	
	Notes	FY 2020	FY 2019
Cash and cash equivalents at beginning of year		1,206,344	2,127,300
Profit/(Loss) before tax		332,813	822,586
Depreciation, amortisation and impairments	[tab. C7]	621,516	674,242
Impairments/(Reversals of impairments) of investments	[tab. A5.1]	11,868	32,435
Net provisions for risks and charges	[tab. B4]	553,288	379,449
Use of provisions for risks and charges	[tab. B4]	(373,561)	(680,613)
Employee termination benefits paid	[tab. B5]	(118,623)	(137,496)
(Gains)/losses on disposals	[tab. C8]	(2,201)	(1,260)
Impairment losses/(reversals of impairment losses) on financial assets		178	45,456
(Dividends)		(7,825)	(6,309)
Dividends received		7,825	6,309
(Finance income in form of interest)	[tab. C10.1]	(61,721)	(59,424)
Interest received		69,236	66,189
Interest expense and other finance costs	[tab. C10.2]	57,012	55,042
Interest paid		(26,992)	(12,771)
Losses and impairment losses/(reversals of impairment losses) on receivables	[tab. C9]	40,547	43,843
Income tax paid	[tab. C12.3]	(637,677)	(226,545)
Other changes		4,179	1,698
Cash flow generated by operating activities before movements in working capital [a]		469,862	1,002,831
<i>Movements in working capital:</i>			
(Increase)/decrease in Inventories	[A8]	(21,099)	-
(Increase)/decrease in Trade receivables		(619,353)	(111,819)
(Increase)/decrease in Other receivables and assets		364,979	202,440
Increase/(decrease) in Trade payables		503,889	110,266
Increase/(decrease) in Other liabilities		(85,860)	(310,203)
Cash flow generated by / (used in) movements in working capital [b]		142,556	(109,316)
Increase/(decrease) in Financial liabilities attributable to BancoPosta		14,675,606	7,439,890
Net cash generated by / (used for) financial assets		(8,198,108)	(527,361)
(Increase)/decrease in other financial assets attributable to BancoPosta		(1,383,598)	(5,864,049)
(Increase)/decrease in Cash and deposits attributable to BancoPosta		(2,088,088)	(984,385)
(Income)/Expense and other non-cash components from financial activities		(1,471,076)	(908,131)
Cash generated by / (used for) financial assets and liabilities attributable to BancoPosta [c]		1,534,736	(844,036)
Net cash flow from / (for) operating activities - of which related party transactions [d]=[a+b+c]		2,147,154	49,479
<i>Investing activities:</i>			
Property, plant and equipment	[tab. A1]	(246,139)	(339,021)
Investment property	[tab. A2]	(698)	(733)
Intangible assets	[tab. A3]	(365,433)	(303,190)
Investments	[tab. A5.1]	(19,755)	(40,817)
Other financial assets		(56,860)	(39,182)
<i>Disposals:</i>			
Property, plant and equipment, investment property and assets held for sale		6,466	1,771
Investments		-	1,437
Other financial assets		113,625	69,463
Mergers		(61,353)	(86,078)
Net cash flow from / (for) investing activities - of which related party transactions [e]		(630,147)	(736,350)
Proceeds from / (Repayments of) long-term borrowings	[B7.3]	1,246,345	573,000
Increase / (decrease) in short-term borrowings	[B7.3]	672,418	6,922
Dividends paid	[B3]	(612,701)	(774,007)
Sale / (purchase) of treasury shares		-	(40,000)
Net cash flow from / (for) financing activities and shareholder transactions [f]		1,306,062	(234,085)
- of which related party transactions		(210,879)	(60,060)
Net increase / (decrease) in cash [g]=[d+e+f]		2,823,069	(920,956)
Cash and cash equivalents at end of year [tab. A12]		4,029,413	1,206,344
Cash and cash equivalents at end of year [tab. A12]		4,029,413	1,206,344
Restricted net cash and cash equivalents at end of year		(1,599,172)	(141,950)
Unrestricted net cash and cash equivalents at end of year		2,430,241	1,064,394

5.2 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 into BancoPosta RFC.

The separation of BancoPosta from Poste Italiane S.p.A. 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 amended¹²⁰, 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 no. 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;

¹²⁰ 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.

- 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.

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 card payments and payment services, in order to enable the latter to operate as an Electronic Money Institution (EMI)¹²¹.

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 Eurozone government securities¹²². 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, expired on 31 December 2020 and being renewed. In addition, under the agreement with the MEF, renewed on 22 May 2020 for the three-year period 2020-2022, 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)¹²³ rate.

¹²¹ 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 Contracts: 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.

¹²² 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.

¹²³ 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 Eurozone (the biggest banks in all the Eurozone countries).

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.

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 Directors¹²⁴ 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 Guidelines, which expired on 31 December 2020 and are being renewed for the two-year period 2021-2022, were notified to the Bank of Italy pursuant to the Supervisory Provisions and the 60-day period within which the authority could initiate the administrative prohibition procedure has elapsed.

¹²⁴ The Regulation was revised on 12 May 2020.

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	
Group Risk Governance and Security and Safety	Fees by professional role based on market benchmarks + recharge of external costs
Human Resources and Organisation	
External Relations	
Administration, Finance and Control	
Purchases	
Internal Auditing	Fees by professional role based on market benchmarks
Anti-Money Laundering	
Compliance	

Important Operational Functions
 Control Functions

The relevant transactions, profit or 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.

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 12 May 2020, 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 Report¹²⁵.

Reconciliation of separate equity (€m)				
	Separate Report item	110	140	180
Item in supplementary statement		Valuation reserves	Reserves	Profit for the year
Reserves	3,491	2,280	1,211	-
BancoPosta RFC reserve	1,210	-	1,210	-
Fair value reserve	2,182	2,182	-	-
Cash flow hedge reserve	98	98	-	-
Incentive plans reserve	1	-	1	-
Retained earnings / (Accumulated losses)	1,769	(2)	1,142	629
Profit	1,771	-	1,142	629
Cumulative actuarial gains/(losses) on defined benefit plans	(2)	(2)	-	-
Total	5,260	2,278	2,353	629

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.

Further regulatory aspects

Pursuant to art. 2, paragraph 17-undecies of Law Decree 225¹²⁶ 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 (...)".

¹²⁵ 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).

¹²⁶ Converted into Law 10 of 26 February 2011.

5.3 NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

A1 - PROPERTY, PLANT AND EQUIPMENT (€1,987 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	Total
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)
Balance at 1 January 2020	75	982	361	36	207	156	70	1,887
Changes during the year								
Additions	-	37	61	11	44	42	51	246
Extraordinary transactions	-	-	-	-	-	7	1	8
Reclassifications	-	27	10	-	10	8	(43)	12
Disposals	-	-	-	-	(1)	(1)	(1)	(3)
Depreciation	-	(26)	(41)	(13)	(38)	(67)	-	(185)
(Impairments)/Reversal of impairment losses	-	21	-	-	1	-	-	22
Total changes	-	59	30	(2)	16	(11)	8	100
Cost	75	3,006	2,118	337	612	1,803	78	8,029
Accumulated depreciation	-	(1,930)	(1,726)	(302)	(381)	(1,658)	-	(5,997)
Impairment losses	-	(35)	(1)	(1)	(8)	-	-	(45)
Balance at 31 December 2020	75	1,041	391	34	223	145	78	1,987

None of the above items is attributable to BancoPosta RFC.

At 31 December 2020, 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 €44 million.

Investments of €246 million in 2020 consists largely of:

- €61 million for plants, of which €39 million for the realisation of plant and equipment related to buildings, €11 million for the realisation and extraordinary maintenance of connectivity systems and €8 million for the installation of ATMs (automated teller machines);
- €44 million invested in the upgrade of plant (€22 million) and the structure (€22 million) of properties held under lease;
- €42 million relating to "Other assets", including €32 million for the purchase of new computer hardware for post offices and head offices and the consolidation of storage systems;
- €37 million relating to extraordinary maintenance of Post Offices around the country (€15 million), personnel offices (€13 million) and mail sorting offices (€9 million).

Investments in progress amounted to €51 million, of which €29 million for extraordinary maintenance and the provision of infrastructure for the commercial and production network, €8 million for the provision and maintenance of active and passive infrastructure for the security and remote surveillance network at sites and €7 million for the acquisition of industrial parcel processing equipment.

Reclassifications from property, plant and equipment under construction amounted to €43 million and refer mainly to the purchase cost of assets that became available and ready for use during the year; in particular, €33 million refer to the completion of extraordinary renovations of owned properties and improvements of leased properties.

With regard to the revision of the residual useful lives and residual values of the main categories of fixed assets, reference should be made to paragraph 2.5 - *Use of estimates*.

A2 - INVESTMENT PROPERTY (€31 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 2020
Cost	139
Accumulated depreciation	(95)
Impairment losses	-
Balance at 1 January	44
Changes during the year	
Additions	1
Adjustments	-
Reclassifications	(12)
Disposals	(1)
Depreciation	(1)
Total changes	(13)
Cost	86
Accumulated depreciation	(55)
Balance at 31 December	31
<i>Fair value at 31 December</i>	<i>75</i>

The fair value of investment property at 31 December 2020 includes €64 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 Company¹²⁷.

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.

¹²⁷ 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.

With regard to the revision of the residual useful lives and residual values of the main categories of fixed assets, reference should be made to paragraph 2.5 - *Use of estimates*.

A3 - INTANGIBLE ASSETS (€719 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	3,003	2	212	3,218
Accumulated amortisation and impairments	(2,654)	(2)	-	(2,656)
Balance at 1 January 2020	349	-	212	562
Changes during the year				
Additions	238	-	128	366
Extraordinary transactions	43	-	7	50
Reclassifications	187	-	(187)	-
Amortisation and impairments	(258)	-	-	(258)
Total changes	210	-	(52)	158
Cost	3,659	2	160	3,821
Accumulated amortisation and impairments	(3,100)	(2)	-	(3,102)
Balance at 31 December 2020	559	-	160	719

None of the above items is attributable to BancoPosta RFC.

Investments in Intangible assets during 2020 amounted to €366 million, including €31 million in internal software development activities and the related expenses, primarily relating to personnel expenses (€26 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 €238 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 (€80 million), for BancoPosta services (€39 million), for use in providing support to the sales network (€24 million), for the postal products platform (€10 million) and for the engineering of reporting processes for other Business functions and personnel (€6 million).

During the year the Group effected reclassifications from intangible assets under construction to industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights, amounting to €187 million, reflecting the completion and commissioning of software and the upgrade of existing software.

Extraordinary transactions, totalling €50 million, regard the acquisition of application software and licences already in use (€43 million) and application software that has not yet been integrated into the production process (€7 million) deriving from the IT businesses sold by Poste Vita SpA, Poste Assicura SpA, Poste Welfare Servizi Srl and PostePay SpA.

A4 - RIGHT-OF-USE ASSETS (€1,034 million)

tab. A4 - Movements in right-of-use asset

(€m)

	Properties used in operations	Company fleet	Vehicles for mixed use	Other assets	Total
Cost	1,159	115	15	18	1,307
Accumulated depreciation	(126)	(54)	(4)	(3)	(187)
Impairment losses	-	-	-	-	-
Balance at 1 January 2020	1,033	61	11	15	1,120
Changes during the year					
Additions	83	38	4	10	135
Extraordinary transactions	-	-	-	7	7
Adjustments	(2)	-	-	-	(2)
Disposals	(26)	(1)	(1)	-	(28)
Depreciation	(126)	(61)	(4)	(7)	(198)
Total changes	(71)	(24)	(1)	10	(86)
Cost	1,214	152	18	46	1,430
Accumulated depreciation	(252)	(115)	(8)	(21)	(396)
Balance at 31 December 2020	962	37	10	25	1,034

Acquisitions during the year refer mainly to new contracts and renewals of contracts existing at the beginning of the year for real estate (€83 million), the rental of company vehicles (€42 million) and the rental of computer equipment (€10 million). The item "Adjustments" refers to contractual changes during the year in question, e.g. for changes in duration due to extension, revision of economic conditions, etc.

A5 – INVESTMENTS (€2,215 million)

This item includes the following:

tab. A5 - Investments

(€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Investments in subsidiaries	1,716	1,697
Investments in associates	499	508
Total	2,215	2,205

No investments are attributable to BancoPosta RFC.

Changes in equity investments in subsidiaries and associates are shown below:

Tab. A5.1 - Movements in investments in FY 2020

(€m)

Investments	Balance at 01/01/2020	Additions				Reductions		Impairment losses		Balance at 31/12/2020
		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)	
in subsidiaries										
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	-	-	-	-	-	-	-	(1)	1
MLK Deliveries SpA	-	15	-	-	-	-	-	-	-	15
PatentiViaPoste ScpA	-	-	-	-	-	-	-	-	-	-
Poste Air Cargo Srl	1	-	-	-	-	-	-	-	-	1
Poste Tributi ScpA	-	-	-	-	-	-	-	-	-	-
Poste Vita SpA	1,219	-	2	-	-	-	-	-	-	1,221
Postel SpA	82	-	-	-	-	-	-	-	-	82
PostePay SpA	200	-	-	-	-	-	-	-	-	200
SDA Express Courier SpA	14	-	-	-	-	-	-	-	-	14
sennder Italia Srl	-	3	-	-	-	-	-	-	-	3
Total subsidiaries	1,697	18	2	-	-	-	-	-	(1)	1,716
in associates										
Anima Holding SpA	214	-	-	-	-	-	-	-	(11)	203
Conio Inc.	-	-	-	-	-	-	-	-	-	-
FSIA Investimenti Srl	294	2	-	-	-	-	-	-	-	296
ItaliaCamp Srl	-	-	-	-	-	-	-	-	-	-
Total associates	508	2	-	-	-	-	-	-	(11)	499
Total	2,205	20	2	-	-	-	-	-	(12)	2,215

The following movements occurred in 2020:

- Subscription on 24 April 2020 of the paid share capital increase of MLK Deliveries SpA totalling €15 million, resulting in the acquisition of a 70% stake (the remaining 30% is held by Milkman SpA). Moreover, the acquisition includes purchase and sale options that will allow Poste Italiane, starting from the second quarter of 2023, to purchase the additional 30% of MLK Deliveries SpA and ownership of the Milkman technology for e-commerce applications;
- Subscription on 12 February 2020 of the paid share capital increase of sennder Italia Srl for a total of €0.255 million and consequent acquisition of a 75% stake (the remaining 25% is held by sennder GmbH). Moreover, on 25 February 2020, on the basis of agreements between the parties to support business needs in the start-up phase, Poste Italiane SpA made an additional capital contribution totalling €3 million;
- Capital contribution in favour of FSIA Investimenti Srl of a total of €2 million made on 23 June 2020;
- Sale, on 26 February 2020, of the Information Technology business units of Poste Vita SpA, Poste Assicura SpA and Poste Welfare Servizi Srl to Poste Italiane with effect from 1 March 2020;
- On 26 May 2020, the company Poste Tributi ScpA, already in liquidation, was removed from the register of companies;
- Sale, on 24 June 2020, of the business unit relating to services for the "gamma BOX and Ioinvio" market (Market Business) of Consorzio Logistica e Pacchi in favour of Poste Italiane with effect from 1 July 2020;
- Sale, on 28 September 2020, of the IT business unit relating to mobile telecommunication services and the Electronic Postman platform of PostePay SpA to Poste Italiane with effect from 1 October 2020.

The following material events also took place during 2020:

- In July, ItaliaCamp resolved to increase its share capital, following which a new shareholder joined the company. The transaction resulted in a reduction in Poste Italiane SpA's interest from 20% to 19.40%;
- On 7 December, the Board of Directors of Conio Inc. approved a capital increase, the subscription of which was completed by 31 January 2021. Following subscription of the capital increase by a third party, Poste Italiane SpA's shareholding was diluted from 19.74% to 17.62% as the latter did not subscribe to the capital increase.

Further details of the main corporate actions during 2020, are provided in notes 3.1 – *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 out¹²⁸, the value of the investments was reduced overall by €12 million. Specifically:

- for the subsidiary Indabox Srl, whose investment was impaired by €1 million, 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;
- for the associate Anima Holding SpA, the recoverable amount of the investment, identified as its value in use and determined on the basis of the available 2021-2022 forecasts, was lower than its carrying amount and the investment was impaired by €11 million in the first half of 2020.

The following table shows a list of investments in subsidiaries and associates at 31 December 2020:

tab. A5.2 - List of investments

(€k)

Name	% share	Share capital ⁽¹⁾	Net profit/(loss) for the year	Carrying amount of equity	Share of equity	Carrying amount at 31/12/2020	Difference between equity and carrying amount
in subsidiaries							
BancoPosta Fondi SpA SGR	100.00	12,000	20,477	51,785	51,785	8,400	43,385
CLP ScpA	51.00	516	-	788	402	313	89
Consorzio PosteMotori	58.12	120	-	120	70	70	-
Consorzio per i Servizi di Telefonia Mobile ScpA	51.00	120	-	116	59	61	(2)
EGI SpA	55.00	103,200	262	238,669	131,268	169,893	(38,625)
Indabox Srl(2)	100.00	50	-	313	313	410	(97)
MLK Deliveries SpA	70.00	333	(2,787)	12,564	8,795	15,000	(6,205)
PatentiViaPoste ScpA	69.65	120	-	124	86	84	2
Poste Air Cargo Srl	100.00	1,000	1,880	3,023	3,023	845	2,178
Poste Vita SpA(2)	100.00	1,216,608	740,158	5,083,885	5,083,885	1,220,527	3,863,358
Postel SpA	100.00	20,400	1,926	85,507	85,507	81,988	3,519
PostePay SpA	100.00	7,561	184,560	436,915	436,915	201,046	235,869
SDA Express Courier SpA	100.00	5,000	45,457	59,488	59,488	14,177	45,311
sennder Italia Srl	75.00	40	929	5,266	3,950	3,255	695
in associates							
Anima Holding SpA(3)	10.35	7,292	103,258	1,258,657	130,271	203,001	(72,730)
Conio Inc.(2) (4)	17.62	3,115	(150)	2,748	484	486	(2)
FSIA Investimenti Srl(5)	30.00	20	26,165	1,338,048	401,414	295,370	106,044
ItaliaCamp Srl(6)	19.40	150	444	1,391	270	2	268

- (1) 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).
- (2) 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.
- (3) Figures taken from the company's latest interim financial statements at 30 September 2020, as approved by its board of directors.
- (4) Figures from the Company's reporting package at 31 December 2019.
- (5) Figures of the reporting package including measurement of the SIA group using the equity method and recognition of the related effects with regard to Purchase Price Allocation.
- (6) Figures derived from the financial statements for the period ended 31 December 2019, the latest approved by the company.

¹²⁸ The method applied and the criteria used in conducting impairment tests at 31 December 2020, are described in note 2.5 – *Use of estimates*, with regard to the *impairment testing of goodwill, cash generating units and investments*.

A6 - FINANCIAL ASSETS ATTRIBUTABLE TO BANCOPOSTA (€91,453 million)

tab. A6 - Financial assets attributable to BancoPosta

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Financial assets at amortised cost	31,597	17,067	48,664	23,638	14,657	38,295
Financial assets at FVTOCI	36,662	5,976	42,638	34,474	2,325	36,799
Financial assets at FVTPL	73	-	73	71	-	71
Derivative financial instruments	75	3	78	69	4	73
Total	68,407	23,046	91,453	58,252	16,986	75,238

The assets 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 5.2 - *Information on BancoPosta RFC*).

Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

A6.1 - Movements in financial assets at amortised cost

(€m)

Securities	Loans and receivables	Fixed income instruments		TOTAL
	Carrying amount	Nominal value	Carrying amount	Carrying amount
Balance at 1 January 2020	13,231	21,175	25,064	38,295
Purchases		7,781	9,733	9,733
Changes in amortised cost		-	(92)	(92)
Transfers to equity reserves		-	-	-
Changes in fair value through profit or loss		-	1,707	1,707
Changes in cash flow hedges (*)		-	-	-
Changes due to impairment	(1)	-	(7)	(8)
Net changes	1,384	-	-	1,384
Effects of sales on profit or loss		-	64	64
Accruals		-	236	236
Sales, redemptions and settlement of accruals		(2,799)	(3,450)	(3,450)
Other changes	795	-	-	795
Balance at 31 December 2020	15,409	26,157	33,255	48,664

(*) 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

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Loans	-	1	1	-	-	-
Deposits with the MEF	-	7,336	7,336	-	7,064	7,064
Credit	-	7,340	7,340	-	7,067	7,067
Provisions for doubtful amounts deposited with MEF	-	(4)	(4)	-	(3)	(3)
Other financial receivables	-	8,072	8,072	-	6,167	6,167
Total	-	15,409	15,409	-	13,231	13,231

The item **Loans** refers to repurchase agreements of €364 million entered into with Cassa di Compensazione e Garanzia SpA (hereinafter the Central Counterparty) for the temporary use of liquidity from private inflows. These transactions are guaranteed by securities for a total notional amount of €360 million. Financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the

requirements of IAS 32 are offset. The effect of netting at 31 December 2020, already included in the exposure to net balances, amounted to €363 million (€1,158 million at 31 December 2019).

Receivables includes:

- **Deposits with the MEF**, including public customers' current account deposits, which earn a variable rate of return, calculated on a basket of government securities¹²⁹. The deposit has been adjusted to reflect accumulated impairments of approximately €4 million, to reflect the risk of counterparty default (€3 million at 31 December 2019). During 2020, in the phase of increasing returns following the onset of the pandemic, the Company entered into (operating) hedging derivative contracts on the 10-year indexed remuneration component. The hedging transaction was carried out through forward purchases of the 10-year BTP with settlement of the differential between the pre-set price of the security and its market value.
- Other financial receivables, including €7,494 million in deposits as collateral for amounts paid to counterparties for interest rate swap transactions (collateral provided under specific Credit Support Annexes) and €72 million in amounts due from the subsidiary, PostePay SpA, in respect of amounts primarily charged in the first few days of 2021.

Fixed income instruments

These regard investments in fixed income Eurozone government securities, consisting of bonds issued by the Italian government and securities guaranteed by the Italian government, having a nominal value of €26,157 million. At 31 December 2020, the balance of €33,255 million refers to the amortised cost of unhedged fixed income instruments, totalling €11,380 million, and fair-value hedged fixed income instruments, totalling €17,485 million, increased by €4,390 million to take into account the effects of the hedge (€1,707 million in 2020). The value of these securities was adjusted to take into account the related impairments. Accumulated impairments at 31 December 2020 amount to approximately €15 million (€8 million at 31 December 2019). At 31 December 2020, the fair value¹³⁰ of these securities was €34,760 million (including €236 million in accrued income).

This category of financial asset includes fixed rate instruments, for a total nominal amount of €3,000 million, issued by Cassa Depositi e Prestiti SpA and guaranteed by the Italian government (at 31 December 2020, their carrying amount totals €3,300 million).

¹²⁹ The variable rate in question is calculated as follows: 50% is based on the average return on 6-month BOTs recognised monthly and the remaining 50% is based on the average ten-year BTP return recognised monthly.

¹³⁰ In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €31,188 million of the total amount qualifies for inclusion in level 1 and €3,572 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)

Securities	Fixed income instruments	
	Nominal value	Fair value
Balance at 1 January 2020	31,170	36,799
Purchases	15,152	15,983
Transfers to equity reserves	-	(224)
Changes in amortised cost	-	(42)
Changes in fair value through equity	-	1,947
Changes in fair value through profit or loss	-	1,698
Changes in cash flow hedges (*)	-	(49)
Effects of sales on profit or loss	-	302
Accruals	-	292
Sales, redemptions and settlement of accruals	(12,753)	(14,068)
Balance at 31 December 2020	33,569	42,638

(*) 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 €33,569 million. Total fair value gains for the year amount to €3,645 million, recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges (€1,947 million) and recognised through profit or loss in relation to the hedged portion (€1,698 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 2020 amount to €18 million (€11 million at 31 December 2019).

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 13 – *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
Balance at 1 January 2020	-	71	71
Purchases	-	-	-
Changes in fair value through profit or loss	-	2	2
Net changes	-	-	-
Effects of sales on profit or loss	-	-	-
Sales, redemptions and settlement of accruals	-	-	-
Balance at 31 December 2020	-	73	73

Equity instruments

Equity instruments include:

- for €34 million, 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 6.853¹³¹ ordinary shares for each C share, minus a suitable illiquidity discount. These shares can be converted into several tranches starting from the fourth year after closing and up to the twelfth year. On 21 June 2020 (the fourth year after closing), the process of determining the proportion of convertibility and related rate of Visa Incorporated Series C Convertible Participating Preferred Stock commenced, partially concluded on 24 September 2020 with the grant of 2,199 preference shares of Visa Incorporated Series A Preferred Stock;
- for €39 million, the fair value of 2,199 Visa Incorporated preference shares (Series A Preferred Stock); these shares are convertible into ordinary shares on the basis of a ratio of one hundred ordinary shares for every share of Class A Preferred Stock.

Net fair value gains in the year under review, amounting to €2 million, have been recognised in profit or loss in the items Income and Expenses from financial activities.

Given the conversion rate at 31 December 2020, the VISA Incorporated preference shares (Series A and C) held in the portfolio correspond to 439,600 VISA Incorporated ordinary shares.

In 2019, the Company entered into a forward sale agreement for 400,000 Visa Incorporated ordinary 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 fair value of the forward sale has decreased by €5 million in the reporting year, reflecting movements in both the price of the shares in US dollars and the euro/dollar exchange rate. This reduction has been recognised in profit or loss in "Expenses from financial activities".

Derivative financial instruments

Below are movements in derivative financial instruments:

tab. A6.4 - Movements in derivative financial instruments (€m)

	Cash flow hedges				Fair value hedges				FVTPL				Total	
	Forward purchases		Forward sales		Interest rate swaps		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		
Balance at 1 January 2020	-	-	1,280	(36)	1,670	(4)	25,690	(5,439)	-	-	-	(15)	28,640	(5,494)
Increases/(decreases) ^(*)	100	4	2,645	(71)	50	40	9,214	(3,434)	165	11	-	(6)	12,174	(3,456)
Gains/(Losses) through profit or loss	-	-	-	-	-	-	-	(2)	-	-	-	-	-	(2)
Transactions settled ^(**)	(100)	(4)	(1,857)	53	-	(36)	(3,870)	764	(165)	(11)	-	1	(5,992)	767
Balance at 31 December 2020	-	-	2,068	(54)	1,720	-	31,034	(8,111)	-	-	-	(20)	34,822	(8,185)
Of which:														
Derivative assets	-	-	268	-	725	68	1,220	10	-	-	-	-	2,213	78
Derivative liabilities	-	-	1,800	(54)	995	(68)	29,814	(8,121)	-	-	-	(20)	32,609	(8,263)

(*) Increases/(decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the period.

(**) Income/(expense) recognised in 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 €1,720 million (securities hedged at FVTOCI) and forward sales with for nominal value of €2,068 million; the instruments in question

¹³¹ 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.

underwent an overall net negative change in fair value during the year, due to the effective component of the hedge of €27 million reflected in the cash flow hedge reserve.

Fair value hedges in interest rate swaps are used to hedge:

- securities classified at amortised cost with a nominal value of €15,420 million and securities classified at FVTOCI with a nominal value of €14,714 million; overall, they underwent a net effective negative fair value change of €3,434 million during the year, taking into account the net positive fair value change of €3,405 million in hedged securities (Table A6.1 and A6.2) net of €29 million for differentials paid;
- repurchase agreements classified at amortised cost with a nominal value of €900 million. These transactions, entered into in 2020, allow a portion of repurchase agreement transactions to be transformed to a variable rate, thereby reducing exposure to interest rate risk. The fair value at 31 December 2020 is not significant.

In the year under review, the Company entered into:

- forward and settlement purchases with a nominal amount of €100 million;
- forward sales for a nominal amount of €2,645 million and settlement for €1,857 million, of which €1,280 million outstanding at 1 January 2020;
- new interest rate swaps designated as cash flow hedges with a nominal value of €50 million;
- new fair value hedge interest rate swaps with a nominal amount of €9,214 million, including €900 million in hedges for repurchase agreement transactions;
- settlement of fair value hedge interest rate swaps on securities sold, whose fair value changes were hedged, for a notional amount of €3,870 million.

In addition, the Company entered into and settled forward purchases for a total nominal value of €165 million (recognised at fair value through profit or loss), aimed at blocking the return, for 2020, on the investment of inflows from public customers on the deposit with the parent company (MEF), remunerated at a variable rate (table A6.1.1). These transactions had a positive impact of €11 million on profit or loss for the year (tab. C1.2.1).

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 (€m)

Description	31/12/2020				31/12/2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI	42,324	314	-	42,638	36,506	293	-	36,799
Fixed income instruments	42,324	314	-	42,638	36,506	293	-	36,799
Financial assets at FVTPL	-	39	34	73	-	-	71	71
Equity instruments	-	39	34	73	-	-	71	71
Derivative financial instruments	-	78	-	78	-	73	-	73
Total assets at fair value	42,324	431	34	42,789	36,506	366	71	36,943

During 2020, as a result of the commencement of the Visa Incorporated Series C Convertible Participating Preferred Stock convertibility process, as described in Note A6.3, €31 million was reclassified from Level 3 to Level 2. Moreover, during the reporting year, there were no transfers of the related financial instruments measured at fair value on a recurring basis between level 1 and level 2.

A7 - FINANCIAL ASSETS (€872 million)

tab. A7 - Financial assets (€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Financial assets at amortised cost	337	87	424	303	91	394
Financial assets at FVTOCI	40	407	447	437	110	547
Derivative financial instruments	-	1	1	-	-	-
Total	377	495	872	740	201	941

Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

A7.1 - Movements in financial assets at amortised cost (€m)

	Loans	Receivables	Total
	Carrying amount	Carrying amount	Carrying amount
Balance at 1 January 2020	337	57	394
Purchases	42		42
Changes in amortised cost	-	1	1
Changes in fair value through profit or loss	-		-
Changes in cash flow hedges (*)	-		-
Changes due to impairment	(1)	-	(1)
Net changes	-	(9)	(9)
Effects of sales on profit or loss	-		-
Accruals	2		2
Sales, redemptions and settlement of accruals	(5)		(5)
Balance at 31 December 2020	375	49	424

(*) 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 - Loans at amortised cost (€m)

Name	Balance at 31/12/2020			Balance at 31/12/2019		
	Loans	correspondence a/c	Total	Loans	correspondence a/c	Total
Direct subsidiaries						
FSIA Investimenti Srl	21	-	21	-	-	-
Poste Air Cargo Srl	-	11	11	-	13	13
Poste Vita SpA	251	-	251	251	-	251
Postel SpA	-	16	16	-	13	13
SDA Express Courier SpA	35	37	72	21	39	60
sennder Italia Srl	5	-	5	-	-	-
	312	64	376	272	65	337
Provision for impairment of intercompany loans	(1)	-	(1)	-	-	-
Total	311	64	375	272	65	337

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;
- for €35 million to three loans granted to the subsidiary SDA Express Courier SpA in the financial years 2019 and 2020, to support the construction of the new plant for the automated HUB in Bologna, repayable in a single instalment on 2 August 2027, 28 April 2028 and 16 April 2029 respectively;
- €21 million for a loan granted to the associate FSIA Investimenti Srl in 2020 and repayable in a single instalment on 29 September 2023, in order to repay the Bank Loan subscribed by the company and finance current operations;
- €5 million for the use of a revolving revocable credit line provided to the subsidiary sender Italia Srl on 26 May 2020 for a maximum amount of €25 million and maturity on 24 November 2021;
- €64 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 €1 million, to reflect the risk of counterparty default (€0.4 million at 31 December 2019).

Receivables

tab. A7.1.2 - Receivables at amortised cost

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Guarantee deposits	-	15	15	-	23	23
Due from the purchasers of service accommodation	3	2	5	4	1	5
Due from others	29	20	49	29	20	49
Provisions for doubtful debts	-	(20)	(20)	-	(20)	(20)
Total	32	17	49	33	24	57

Receivables for **Guarantee deposits** include €11 million for amounts paid to counterparties for interest rate swap transactions and €4 million for amounts paid to counterparties with whom repurchase transactions on fixed-income securities are in place.

Amounts due from others, 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 2017¹³².

¹³² 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

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	Nominal value	Fair value
Balance at 1 January 2020	500	524	23	500	547
Purchases	-	-	15	-	15
Transfers to equity reserves	-	-	-	-	-
Other changes in equity	-	-	-	-	-
Changes in amortised cost	-	-	-	-	-
Changes in fair value through equity	-	(6)	7	-	1
Changes in fair value through profit or loss	-	(11)	-	-	(11)
Changes in cash flow hedges (*)	-	-	-	-	-
Effects of sales on profit or loss	-	-	-	-	-
Accruals	-	5	-	-	5
Liquidations	-	-	(5)	-	(5)
Sales, redemptions and settlement of accruals	(100)	(105)	-	(100)	(105)
Balance at 31 December 2020	400	407	40	400	447

(*) 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

This item regards BTPs with a total nominal value of €400 million. Of these, instruments with a value of €375 million have been hedged using interest rate swaps designated as fair value hedges. In November 2020, securities with a nominal value of €100 million matured.

Certain securities are encumbered as they have been delivered to counterparties for use as collateral in connection with loans, as described in note 13 – *Additional information*.

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;
- for €25 million the investment in MFM Investments Ltd, acquired on 9 August 2019 for the first tranche of €15 million and on 13 May 2020 for the second tranche of €9.6 million;
- for €10 million the investment in sennder GmbH acquired on 11 November 2019;
- €5 million for the investment in Milkman SpA acquired on 24 April 2020.

Lastly, on 9 April 2020, the company, Innovazione e Progetti ScpA, which was already in liquidation, was removed from the Register of Companies.

Fair value gains in the year under review, amounting to €7 million, have been recognised in the specific Equity reserve.

Further details of the main corporate actions during 2020, are provided in notes 3.1 – *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 Notes¹³³, whose value at 31 December 2020 is zero.

Derivative financial instruments

tab. A7.3 - Movements in derivative financial instruments (€m)

Notes	FY 2020			
	Cash Flow hedges	Fair value hedges	FVTPL	Total
Balance at 1 January	(6)	(16)	-	(22)
Increases/(decreases)	(1)	(1)	1	(1)
Gains/(Losses) through profit or loss	-	-	-	-
Transactions settled(*)	2	11	-	13
Balance at 31 December	(5)	(6)	1	(10)
of which:				
Derivative assets	-	-	1	1
Derivative liabilities	(5)	(6)	-	(11)

(*) Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

At 31 December 2020, 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 2020 was 0.703%;
- 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;
- three swap contracts entered into in 2020, of which two are outstanding at 31 December, to cover fuel costs relating to the air transport of mail carried out via the subsidiary, Poste Air Cargo Srl, for the three-year period 2020-2022;
- purchase and sale options that will allow Poste Italiane, starting from the second quarter of 2023, to purchase the additional 30% of MLK Deliveries SpA and ownership of the Milkman technology for e-commerce applications. The exercise price of these options is not fixed, but determined on the basis of a formula that provides for the application of a multiplier to certain economic/equity targets of MLK Deliveries SpA. At 31 December 2020, the value of the options was zero as there were no significant deviations from the initial estimates.

¹³³ 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.

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 (€m)

Description	31/12/2020				31/12/2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI	407	-	40	447	524	-	23	547
Fixed income instruments	407	-	-	407	524	-	-	524
Equity instruments	-	-	40	40	-	-	23	23
Derivative financial instruments	-	1	-	1	-	-	-	-
Total	407	1	40	448	524	-	23	547

There were no transfers of the related financial instruments measured at fair value on a recurring basis between level 1 and level 2 in 2020.

A8 - INVENTORIES (€21 million)

The item Inventories relating to Raw, ancillary and consumable materials refers to protective equipment, disinfectant gel and other materials purchased during the year and which will be used in 2021.

A9 - TRADE RECEIVABLES (€2,984 million)

tab. A9 - Trade receivables (€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Due from customers	1	2,057	2,058	5	1,859	1,864
Due from subsidiaries and associates	-	890	890	-	481	481
Due from the Parent company	-	36	36	-	45	45
Total	1	2,983	2,984	5	2,385	2,390
of which attributable to BancoPosta RFC	-	1,052	1,052	-	860	860

Amounts due from customers

tab. A9.1 - Due from customers (€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Ministries and Public Administration entities	-	464	464	-	513	513
Overseas counterparties	-	455	455	-	357	357
Cassa Depositi e Prestiti	-	432	432	-	451	451
Unfranked mail delivered	-	124	124	17	133	150
Amounts due for other BancoPosta services	-	84	84	-	104	104
Overdraw n current accounts	-	42	42	-	39	39
Receivables for parcel delivery services	-	541	541	-	189	189
Other trade receivables	1	344	345	1	473	474
Provisions for doubtful debts due from customers	-	(429)	(429)	(13)	(400)	(413)
Total	1	2,057	2,058	5	1,859	1,864
of which attributable to BancoPosta RFC	-	547	547	-	576	576

Specifically¹³⁴:

- 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 authorities, amounting to €108 million;
 - Reimbursement of the costs associated with the management of property, vehicles and security incurred on behalf of the Ministry for Economic Development, totalling €81 million¹³⁵, including €62 million involved in legal action brought by Poste Italiane in order to claim sundry costs resulting from the use of properties. On 30 April 2020, a partially favourable judgement was published for Poste Italiane; the judgement was notified to MiSE and the latter appealed before the Court of Appeal with a request for suspension. On 3 December 2020, the request was not granted and a decision is now pending in the second instance.
 - Unfranked mail services provided on credit, totalling €67 million, to central and local government authorities.
 - Compensation for Publisher tariff subsidies, due from the Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria (Cabinet Office – Publishing Department), amounting to €67 million, of which €53 million accrued during the year. These receivables are shown gross of the collection of an

¹³⁴ At 31 December 2020, the balance of trade receivables includes €22 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*.

¹³⁵ See “Revenue and amounts due from the State”, showing overall amounts due from the Ministry for Economic Development (€82 million), including amounts due for postal and other services.

unavailable amount of €24 million, relating to the tariff subsidies applied in the first half of 2020, deposited by the Cabinet Office - Publishing Department, during the year, in a non-interest-bearing account held by the Company with the State Treasury and for this reason recorded under Payables for advances received. Release of the amount deposited and extinguishment of the receivables in question are awaiting approval from the European Commission. A further €17 million, without financial coverage in the State Budget, was entirely impaired. In February 2021, €11 million, which was not available, was collected related to tariff subsidies charged in the third quarter of 2020.

- The payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security), totalling €25 million.
- Amounts due from **overseas counterparties** primarily relates to postal services carried out by the Company for overseas postal operators.
- Amounts due from **Cassa Depositi e Prestiti** refer to fees for BancoPosta's deposit-taking activities during 2020.
- Receivables arising from **Unfranked mail delivered** include €70 million in amounts due from customers who use the service on their own behalf and €54 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.
- Receivables for **overdrawn current accounts** derive almost exclusively from overruns due to the debiting of BancoPosta's periodic fees.
- Receivables for **parcel delivery services** refer to amounts due from customers using the "national and international express courier" service.
- **Other trade receivables** primarily include: €47 million receivables relating to the Posta Time service, €33 million receivables relating to the Posta Contest service, €27 million receivables relating to the Posta Target service, €24 million receivables for non universal postal services, €19 million receivables for telegraphic services, €19 million for receivables relating to the Raccomandata Market service and €14 million for receivables for services for the notification of judicial documents.

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 agreements¹³⁶ and soliciting requests for appropriations.

Provisions for doubtful debts due from customers are described in note 6 – *Risk management*.

¹³⁶ The principal agreements that have expired regard those governing relations with the tax authorities in relation to the collection and reporting of payments.

Due to subsidiaries and associates

tab. A9.2 - Due from subsidiaries and associates

(€m)

Name	Balance at 31/12/2020	Balance at 31/12/2019
Direct subsidiaries		
BancoPosta Fondi SpA SGR	23	22
CLP ScpA	2	14
Consorzio PosteMotori	13	21
EGI SpA	1	1
PatentiViaPoste ScpA	9	6
Poste Air Cargo Srl	1	4
Poste Tributi ScpA	-	5
Poste Vita SpA	244	147
Postel SpA	40	46
PostePay SpA	459	122
SDA Express Courier SpA	78	85
Indirect subsidiaries		
Poste Assicura SpA	19	8
Poste Welfare Servizi Srl	2	-
Provisions for doubtful debts	(1)	-
Total	890	481
of which attributable to BancoPosta RFC	470	239

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 (€214 million);
- PostePay SpA: primarily for product placement services relating to the payments business (€215 million), payment transactions (€130 million), the delivery service for bulk mail (€64 million) and commercial and call centre services (€18 million).

Amounts due from parent company

This item relates to trade receivables due from the Ministry of the Economy and Finance:

tab. A9.3 - Due from the Parent Company

(€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Universal Service compensation	31	31
Delegated services	30	28
Remuneration of current account deposits	5	15
Publisher tariff and electoral subsidies	1	1
Other	2	2
Provision for doubtful debts due from the Parent company	(33)	(32)
Total	36	45
of which attributable to BancoPosta RFC	35	45

- **Universal Service compensation** includes:

tab. A9.3.1 - Universal Service compensation receivable

(€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Remaining balance for 2012	23	23
Remaining balance for 2005	8	8
Total	31	31

In the year under review, the Group received €262 million in accrued compensation for the period. The amount of compensation was recognised based on the terms of the new 2020-2024 Service Contract, effective 1 January 2020. On 1 December 2020, the European Commission approved the compensation for public service obligations envisaged in the new Service Contract, in the amount of €262 million per year, as it was deemed to be fully in line with the relevant EU rules on state aid.

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.

- Receivables for **delegated services** relate to fees accrued solely in 2020 for treasury services performed by BancoPosta on behalf of the State in accordance with a specific agreement with the MEF signed on 22 May 2020 for the three-year period 2020-2022.
- The **remuneration of current account deposits** refers entirely to amounts accruing in 2020 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 due from the Parent Company are described in note 6 – *Risk management*.

A10 - OTHER RECEIVABLES AND ASSETS (€2,478 million)

This item breaks down as follows:

tab. A10 - Other receivables and assets

(€m)

Description	Notes	Balance at 31/12/2020			Balance at 31/12/2019		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
Substitute tax paid		1,474	482	1,956	1,357	471	1,828
Due from social security agencies and pension funds (excl. fixed-term contract settlements)		-	175	175	-	93	93
Receivables relating to fixed-term contract settlements		57	79	136	66	82	148
Receivables for amounts that cannot be drawn on due to court rulings		-	78	78	-	79	79
Interest accrued on IRES refund	[C12]	-	46	46	-	46	46
Due from subsidiaries		-	42	42	-	257	257
Receivables Relaunch Decree 34/2020		29	6	35	-	-	-
Tax assets		-	31	31	-	4	4
Accrued income and prepaid expenses from trading transactions		-	7	7	-	5	5
Sundry receivables		17	73	90	13	90	103
Provisions for doubtful debts due from others		(1)	(117)	(118)	(1)	(107)	(108)
Total		1,576	902	2,478	1,435	1,020	2,455
of which attributable to BancoPosta RFC		1,474	549	2,023	1,357	544	1,901

Specifically:

- **Substitute tax paid**, attributable to BancoPosta RFC, primarily regards:
 - €1,474 million charged to holder of Interest-bearing Postal Certificates for stamp duty at 31 December 2020¹³⁷; 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);
 - €320 million relating to stamp duty to be paid in virtual form in 2021 and to be recovered from customers;
 - €118 million relating to stamp duty to be charged to Postal Savings Book holders, which the Company pays in virtual form as required by law;
 - €11 million in withholding tax on interest paid to current account holders for 2020, which is to be recovered from customers.
- Amounts due from **social security agencies and pension funds** refer for €57 million to sums relating to periods of suspension or reduction of work for Covid-19, which the Company has advanced to its employees and which, following access to the benefits of the Bilateral Solidarity Fund at INPS, enabled by the signing of the labour union agreements of 30 April 2020 and 21 December 2020, will be recovered by means of an adjustment with the contributions due to the Social Security Agency.
- **Receivables relating to 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 personnel previously employed on fixed-term contracts. This item refers to receivables with a present value of €136 million from personnel, 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:

tab. A10.1 - Receivables from fixed-term contract settlements

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019				
	Non-current assets	Current assets	Total	Nominal value	Non-current assets	Current assets	Total	Nominal value
Receivables								
due from staff under agreement of 2006	-	1	1	1	-	1	1	1
due from staff under agreement of 2008	10	9	19	20	14	10	24	26
due from staff under agreement of 2010	23	6	29	34	25	6	31	37
due from staff under agreement of 2012	17	5	22	27	19	5	24	30
due from staff under agreement of 2013	1	1	2	2	2	1	3	3
due from staff under agreement of 2015	2	-	2	3	2	1	3	3
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	10	13	14	3	11	14	14
due from pension funds	-	5	5	5	-	5	5	5
Total	57	79	136		66	82	148	

The receivable of €42 million from INPS (formerly IPOST) under a specific agreement entered into with IPOST on 23 December 2009, consisting of six instalments of €6.9 million each, falling due between 30 June 2012 and 31 December 2014. Negotiations are underway to recover this amount and, should the

¹³⁷ 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).

outcome prove unsuccessful, the Company reserves the right to take all necessary steps to protect its rights.

- **Amounts that cannot be drawn on due to court rulings** include €65 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.
- **Interest accrued on IRES refund**, refers to interest accruing up to 31 December 2020 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 no. 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. Elements of uncertainty about the final outcome of the case are taken into account in the provision for doubtful debts due from others.
- Receivables under **Relaunch Decree no. 34/2020** refer to receivables acquired in the last months of 2020 under the provisions of the aforementioned decree later converted with amendments into Law no. 77 of 17 July 2020. These receivables will be used to offset, in the years from 2021 to 2030, tax, social security or tax payables on the basis of as provided by the Revenue Agency with reference to the characteristics of the individual receivables.

Provisions for doubtful debts due from others are described in note 6 – *Risk management*.

A11 - CASH AND DEPOSITS ATTRIBUTABLE TO BANCOPOSTA (€6,391 million)

This item breaks down as follows:

tab. A11 - Cash and deposits attributable to BancoPosta			(€m)
Description	Balance at 31/12/2020	Balance at 31/12/2019	
Cash and cash equivalents in hand	3,027	3,487	
Bank deposits	3,364	816	
Total	6,391	4,303	

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 (€1,198 million) and at service¹³⁸ companies (€1,829 million), may not be used for purposes other than to repay obligations contracted in the transactions described above. The increase in the item Bank deposits is due to temporary excess liquidity deriving from private customer deposits on the account opened with the Bank of Italy, intended for interbank settlements, and not yet invested.

A12 - CASH AND CASH EQUIVALENTS (€4,029 million)

This item breaks down as follows:

tab. A12 - Cash and cash equivalents (€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Bank deposits and amounts held at the Italian Treasury	2,022	698
Deposits with the MEF	1,991	494
Cash and cash equivalents in hand	16	14
Total	4,029	1,206
of which attributable to BancoPosta RFC	2,009	509

Cash held on **deposit with the MEF** at 31 December 2020 include approximately €1,553 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 – 5.2 – *Information on BancoPosta RFC*).

Bank deposits and amounts held at the Italian Treasury include €24 million deposited by the Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria (Cabinet Office – Publishing Department) in a non-interest bearing escrow account with the Italian Treasury in 2020 as advance payment for publisher tariff subsidies due to the Company (note A9). Bank deposits and amounts held at the Italian Treasury include €21 million whose use is restricted by court orders related to different disputes.

¹³⁸ 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 2020, 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 (€3,820 million)

tab. B2 - Reserves

	Legal reserve	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Incentive plans reserve	Merger surplus	Total
Balance at 1 January 2019	299	1,210	(68)	90	-	15	1,546
Increase/(decrease) 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 losses	-	-	(1)	-	-	-	(1)
Gains/(losses) recognised in equity	-	-	1,044	26	-	-	1,070
Incentive plans	-	-	-	-	2	-	2
Balance at 31 December 2019	299	1,210	976	116	2	15	2,618
of which attributable to BancoPosta RFC	-	1,210	970	115	-	-	2,295
Increase/(decrease) in fair value during the year	-	-	1,948	(28)	-	-	1,920
Tax effect of changes in fair value	-	-	(553)	8	-	-	(545)
Transfers to profit or loss	-	-	(260)	4	-	-	(256)
Tax effect of transfers to profit or loss	-	-	74	(1)	-	-	73
Increase/(decrease) for expected losses	-	-	6	-	-	-	6
Gains/(losses) recognised in equity	-	-	1,215	(17)	-	-	1,198
Incentive plans	-	-	-	-	4	-	4
Balance at 31 December 2020	299	1,210	2,191	99	6	15	3,820
of which attributable to BancoPosta RFC	-	1,210	2,182	98	1	-	3,491

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 €1,948 million during 2020 reflects:
 - a net increase of €1,947 million in financial assets measured at fair value through other comprehensive income and attributable to BancoPosta RFC;
 - a net increase of €1 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 2020, the fair value loss of €28 million reflects a net loss of €27 million on derivative financial instruments attributable to BancoPosta RFC and a net loss of €1 million on the value of financial instruments held outside the ring-fence;
- the **Incentive Plans reserve** includes the estimate of the valuations for the year relating to the long-term "ILT Performance Share" incentive plans and the MBO short-term 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 2020 of €325 million.

During the year, dividends were distributed for a total of €613 million, based on the following resolutions:

- on 15 May 2020, the General Shareholders' Meeting resolved to distribute dividends of €402 million (unit dividend of €0.309) on 24 June 2020, as the balance for the 2019 financial year, taking into account the interim dividend of €200 million (unit dividend of €0.154) already paid in November 2019;
- on 11 November 2020, Poste Italiane's Board of Directors, in line with the Group dividend policy approved in 2019, resolved to advance part of the ordinary dividend for 2020 as an interim dividend. The interim dividend of €211 million was distributed on 25 November 2020 (unit dividend of €0.162).

tab. B3 - Availability and distributability of reserves

(€m)

	31/12/2020	Potential use
Share capital	1,306	
Treasury shares	(40)	
Reserves		
- legal reserve	299	
<i>legal reserve</i>	261	B
<i>legal reserve</i>	38	A B D
- BancoPosta RFC reserve	1,210	--
- fair value reserve	2,191	--
- cash flow hedge reserve	99	--
- incentive plans reserve	6	--
- merger surplus	15	A B D
Retained earnings / (Accumulated losses)	2,153	
<i>retained earnings / (accumulated losses)</i>	84	--
<i>retained earnings / (accumulated losses)</i>	1,177	C
<i>retained earnings / (accumulated losses)</i>	1,025	A B D
<i>Unrealised gains/(losses) on financial instruments at FVTPL net of tax effect</i>	45	B C
<i>after-tax actuarial gains/(losses)</i>	(178)	--
Total	7,239	
of which distributable	1,078	

A: for capital increases

B: to cover losses

C: to cover BancoPosta losses

D: for shareholder distributions

LIABILITIES

B4 - PROVISIONS FOR RISKS AND CHARGES (€1,309 million)

Movements in provisions for risks and charges are as follows:

tab. B4 - Movements in provisions for risks and charges

(€m)

Movements in provisions for risks and charges for FY 2020

Description	Balance at 01/01/2020	Provisions	Released to profit or loss	Uses	Balance at 31/12/2020
Provisions for operational risks	232	24	(88)	(37)	131
Provisions for disputes w ith third parties	274	25	(30)	(32)	237
Provisions for disputes w ith staff ⁽¹⁾	54	11	-	(15)	50
Provisions for personnel expenses	63	220	(29)	(27)	227
Provisions for early retirement incentives	419	414	-	(259)	574
Provisions for taxation	3	-	-	-	3
Other provisions for risks and charges	86	9	(3)	(5)	87
Total	1,131	703	(150)	(375)	1,309
of which attributable to BancoPosta RFC	327	35	(103)	(46)	213
Overall analysis of provisions:					
- non-current portion	434				578
- current portion	697				731
	1,131				1,309

⁽¹⁾ Net provisions for Personnel expenses amount to €7 million. Service costs (legal assistance) total €4 million.

Specifically:

- **Provisions for operational risks**, which regard liabilities deriving from transactions carried out by BancoPosta, primarily reflect risks linked to the distribution of postal savings products issued in previous years, adjustments and settlements of income for previous years, estimated risks for charges and expenses to be incurred as a result of seizures suffered by BancoPosta, primarily in its capacity as a third party in foreclosure, and fraud. Provisions for the year totalling €24 million mainly reflect risks associated with the distribution of postal savings products issued in previous years and expenses to be incurred as a result of seizures suffered by BancoPosta mainly as a third party. Transfers to profit or loss are due to the elimination of liabilities identified in the past and refer mainly to the revised estimate of certain risks associated with the distribution of postal savings products and the conclusion of voluntary protection initiatives undertaken for the Europa Immobiliare I and Obelisco funds. Uses are primarily attributable to risks linked to the distribution of postal savings products and to liabilities defined in favour of customers subscribing to the Obelisco fund who have taken part in the above initiative.
- **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. Provisions of €11 million regard an update of the estimate of the liabilities and the related legal expenses, taking account of 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 €220 million to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€29 million) and settled disputes (€27 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 2022. The provisions made at 31 December 2019 were utilised for €259 million.
- **Provisions for taxation** have been made to cover estimated tax liabilities.
- **Other provisions for risks and charges** 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 Company's assets may be unable to recover the related amounts, claims for rent arrears on properties used free of charge by the Company, claims for payment of accrued interest expense due to certain suppliers, frauds and expenses for reclamation of owned land.

B5 - EMPLOYEE TERMINATION BENEFITS (€1,003 million)

Movements in employee termination benefits are as follows:

tab. B5 - Movements in provisions for employee termination benefits		(€m)
		FY 2020
Balance at 1 January		1,107
interest component	8	
effect of actuarial gains/(losses)	5	
Provisions for the year		13
Uses for the period		(117)
Balance at 31 December		1,003
of which attributable to BancoPosta RFC		3

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 personnel termination benefits regard disbursements of €116 million, the levying of substitute tax of €2 million and transfers from Poste Vita SpA, Poste Welfare Servizi Srl and PostePay SpA amounting to €1 million following the sale of Information Technology business units during the year.

The main actuarial assumptions applied in calculating provisions for employee termination benefits, are as follows:

B5.1 - Economic and financial assumptions

	31/12/2020	31/12/2019
Discount rate	0.30%	0.55%
Inflation rate	1.50%	1.50%
Annual rate of increase of employee termination benefits	2.625%	2.625%

B5.2 - Demographic assumptions

	31/12/2020
Mortality	ISTAT 2018 differentiated by gender
Disability	INPS 1998 differentiated by gender Specific table with rates differentiated by length of service.
Rate of employee turnover	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)

	31/12/2020
Change in demographic assumptions	-
Change in financial assumptions	22
Other experience-related adjustments	(17)
Total	5

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 31/12/2020
Inflation rate +0.25%	1,017
Inflation rate -0.25%	990
Discount rate +0.25%	982
Discount rate -0.25%	1,025
Turnover rate +0.25%	1,001
Turnover rate -0.25%	1,005

tab. B5.5 - Other information

	31/12/2020
Expected service cost	-
Average duration of defined benefit plan	8.70
Average employee turnover	0.11%

B6 - FINANCIAL LIABILITIES ATTRIBUTABLE TO BANCOPOSTA (€94,946 million)

tab. B6 - Financial liabilities attributable to BancoPosta (€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Postal current accounts	-	66,462	66,462	-	53,880	53,880
Loans	7,285	7,063	14,348	6,741	4,295	11,036
Due to financial institutions	7,285	7,063	14,348	6,741	4,295	11,036
MEF account held at the Treasury	-	3,588	3,588	-	4,542	4,542
Derivative financial instruments ⁽¹⁾	8,141	122	8,263	5,522	45	5,567
Cash flow hedges	49	73	122	71	31	102
Fair value hedges	8,092	29	8,121	5,436	14	5,450
Fair value through profit or loss	-	20	20	15	-	15
Other financial liabilities	-	2,285	2,285	-	1,754	1,754
Total	15,426	79,520	94,946	12,263	64,516	76,779

⁽¹⁾ 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 2020 and settled with customers in January 2021. The balance includes amounts due to Poste Italiane Group companies, totalling €7,619 million, of which €7,044 million relating to postal current accounts in the name of PostePay SpA mainly relating to the deposit of income from prepaid cards and €484 million deposited in postal current accounts by Poste Vita SpA.

Loans

Amounts due to financial institutions

At 31 December 2020, outstanding liabilities of €14,711 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 €13,456 million. €7,083 million of this amount regards Long Term Repos and €7,628 million to ordinary loan operations, the resources from both invested in Italian fixed income government securities and as funding for incremental deposits used as collateral. At 31 December 2020, repurchase agreements with a nominal value of €900 million were the subject of fair value hedge transactions executed to hedge interest rate risk. Finally, financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2020, already included in the exposure to net balances, amounted to €363 million (€1,158 million at 31 December 2019).

At 31 December 2020, the fair value¹³⁹ of the above payables amounts to €14,743 million.

MEF account held at the Treasury

tab. B6.1 - MEF account held at the Treasury (€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Balance of cash flows for advances	-	3,602	3,602	-	4,397	4,397
Balance of cash flows from management of postal savings	-	(192)	(192)	-	(47)	(47)
Amounts payable due to theft	-	159	159	-	158	158
Amounts payable for operational risks	-	19	19	-	34	34
Total	-	3,588	3,588	-	4,542	4,542

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 (€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Net advances	-	3,602	3,602	-	4,397	4,397
MEF postal current accounts and other payables	-	671	671	-	670	670
MEF - State pensions	-	(671)	(671)	-	(670)	(670)
Total	-	3,602	3,602	-	4,397	4,397

The decrease in the item Net advances, compared to 31 December 2019, is mainly due to the advance payment, made in the last working days of December, of the January pension accrual due to the provisions of the Ordinance of the Head of the Civil Protection Department no. 723 of 10 December 2020 in order to comply with the measures to contain the spread of the COVID-19 virus.

The **balance of cash flows from the management of postal savings**, amounting to a positive €192 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 2020 consists of €146 million receivable from Cassa Depositi e Prestiti, and a receivable of €46 million from the MEF for Interest-bearing Postal Certificates issued on its behalf.

Amounts payable due to thefts from Post Offices of €159 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 €19 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

Changes in derivative financial instruments during 2020 are described in note A6.

¹³⁹ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Other financial liabilities

tab. B6.2 - Other financial liabilities

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Domestic and international money transfers	-	917	917	-	668	668
Guarantee deposits	-	392	392	-	112	112
Endorsed cheques	-	382	382	-	140	140
Other amounts payable to third parties	-	148	148	-	164	164
Cashed cheques	-	135	135	-	255	255
Amounts to be credited to customers	-	120	120	-	276	276
Payables for items in process	-	191	191	-	139	139
Total	-	2,285	2,285	-	1,754	1,754

The increase in the item **Domestic and international money transfers** is mainly due to the greater use of money orders and transfers by customers in the last days of December.

Amounts payable for guarantee deposits refer to amounts received from counterparties in repurchase agreements on fixed income instruments (collateral provided by specific Global Master Repurchase Agreements).

The item **Amounts to be credited to customers** included at 31 December 2019, amounts related to the protection initiative for customers subscribing to the Obelisco Fund, which were settled in January 2020.

B7 - FINANCIAL LIABILITIES (€4,339 million)

tab. B7 - Financial liabilities

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Loans	1,869	664	2,533	623	1	624
Bonds	1,046	-	1,046	50	-	50
Due to financial institutions	823	664	1,487	573	1	574
Lease payables	878	187	1,065	959	190	1,149
Derivative financial instruments ⁽¹⁾	5	6	11	18	4	22
Fair value hedges	-	6	6	12	4	16
Cash flow hedges	5	-	5	6	-	6
Financial liabilities due to subsidiaries	-	729	729	-	505	505
Other financial liabilities	1	-	1	1	-	1
Total	2,753	1,586	4,339	1,601	700	2,301

⁽¹⁾ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Loans

Loans are unsecured and are not subject to financial covenants, which would require the Company to comply with financial ratios. EIB loans are subject to the maintenance of a minimum rating level of BBB- (or equivalent) by the two rating agencies of Poste Italiane, without prejudice to the bank's right to request guarantees or an

increase in the margin, or in the event of failure to agree immediate early repayment of the loan. Standard negative pledge provisions do apply, however¹⁴⁰.

Bonds

The item **Bonds** refers to two loans issued by Poste Italiane SpA as part of the €2 billion Euro Medium Term Notes (EMTN) Programme promoted by the Company during the 2013 financial year on the Luxembourg Stock Exchange. Specifically:

- a senior unsecured loan with a total nominal value of €1 billion issued on 10 December 2020 in two tranches, placed in public form with institutional investors. The first tranche of €500 million matures on 10 December 2024, has an above-par issue price of 100.10 with fixed annual coupon of 0.00% and an effective yield to maturity of -0.025%; the second tranche of €500 million matures on 10 December 2028, with an issue price below par of 99.758, a fixed annual coupon of 0.50% and an effective yield to maturity of 0.531%. At 31 December 2020, the fair value¹⁴¹ of the loan was €1,004 million;
- a loan with a nominal value of €50 million, privately placed and issued at par 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 2020, the fair value¹⁴² of the loan was €51 million.

Amounts due to financial institutions

tab. B7.1 - Due to financial institutions

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Repurchase agreements	-	412	412	-	-	-
Loans	250	250	500	-	-	-
EIB fixed rate loan maturing 12/03/2026	173	-	173	173	-	173
EIB fixed rate loan maturing 16/10/2026	400	-	400	400	-	400
Other payables	-	1	1	-	-	-
Accrued interest expense	-	1	1	-	1	1
Total	823	664	1,487	573	1	574

TF: Finanziamento a tasso fisso (Fixed rate loan)

At 31 December 2020, the Group had outstanding liabilities of €412 million in respect of repurchase agreements with leading financial operators for a total nominal amount of securities committed of €400 million, entered into during the year in question with the aim of optimising profitability and meeting any temporary liquidity requirements. The fair value¹⁴³ of the repurchase agreements at 31 December 2020 amounted to €412 million.

¹⁴⁰ 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.

¹⁴¹ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 1.

¹⁴² In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

¹⁴³ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

In addition, during 2020, in order to have additional liquidity and to cope with any adverse scenarios related to the COVID-19 pandemic, the Company entered into three medium-term loans for €750 million, two of which were repaid early in November and December for a total of €500 million, and used uncommitted credit lines for short-term loans for a total of €660 million, of which €250 million were outstanding at 31 December 2020.

At 31 December 2020, the fair value¹⁴⁴ of the medium/long-term loan, repaid in advance in January 2021, was €258 million and the fair value¹⁴⁵ of the two EIB loans totalling €573 million was €604 million.

The carrying amount of the other financial liabilities in table B7 approximates to their fair value.

At 31 December 2020, the committed and uncommitted credit lines are as follows:

(€m)		
Description	Balance at 31/12/2020	Balance at 31/12/2019
Committed credit lines	1,750	2,000
Short-term loans	1,750	2,000
Uncommitted credit lines	1,785	1,857
Short-term loans	1,017	1,009
Current account overdrafts	148	173
Unsecured loans	620	675
Total	3,535	3,857
Committed uses	-	-
Short-term loans	-	-
Uncommitted uses	602	322
Short-term loans	250	-
Unsecured loans (*)	352	322
Total	602	322

(*) At 31 December 2020, unsecured loans have been used for €295 million on behalf of Poste Italiane SpA and for €57 million on behalf of Group companies.

No collateral has been provided to secure the credit lines available.

The uncommitted credit lines are also available for overnight transactions entered into by BancoPosta RFC.

In addition, from 26 June 2020, BancoPosta's assets may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion, unused at 31 December 2020.

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 €880 million, and the facility is unused at 31 December 2020.

¹⁴⁴ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

¹⁴⁵ In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Lease payables

Lease payables at 31 December 2020 amounted to €1,065 million. Total cash outflows for leases in the year amounted to €214 million.

Derivative financial instruments

Changes in the item in 2020, 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:

B7.2 - Financial liabilities due to subsidiaries		(€m)	
Description	Balance at 31/12/2020	Balance at 31/12/2019	
Direct subsidiaries			
BancoPosta Fondi SpA SGR	3	3	
EGI SpA	2	-	
Poste Vita SpA	174	103	
PostePay SpA	550	399	
Total	729	505	

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					(€m)
Description	Balance at 31/12/2019	Net cash flow from/(for) financing activities	Non-cash flows	Balance at 31/12/2020	
Loans	624	1,909	-	2,533	
Bonds	50	996	-	1,046	
Due to financial institutions	574	913	-	1,487	
Lease payables	1,149	(214)	130	1,065	
Financial liabilities due to subsidiaries	505	224	-	729	
Other financial liabilities	1	-	-	1	
Total	2,279	1,919	130	4,328	

B8 - TRADE PAYABLES (€2,121 million)

tab. B8 - Trade payables (€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Due to suppliers	924	881
Due to subsidiaries and associates	787	418
Contract liabilities	410	299
Total	2,121	1,598
of which attributable to BancoPosta RFC	393	129

Amounts due to suppliers

tab. B8.1 - Due to suppliers (€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Italian suppliers	777	747
Overseas suppliers	13	24
Overseas counterparties (*)	134	110
Total	924	881
of which attributable to BancoPosta RFC	10	13

(*) 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 associate

tab. B8.2 - Due to subsidiaries and associates

(€m)

Name	Balance at 31/12/2020	Balance at 31/12/2019
Direct subsidiaries		
BancoPosta Fondi SpA SGR	4	12
CLP ScpA	97	105
Consorzio PosteMotori	1	2
Consorzio per i Servizi di Telefonia Mobile ScpA	43	29
EGI SpA	13	10
Milkman Deliveries SpA	3	-
PatentiViaPoste ScpA	-	1
Poste Vita SpA	1	1
Postel SpA	23	25
PostePay SpA	377	88
SDA Express Courier SpA	224	145
Indirect subsidiaries		
Kipoint SpA	1	-
Total	787	418
of which attributable to BancoPosta RFC	354	89

These trade payables include:

- PostePay SpA: mainly for collection and payment services under the service contract (€349 million) and for acquiring services (€24 million);
- SDA Express Courier SpA: mainly for the pick-up, sorting and delivery service of products in the domestic and international express range following the agreement signed on 1 November 2019.

Contract liabilities

tab. B8.3 - Contract liabilities

(€m)

Description	Balance at 01/01/2020	Increases / (Decreases)	Change due to recognition of revenue for period	Balance at 31/12/2020
Prepayments and advances from customers	273	108	-	381
Liabilities for fees to be refunded	20	(39)	43	24
Liabilities for volume discounts	3	(1)	-	2
Deferred income from trading transactions	3	-	-	3
Total	299	68	43	410
of which attributable to BancoPosta RFC	26	(40)	43	29

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

(€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Prepayments from overseas counterparties	276	196
Advances for Publishing from PCM	[tab.A9.1] 24	-
Automated franking	40	38
Unranked mail	17	16
Postage-paid mailing services	6	6
Other services	18	17
Total	381	273
of which attributable to BancoPosta RFC	-	-

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 (€2,990 million)

tab. B9 - Other liabilities

(€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Due to staff	17	678	695	17	769	786
Social security payables	26	427	453	30	486	516
Other taxes payable	1,474	177	1,651	1,357	131	1,488
Other amounts due to subsidiaries	-	140	140	5	36	41
Sundry payables	11	31	42	86	31	117
Accrued liabilities and deferred income	7	2	9	10	2	12
Total	1,535	1,455	2,990	1,505	1,455	2,960
of which attributable to BancoPosta RFC	1,476	80	1,556	1,434	62	1,496

Amounts due to staff

These items primarily regard accrued amounts that have yet to be paid at 31 December 2020. The breakdown is as follows:

tab. B9.1 - Due to staff (€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Fourteenth month salaries	-	202	202	-	211	211
Incentives	17	377	394	17	357	374
Accrued vacation pay	-	43	43	-	54	54
Other amounts due to staff	-	56	56	-	147	147
Total	17	678	695	17	769	786
of which attributable to BancoPosta RFC	1	4	5	3	5	8

The reduction in **Other amounts due to staff** is due to the one-off payment to cover the 2019 contractual *vacatio*, which occurred in April 2020.

Social security payables

tab. B9.2 - Social security payables (€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
INPS	1	324	325	2	382	384
Pension funds	-	85	85	-	85	85
Health funds	-	5	5	-	5	5
INAIL	25	3	28	28	3	31
Other agencies	-	10	10	-	11	11
Total	26	427	453	30	486	516
of which attributable to BancoPosta RFC	-	3	3	-	3	3

The decrease in **amounts due to INPS** is partly due to the payment of the one-off contribution component mentioned above.

Other taxes payable

tab. B9.3 - Other taxes payable (€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Withholding tax on employees' and consultants' salaries	-	91	91	-	87	87
Withholding tax on postal current accounts	-	10	10	-	10	10
Stamp duty payable	1,474	52	1,526	1,357	8	1,365
Other taxes due	-	24	24	-	26	26
Total	1,474	177	1,651	1,357	131	1,488
of which attributable to BancoPosta RFC	1,474	68	1,542	1,357	25	1,382

Specifically:

- **Withholding tax on employees' and consultants' salaries** relates to amounts paid to the tax authorities by the Company in January and February 2021 as withholding agents.
- **Stamp duty payable** represents the amount payable to the tax authorities for stamp duty in virtual form, before the adjustment applied in 2021 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 2020 on interest-bearing postal certificates in circulation, in compliance with the legislation referred to in note A10 – *Other receivables and assets*.

Other amounts due to subsidiaries

tab. B9.4 - Other amounts due to subsidiaries (€m)

Name	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Direct subsidiaries						
Poste Vita SpA	-	135	135	-	-	-
PostePay SpA	-	-	-	-	21	21
SDA Express Courier SpA	-	-	-	5	12	17
BancoPosta Fondi SpA SGR	-	-	-	-	2	2
Postel SpA	-	1	1	-	1	1
EGL SpA	-	1	1	-	-	-
Indirect subsidiaries						
Poste Assicura SpA	-	3	3	-	-	-
Total	-	140	140	5	36	41
of which attributable to BancoPosta RFC	-	-	-	-	21	21

This item regards the amount due 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 subsidiaries. In addition, the amount due to the subsidiary, Poste Vita SpA, includes the receivable transferred to Poste Italiane as a result of the agreement reached with the tax authorities, in December 2020, regarding recognition of a financial contribution in the event of direct use of intangible assets (Patent Box); see in this regard as outlined in note C12 - *Income Tax Expense*.

Sundry payables

This item breaks down as follows:

tab. B9.5 - Sundry payables (€m)

Description	Balance at 31/12/2020			Balance at 31/12/2019		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Sundry payables attributable to BancoPosta	-	6	6	74	8	82
Guarantee deposits	11	-	11	12	-	12
Other payables	-	25	25	-	23	23
Total	11	31	42	86	31	117
of which attributable to BancoPosta RFC	-	6	6	74	8	82

The decrease in the item **Sundry payables attributable to BancoPosta** compared with 31 December 2019 is due to the settlement of prior year items resulting from a comprehensive review of estimates completed during the year, with the resulting positive impact recognised in the statement of profit or loss (tab. C3 - *Other operating income*).

Guarantee deposits primarily relate to amounts collected from customers as a guarantee of payment for services (postage-paid mailing services, the use of post office boxes, lease contracts, telegraphic service contracts, etc.).

5.4 NOTES TO THE STATEMENT OF PROFIT OR LOSS

C1 - REVENUE FROM SALES AND SERVICES (€8,226 million)

tab. C1 - Revenue from sales and services

(€m)

Description	FY 2020	FY 2019
Postal Services	2,846	2,929
of which Revenue from contracts with customers	2,846	2,929
recognised at a point in time	221	490
recognised over time	2,625	2,439
BancoPosta services	5,177	5,435
of which Revenue from contracts with customers	3,584	3,796
recognised at a point in time	35	42
recognised over time	3,269	3,384
Other sales of goods and services	203	177
of which Revenue from contracts with customers	203	177
recognised at a point in time	1	1
recognised over time	202	176
Total	8,226	8,541

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** refers to:
 - 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 commissions on payment of bills by payment slip: 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 not from contracts with customers accounted for in accordance with IFRS 9 - *Financial Instruments*.

Revenue from Postal Services

tab. C1.1 - Revenue from Postal Services

(€m)

Description	FY 2020	FY 2019
Mail	1,604	2,169
Parcels	919	431
Philately	7	8
Total external revenue	2,530	2,608
Universal Service compensation	262	262
Publisher tariff subsidies	54	59
Total revenue	2,846	2,929

External revenue shows a decrease due to the decrease in revenue from Mail, partially offset by the increase in revenue from Parcels. This trend reflects the critical issues that emerged as a result of the health emergency that has affected Italy since March 2020 and has had a significant impact on normal operations.

Universal Service compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. The amount of the annual compensation of €262 million is defined in the 2020-2024 Service Contract, effective as of 1 January 2020 and approved by the European Commission, which has determined that the state compensation granted to the Company is in line with EU state aid rules.

Publisher tariff subsidies¹⁴⁶ 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 2020 State Budget.

¹⁴⁶ 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 (€m)

Description	FY 2020	FY 2019
Fees for collection of postal savings deposits	1,851	1,799
Income from investment of postal current account deposits	1,593	1,638
Insurance brokerage	439	437
Other revenue from current account services	432	457
Commissions on payment of bills by payment slip	297	390
Distribution of loan products	192	327
Distribution of payment products and services	180	191
Income from delegated services	103	97
Distribution of investment funds	57	62
Money transfers	16	21
Other products and services	17	16
Total	5,177	5,435

Revenue from BancoPosta services showed a decrease compared to the 2019 due to the health emergency that has affected our country since March 2020 and that has significantly affected normal operations. The largest decreases refer to revenue from commissions on payment of bills by payment slip and commissions for the distribution of loan products.

Specifically:

- **Fees for 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 expired 31 December 2020 and being renewed.
- **Income from investment of postal current account deposits** breaks down as follows:

tab. C1.2.1 - Income from investment of postal current account deposits (€m)

Description	FY 2020	FY 2019
Income from investments in securities	1,546	1,570
Interest income on securities at amortised cost	649	535
Interest income on securities at FVTOCI	894	1,012
Interest income (expense) on asset swaps of CFH on securities at FVOCI and AC	21	4
Interest income (expense) on asset swaps of FVH on securities at FVOCI and AC	(58)	(27)
interest on repurchase agreements	40	46
Income from deposits held with the MEF	43	64
Remuneration of current account deposits (deposited with the MEF)	32	64
Differential on derivatives stabilising returns	11	-
Other income	4	4
Total	1,593	1,638

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 (€218 million), fees on amounts collected and on statements of account sent to customers (€112 million), annual fees on debit cards (€18 million) and related transactions (€17 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.
- Revenue 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 INPS direct debit transfers (€37 million), and for the provision of services on the basis of the agreement with the MEF (€61 million).

Other sales of goods and services

The main revenue items include: income from the subsidiary PostePay SpA, for cash and payment transactions (€122 million) and income from call center services (€10 million).

C2 - OTHER INCOME FROM FINANCIAL ACTIVITIES (€516 million)

tab. C2 - Other income from financial activities

(€m)

Description	FY 2020	FY 2019
Income from equity instruments at FVTPL	8	27
Fair value gains	8	25
Realised gains	-	1
Dividends from other equity investments	-	1
Income from financial instruments at FVTOCI	399	353
Realised gains	399	353
Income from financial instruments at amortised cost	102	-
Realised gains	102	-
Foreign exchange gains	6	4
Realised gains	6	4
Other income	1	-
Total	516	384

Other income from financial activities increased by €132 million compared to 2019, mainly due to higher profits from the sale of financial assets at FVTOCI (+€46 million) and at amortised cost (+€102 million), partly offset by the lower profits from fair value measurement of instruments at FVTPL (-€17 million).

C3 - OTHER OPERATING INCOME (€299 million)

tab. C3 - Other operating income (€m)

Description	FY 2020	FY 2019
Dividends from subsidiaries	156	348
Recoveries of contract expenses and other recoveries	13	16
Rentals	12	12
Government grants	7	8
Gains on disposals	3	2
Recovery of cost of seconded staff	1	1
Positive accounting effects of the discharge of sundry payables relating to BancoPosta operations	14	-
Negative accounting effects of the discharge of sundry payables relating to BancoPosta operations	(39)	-
Net accounting effects of the discharge of sundry payables relating to BancoPosta operations	75	-
Other income	32	91
Total	299	478

The item **Other operating income** includes the effects related to the derecognition of items previously recorded under liabilities, resulting from a comprehensive review of estimates completed during the year under review.

Dividends from subsidiaries

tab. C3.1 - Dividends from subsidiaries (€m)

Name	FY 2020	FY 2019
Poste Vita SpA	-	285
PostePay SpA	140	33
BancoPosta Fondi SpA SGR	16	30
Total	156	348

Gains on disposals

tab. C3.2 - Gains on disposals (€m)

Description	FY 2020	FY 2019
Gains on disposal of investment property	3	-
Gains on disposal of investments	-	2
Total	3	2

For the purposes of reconciliation with the statement of cash flows, in 2020 this item amounted to €2 million, after losses of €1 million. In 2019, this item, after losses of €1 million, amounted to €1 million.

C4 - COST OF GOODS AND SERVICES (€2,318 million)

tab. C4 - Cost of goods and services (€m)

Description	FY 2020	FY 2019
Service costs	2,094	1,678
Lease expense	82	74
Raw , ancillary and consumable materials and goods for resale	142	102
Total	2,318	1,854

The increase in **Costs of goods and services** of a total of €464 million compared to 2019 is mainly due to extraordinary expenses incurred to deal with the health emergency of €106 million for the purchase of personal protective equipment, plexiglass screens, sanitation expenses, extraordinary cleaning of premises, communication expenses, etc.) and costs incurred for services rendered by the subsidiary SDA Express Courier SpA following the agreement signed on 1 November 2019, relating to products in the domestic and international express range.

Service costs

tab. C4.1 - Service costs (€m)

Description	FY 2020	FY 2019
Transport of mail, parcels and forms	847	387
Outsourcing fees and external service charges	447	483
Routine maintenance and technical assistance	211	196
Personnel services	111	131
Cleaning, waste disposal and security	101	67
Energy and water	100	116
Transport of cash	79	89
Advertising and promotions	53	53
Mail, telegraph and telex	48	58
Telecommunications and data transmission	41	36
Electronic document management, printing and enveloping services	23	28
Consultants' fees and legal expenses	15	15
Insurance premiums	10	9
Agent commissions and other	6	5
Securities custody and management fees	2	2
Credit and debit card fees and charges	-	3
Total	2,094	1,678

Lease expense

tab. C4.2 - Lease expense (€m)

Description	FY 2020	FY 2019
Equipment hire and software licences	63	60
Property rentals	8	6
Vehicle leases	2	2
Other lease expense	9	6
Total	82	74

Lease and rental costs include €9 million for low-value leases and €6 million for short-term leases.

Raw, ancillary and consumable materials and goods for resale

tab. C4.3 - Raw, ancillary and consumable materials and goods for resale (€m)

Description	FY 2020	FY 2019
Fuels and lubricants	41	47
Consumables and goods for resale	103	30
Change in inventories of raw, ancillary and consumable materials	(21)	-
Stationery and printed matter	15	18
Printing of postage and revenue stamps	4	7
Total	142	102

The increase in consumables is due to the health emergency that has made it necessary to procure personal protective equipment (such as masks, gloves, detergent gels and disinfectants) in order to guarantee the maintenance of operations both at Post Offices and at mail processing and sorting sites.

C5 - EXPENSES FROM FINANCIAL ACTIVITIES (€235 million)

tab. C5 - Expenses from financial activities

(€m)

Description	FY 2020	FY 2019
Interest expense	80	67
Interest on customers' deposits	32	32
Interest on guarantee deposits	36	21
Interest expense on repurchase agreements	6	9
Interest due to MEF	6	5
Expense from financial instruments at FVTOCI	97	3
Realised losses	97	3
Expenses from financial instruments at amortised cost	38	11
Realised losses	38	11
Expenses from fair value hedges	3	4
Fair value losses	3	4
Expenses from equity instruments at FVTPL	6	-
Fair value losses	6	-
Expenses from financial instruments at FVTPL	6	15
Fair value losses	5	15
Realised losses	1	-
Foreign exchange losses	5	-
Fair value losses	5	-
Total	235	100

Expenses from financial activities increased by €135 million compared to 2019 mainly due to higher realised losses from financial assets at FVTOCI (+€94 million), and at amortised cost (+€27 million).

C6 - PERSONNEL EXPENSES (€5,446 million)

tab. C6 - Personnel expenses (€m)

Description	Notes	FY 2020	FY 2019
Wages and salaries		3,736	3,978
Social security contributions		1,073	1,154
Employee termination benefits: supplementary pension funds and INPS		231	241
Agency staff		20	15
Remuneration and expenses paid to Directors		2	2
Share-based payments		5	11
Early retirement incentives		18	16
Net provisions (reversals) for disputes with staff	[tab. B4]	7	4
Provisions for early retirement incentives	[tab. B4]	414	369
Amounts recovered from staff due to disputes		(8)	(10)
Other personnel expenses/(cost recoveries)		(52)	(78)
Total		5,446	5,702

Personnel expenses decreased by €256 million overall compared to 2019, mainly due to the ordinary component of personnel expenses, which was affected by the reduction in the average workforce during the year (approximately 4.4 thousand FTE less than 2019). The reduction is also affected by the mobilisation of the Solidarity Fund, the estimated effects of which amount to about €57 million. The decrease in the ordinary component was partly offset by the increase in the cost of early retirement incentives.

Net provisions for disputes with staff and provisions for restructuring charges are described in note B4 – *Provisions for risks and charges*.

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 2020	FY 2019	31/12/2020	31/12/2019
Executives	572	550	552	547
Middle managers (A1)	6,196	6,173	6,212	6,092
Middle managers (A2)	7,660	7,818	7,505	7,597
Grades B, C, D	94,483	101,163	90,759	97,071
Grades E, F	4,936	2,161	4,630	4,156
Total employees on permanent contract	113,847	117,865	109,658	115,463

(*) Figures expressed in full-time equivalent terms

Furthermore, taking account of personnel on flexible contracts, the average number of full-time equivalent personnel is 121,530 (in 2019: 125,894).

C7 - DEPRECIATION, AMORTISATION AND IMPAIRMENTS (€622 million)

tab. C7 - Depreciation, amortisation and impairments (€m)

Description	FY 2020	FY 2019
Depreciation of property, plant and equipment	185	295
Properties used in operations	26	108
Plant and machinery	41	70
Industrial and commercial equipment	13	9
Leasehold improvements	38	40
Other assets	67	68
Impairments/recoveries/adjustments of property, plant and equipment	(22)	(5)
Depreciation of investment property	1	4
Depreciation of right-of-use assets	198	189
Properties used in operations	126	128
Company fleet	61	54
Vehicles for mixed use	4	4
Other assets	7	3
Impairments/recoveries/adjustments of right of use	2	-
Amortisation and impairments of intangible assets	258	191
Industrial patents and intellectual property rights	258	191
Total	622	674

Amortisation, depreciation, and impairments decreased by €52 million compared to 2019, due mainly to lower depreciation (-€115 million) recognised as a result of the revision of the residual useful lives and residual values of the main categories of non-current assets (for more details, see paragraph 2.5 - *Use of Estimates*), offset in part by higher amortisation of intangible assets (+€67 million) resulting from the completion and commissioning of new software programs and the development of existing ones.

C8 - OTHER OPERATING COSTS (€67 million)

tab. C8 - Other operating costs (€m)

Description	Notes	FY 2020	FY 2019
Operational risk events		39	34
Thefts	[tab. B6.1.2]	6	4
Loss of BancoPosta assets, net of recoveries		1	-
Other operating losses of BancoPosta		32	30
Net provisions for risks and charges made/(released)		(62)	16
for disputes with third parties	[tab. B4]	(5)	(4)
for operational risks	[tab. B4]	(64)	10
for other risks and charges	[tab. B4]	7	10
Capital losses		1	1
Other taxes and duties		55	88
Municipal property tax		27	26
Other taxes and duties		28	62
Impairments of investments	[tab. A5.1]	1	32
Other current expenses		33	25
Total		67	196

The decrease of €129 million in Other operating costs is due mainly to the net reversal of provisions for risks and charges (-€62 million), for which reference is made to note B4 - *Provisions for risks and charges*.

C9 – IMPAIRMENT LOSSES/(REVERSALS OF IMPAIRMENT LOSSES) ON DEBT INSTRUMENTS, RECEIVABLES AND OTHER ASSETS (€55 million)

tab. C9 - Impairment losses/(Reversals of impairment losses) on debt instruments, receivables and other assets (€m)

Description	FY 2020	FY 2019
Net impairment losses trade receivables and other assets	40	43
Impairment losses/(reversals of impairment losses) due from customers	30	37
Impairment losses/(reversals of impairment losses) sundry receivables	10	6
Net impairment debt instruments and receivables of financial operations	15	(2)
Impairment losses/(reversals of impairment losses) receivables of financial operations	1	-
Impairment losses/(reversals of impairment losses) debt instruments at FVTOCI	7	(1)
Impairment losses/(reversals of impairment losses) debt instruments at amortised cost	7	(1)
Total	55	41

The increase of €14 million compared to 2019 is attributable to higher impairment on debt instruments at FVTOCI and at amortised cost (+€15 million). The estimates were partly influenced by the effect of the crisis triggered by the current health emergency. For further details, reference should be made to Note 6 - Risk management.

C10 - FINANCE INCOME (€82 million) AND COSTS (€79 million)

Finance income

tab C10.1 - Finance income

(€m)

Description	FY 2020	FY 2019
Income from subsidiaries and associates	56	53
Interest on loans	8	7
Interest on intercompany current accounts	-	1
Dividends from associates ⁽¹⁾	8	6
Other finance income	40	39
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	9	7
Finance income on discounting receivables ⁽²⁾	3	4
Late payment interest	18	14
Impairment of amounts due as late payment interest	(18)	(14)
Other income	6	3
Foreign exchange gains ⁽¹⁾	12	5
Total	82	70

(1) For the purposes of reconciliation with the statement of cash flows, in 2020 finance income after foreign exchange gains and dividends from associates amounts to €62 million (€59 million in 2019).

(2) Finance income on discounted receivables regards interest on amounts due from staff and INPS under the fixed-term contract settlements.

The increase of €12 million compared to 2019 is primarily due to higher realised gains from the adjustment, at year-end exchange rates, of foreign currency items.

Finance costs

tab. C10.2 - Finance costs

(€m)

Description	Notes	FY 2020	FY 2019
Finance costs on financial liabilities		36	29
on lease payables		23	25
on due to financial institutions		11	2
on bonds		1	1
on derivative financial instruments		1	1
Finance costs on provisions for employee termination benefits and per	[tab. B5]	8	17
Finance costs on provisions for risks	[tab. B4]	-	1
Impairment of investments in joint ventures ⁽¹⁾		11	-
Other finance costs		12	8
Foreign exchange losses ⁽¹⁾		12	4
Total		79	59

(1) For the purposes of reconciliation with the statement of cash flows, in 2020 finance costs after foreign exchange losses amounted to €56 million (€55 million in 2019).

The increase of €20 million compared to 2019 is mainly due to higher impairment losses on investments in associates (+€11 million), higher interest on amounts due to financial institutions (+€9 million), partly offset by the reduction in financial expenses on the provision for employee termination benefits.

C11 – IMPAIRMENT LOSSES / (REVERSALS OF IMPAIRMENT LOSSES) ON FINANCIAL ASSETS (-€ million)

tab. C11 - Impairment losses/(Reversals of impairment losses) on financial assets

(€m)

Description	FY 2020	FY 2019
Impairment of interest accrued on IRES refund	-	45
Total	-	45

The item at 31 December 2019 included the impairment of the receivable for interest accrued on IRES refund, see in this regard as reported in Note A10 - *Other receivables and assets*.

C12 - INCOME TAX EXPENSE (€9 million)

The nominal IRES rate is 24%, while the Company theoretical average IRAP rate is 4.49%¹⁴⁷. The breakdown of income taxes for the year is as follows:

tab. C12 - Income tax expense (€m)

Description	FY 2020			FY 2019		
	IRES	IRAP	Total	IRES	IRAP	Total
Current tax expense	47	22	69	60	34	94
Deferred tax assets	(51)	(12)	(63)	59	10	69
Deferred tax liabilities	-	3	3	(1)	-	(1)
Total	(4)	13	9	118	44	162

Income taxes for the year include the positive non-recurring effect of a total of €38 million relating, for €23 million, to the adoption of the "Patent Box" regime following the agreement entered into on 21 December 2020 with the Revenue Agency for the recognition of the economic contribution, referred to the 2015-2019 financial years, and for €15 million to the tax benefit connected with the Aid to Economic Growth (ACE), referred to the 2015-2016 financial years for which, in the year under review, the uncertainties connected with the quantification no longer exist.

The tax rate for 2020, before recognition of non-recurring income, is 13.81%; however, the effective tax rate is 2.42% and is comprised of the following:

tab. C12.1 - Reconciliation between theoretical and effective IRES rate (€m)

Description	FY 2020		FY 2019	
	IRES	Tax Rate	IRES	Tax Rate
<i>Profit before tax</i>	<u>333</u>		<u>823</u>	
Theoretical tax charge	80	24.0%	198	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Dividends from investee companies	(37)	-11.25%	(81)	-9.83%
Taxation for previous years	(3)	-1.02%	(6)	-0.74%
Realised gains on investments	-	-	(1)	-0.04%
Adjustments to investments	3	0.86%	8	0.95%
Net provisions for risks and charges and doubtful debts	(10)	-2.91%	6	0.73%
Non-deductible out-of-period losses	5	1.58%	5	0.59%
Non-deductible taxes	3	1.03%	3	0.40%
Other	(11)	-3.18%	(14)	-1.74%
Effective tax (before recognition of the Patent Box and ACE tax effect)	30	9.10%	118	14.32%
Patent Box and ACE tax effect	(34)	-10.35%	-	-
Effective tax charge	(4)	-1.25%	118	14.32%

¹⁴⁷ 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).

tab. C12.2 - Reconciliation between theoretical and effective IRAP rate (€m)

Description	FY 2020		FY 2019	
	IRAP	Tax Rate	IRAP	Tax Rate
<i>Profit before tax</i>	<u>333</u>		<u>823</u>	
Theoretical tax charge	15	4.49%	37	4.49%
Effect of increases/(decreases) on theoretical tax charge				
Dividends from investee companies	(7)	-2.21%	(16)	-1.94%
Non-deductible personnel expenses	12	3.52%	13	1.53%
Net provisions for risks and charges and doubtful debts	1	0.13%	6	0.73%
Impairment losses/(reversals of impairment losses) on financial assets	-	-0.03%	2	0.25%
Taxation for previous years	(4)	-1.28%	-	0.00%
Other	-	0.09%	2	0.32%
Effective tax (before recognition of the Patent Box tax effect)	17	4.71%	44	5.38%
Patent Box tax effect	(4)	-1.04%	-	-
Effective tax charge	13	3.67%	44	5.38%

Current tax expense

tab. C12.3 - Movements in current tax assets /(liabilities) (€m)

Description	Current tax 2020		Total
	IRES	IRAP	
	Assets/ (Liabilities)	Assets/ (Liabilities)	
Balance at 1 January	(163)	10	(153)
Payments	625	13	638
for payments on account for the current year	428	13	441
for balance payable for the previous year	197	-	197
Provisions to profit or loss	(47)	(22)	(69)
for current liabilities	(81)	(26)	(107)
for Patent Box and ACE tax effect	34	4	38
Provisions to equity	1	-	1
Tax consolidation	(279)	-	(279)
Balance at 31 December	137	1	138
of which:			
Current tax assets	138	5	143
Current tax liabilities	(1)	(4)	(5)

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 2020, current tax assets/(liabilities) include:

- a tax asset totalling €58 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 and the positive effect deriving from the tax benefit of the Patent Box for the years 2017-2019 (€15 million), after provisions for IRES and IRAP for the year 2020;
- assets totalling €39 million, including €23 million related to the tax benefit recognised to the Company in respect of the Patent Box and ACE for 2015-2016 and €16 million in respect of the Patent Box receivable transferred from the subsidiary, Poste Vita SpA, to Poste Italiane. These assets will become compensable after the submission of the relevant supplementary tax returns;
- the residual substitute tax credit of €27 million relating to the redemption carried out by the Company during 2018, pursuant to art. 15, paragraph 10-ter of Law Decree no. 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;
- assets totalling €9 million recognised as a result of the responses received to two petitions filed with the Revenue Agency concerning the correct implementation of IFRS 9 and 15. These assets will become compensable after the submission of the relevant supplementary tax returns;
- 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 no. 185 of 29 November 2008 and art. 2 of Law Decree no. 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 A10).

Deferred tax assets and liabilities

Details of this item at 31 December 2020 are shown in the following table:

tab. C12.4 - Deferred taxes (€m)

Description	Balance at 31/12/2020	Balance at 31/12/2019
Deferred tax assets	579	675
Deferred tax liabilities	(982)	(666)
Total	(403)	9
of which attributable to BancoPosta RFC		
Deferred tax assets	130	312
Deferred tax liabilities	(979)	(662)

Movements in deferred tax assets and liabilities are shown below:

tab. C12.5 - Movements in deferred tax assets and liabilities (€m)

Description	Notes	FY 2020
Balance at 1 January		9
Net income/(expense) recognised in profit or loss		60
Net income/(expense) recognised in equity	[tab. C12.8]	(472)
Balance at 31 December		(403)

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 (€m)

Description	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
Balance at 1 January 2020	18	234	85	237	36	13	52	675
Income/(expense) recognised in profit or loss	-	-	2	69	-	1	(9)	63
Income/(expense) recognised in equity	-	(159)	-	-	-	-	-	(159)
Balance at 31 December 2020	18	75	87	306	36	14	43	579

tab. C12.7 - Movements in deferred tax liabilities (€m)

Description	Financial assets and liabilities	Gains	Other	Total
Balance at 1 January 2019	373	-	2	375
Expense/(income) recognised in profit or loss	-	-	(1)	(1)
Expense/(income) recognised in equity	291	-	-	291
Balance at 1 January 2020	664	-	1	665
Expense/(income) recognised in profit or loss	2	1	-	3
Expense/(income) recognised in equity	313	-	-	313
Balance at 31 December 2020	979	1	1	981

At 31 December 2020, deferred tax assets and liabilities recognised directly in equity are as follows:

tab. C12.8 - Income/(expense) recognised in equity (€m)

Description	Increases/(decreases) in equity	
	FY 2020	FY 2019
Fair value reserve for financial assets at FVTOCI	(479)	(417)
Cash flow hedge reserve	7	(11)
Actuarial gains /(losses) on employee termination benefits	-	17
Total	(472)	(411)

6.5 RELATED PARTY TRANSACTIONS

Impact of related party transactions on Statement of financial position and profit or loss

Impact of related party transactions on Statement of financial position at 31 December 2020

(€m)

Name	Balance at 31/12/2020								
	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
Direct subsidiaries									
BancoPosta Fondi SpA SGR	-	-	23	1	-	26	4	4	-
CLP ScpA	-	-	2	-	-	-	-	97	-
Consorzio PosteMotori	-	-	13	-	-	27	-	1	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	1	-	-	-	43	-
EGI SpA	-	-	1	-	-	1	46	13	1
Poste Air Cargo Srl	-	11	2	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	9	-	-	17	-	-	-
Poste Vita SpA	-	251	244	-	-	492	174	1	136
Postel SpA	-	16	40	1	-	2	-	23	1
PostePay SpA	72	-	459	26	-	7,049	550	377	-
SDA Express Courier SpA	-	72	78	14	-	4	-	225	1
sennder Italia SpA	-	5	-	-	-	-	-	-	-
Mikman Deliveries SpA	-	-	-	-	-	-	-	3	-
Indirect subsidiaries									
Kipoint SpA	-	-	-	-	-	1	-	1	-
Poste Assicura SpA	-	-	19	-	-	18	-	-	2
Poste Welfare Servizi Srl	-	-	2	-	-	14	-	-	-
Poste Insurance Broker	-	-	-	-	-	1	-	-	-
Associates									
FSIA Investimenti Srl	-	21	-	-	-	-	-	-	-
Related parties external to the Group									
MEF	7,340	-	143	3	1,991	3,588	3	4	8
Cassa Depositi e Prestiti Group	3,302	-	432	-	-	-	-	-	-
Enel Group	-	-	23	-	-	-	-	-	-
Eni Group	-	-	2	-	-	-	-	8	-
Leonardo Group	-	-	1	-	-	-	-	24	-
Monte dei Paschi di Siena Group	248	-	3	-	1	1,018	-	-	-
Invitalia Group	-	50	1	-	-	-	-	-	-
Other related parties external to the Group	-	-	11	-	-	-	3	-	64
Provisions for doubtful debts from related parties	(6)	(21)	(40)	-	-	-	-	-	-
Total	10,956	405	1,468	46	1,992	12,258	780	824	213

Impact of related party transactions on Statement of financial position at 31 December 2019

(€m)

Name	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
Direct subsidiaries									
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
Indirect subsidiaries									
Kipoint SpA	-	-	-	-	-	1	-	-	-
Poste Assicura SpA	-	-	8	4	-	8	-	-	-
Poste Welfare Servizi Srl	-	-	-	-	-	8	-	-	-
Related parties external to the Group									
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 from external related parties	(4)	(20)	(40)	-	-	-	-	-	-
Total	11,203	366	1,136	260	495	10,517	556	496	113

At 31 December 2020, 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 €71 million (€70 million at 31 December 2019).

Impact of related party transactions on profit or loss

(€m)

Name	FY 2020										
	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	
Direct subsidiaries											
BancoPosta Fondi SpA SGR	62	17	-	-	-	13	-	(1)	-	-	-
CLP ScpA	1	-	-	3	-	233	-	-	3	-	-
Consorzio PosteMotori	39	-	-	-	-	-	-	-	1	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	2	26	-	-	-	-	-
EGi SpA	-	1	-	-	-	82	-	-	-	-	1
Indabox Srl	-	-	-	-	-	-	-	-	1	-	-
Patenti/ViaPoste ScpA	24	-	-	-	-	-	-	-	-	-	-
Poste Vita SpA	463	-	47	-	-	-	-	(1)	-	-	-
Postel SpA	11	2	-	-	-	30	-	3	-	-	-
PostePay SpA	367	144	-	-	-	317	29	-	-	-	-
SDA Express Courier SpA	15	2	1	-	-	660	-	(2)	-	-	-
Mikman Deliveries SpA	-	-	-	-	-	-	-	-	3	-	-
Indirect subsidiaries											
Poste Assicura SpA	43	-	-	-	-	-	-	-	-	-	-
Poste Welfare Servizi Srl	2	-	-	-	-	-	-	-	-	-	-
Associates											
Anima Group	3	-	8	-	-	-	-	-	-	-	11
Related parties external to the Group											
MEF	401	-	-	1	-	2	5	-	-	-	2
Cassa Depositi e Prestiti Group	1,922	-	-	-	-	-	-	-	-	-	2
Enel Group	42	-	-	-	-	-	-	-	-	-	-
Eni Group	13	-	-	-	-	24	-	-	-	-	-
Leonardo Group	-	-	-	-	13	28	-	-	-	-	-
Monte dei Paschi Group	15	-	-	-	-	-	-	-	-	-	-
Initalia Group	1	-	-	-	-	-	-	-	-	-	-
Other related parties external to the Group	12	-	-	-	-	-	-	74	-	-	-
Total	3,436	166	56	4	15	1,418	34	73	8	2	15

Impact of related party transactions on profit or loss

(€m)

Name	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	Impairment losses/(reversals of impairment losses) on financial assets
Direct subsidiaries											
BancoPosta Fondi SpA SGR	66	30	-	-	-	11	-	(1)	-	-	-
CLP SpA	5	-	-	4	2	171	-	-	3	-	-
Consorzio PosteMotori	42	-	-	-	-	-	-	-	2	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	2	23	-	-	-	-	-
EGi SpA	-	-	-	-	-	97	-	-	-	-	1
Patenti/ViaPoste ScpA	26	-	-	-	-	-	-	-	-	-	-
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	-	-	-
Indirect subsidiaries											
Kpoint SpA	-	-	-	-	-	1	-	-	-	-	-
Poste Assicura SpA	40	-	-	-	-	-	-	-	-	-	-
Associates											
Anima Group	3	-	6	-	-	-	-	-	-	-	-
Related parties external to the Group											
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 di Siena Group	16	-	-	-	-	16	-	-	-	-	-
Initalia Group	1	-	-	-	-	-	-	-	-	-	-
Other related parties external to the Group	38	-	-	-	-	3	-	49	-	-	-
Total	3,523	356	53	4	7	920	27	59	6	1	2

At 31 December 2020, 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 (€1 million at 31 December 2019).

The nature of the Company's principal related party transactions external to the Company 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.

Related party transactions have been carried out on terms equivalent to those prevailing in arm's length transactions between independent parties.

Impact of related party transactions or positions

The impact of related party transactions on the financial position, profit or loss and cash flows is shown in the following table:

Description	31/12/2020			31/12/2019		
	Total in financial statements	Total related parties	Impact (%)	Total in financial statements	Total related parties	Impact (%)
Financial position						
Financial assets attributable to BancoPosta	91,453	10,956	12.0	76,396	11,203	14.7
Financial assets	872	405	46.4	941	367	39.0
Trade receivables	2,984	1,468	49.2	2,385	1,139	47.8
Other receivables and assets	2,478	46	1.9	2,455	260	10.6
Cash and cash equivalents	4,029	1,992	49.4	1,206	495	41.0
Provisions for risks and charges	1,309	71	5.4	1,130	70	6.2
Financial liabilities attributable to BancoPosta	94,946	12,258	12.9	77,937	10,518	13.5
Financial liabilities	4,339	780	18.0	2,301	557	24.2
Trade payables	2,121	824	38.8	1,598	497	31.1
Other liabilities	2,990	213	7.1	2,961	114	3.9
Profit or loss						
Revenue from sales and services	8,226	3,436	41.8	8,541	3,524	41.3
Other operating income	299	166	55.4	478	358	74.9
Cost of goods and services	2,318	1,419	61.2	1,854	922	49.7
Expenses from financial activities	235	34	14.5	100	27	27.0
Personnel expenses	5,446	73	1.3	5,702	58	1.0
Other operating costs	67	16	23.8	196	6	3.1
Finance costs	79	14	17.6	59	3	5.1
Finance income	82	56	68.3	70	54	77.1
Cash flow						
Net cash flow from/(for) operating activities	2,147	2,231	n.a.	49	780	n.a.
Net cash flow from/(for) investing activities	(630)	(41)	6.5	(736)	(50)	6.8
Net cash flow from/(for) financing activities and shareholder transactions	(1,306)	(211)	16.2	(234)	(60)	25.6

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 (€k)		
Description	31/12/2020	31/12/2019
Remuneration to be paid in short/medium term	10,625	12,505
Post-employment benefits	544	510
Other benefits to be paid in longer term	3,162	1,855
Termination benefits	-	1,704
Share-based payments	2,176	4,906
Total	16,507	21,480

Remuneration of Statutory Auditors (€k)		
Description	31/12/2020	31/12/2019
Remuneration	268	247
Expenses	39	20
Total	307	267

The remuneration paid to members of the Company's Supervisory Board for 2020 amounts to approximately €96 thousand. 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 year and, at 31 December 2020, the Company does not report receivables in respect of loans granted to key management personnel.

Transactions with personnel 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.

6. 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.

Additional information about other risks, particularly with regard to the Covid risk, is provided in the section of the Report on Operations entitled "Management of the Covid-19 Pandemic" in Chapter 5 "Risks and Opportunities.

In addition, the information provided complies with the provisions of the ESMA Public Statements published during the 2020 financial year¹⁴⁸.

FINANCIAL RISK

Information on financial risk management at 31 December 2020 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.

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 Eurozone government bonds¹⁴⁹, 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

¹⁴⁸ ESMA Notice of 25 March 2020 "Public Statement 32-63-951. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9".

ESMA Notice of 28 October 2020 "Public Statement 32-63-1041. European common enforcement priorities for 2020 annual financial reports."

¹⁴⁹ The funds raised by private customers on postal current accounts must be used in Eurozone government bonds and, for a portion not exceeding 50% of the funds raised, in other securities backed by the Italian government guarantee (as provided by the Law no. 296 of 27 December 2006 and subsequent amendments provided by the 2015 Stability Law no. 190 of 23 December 2014).

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 285¹⁵⁰, which, among other things, requires definition of a Risk Appetite Framework (RAF¹⁵¹), 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, mainly due to the effect of the pandemic that resulted in an increase in account balances, and the change in the market scenario, the Leverage Ratio fell during the year to 2.65% at 31 December 2020, taking into account the increase in capital deriving from the calculation of part of the 2020 profits, not subject to distribution.

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 2020, this minimum return on existing policies ranged between -1.4% and 2.13%). 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 (for newly issued policies

¹⁵⁰ See in particular the provisions laid down in Part I – Section IV – Chapter 3.

¹⁵¹ 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.

a guaranteed minimum return is not foreseen) 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 28 July 2020. 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, Poste Italiane SpA's Board of Directors 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 **Control and Risk 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 the internal control and risk management system and regarding the approval of financial and non-financial periodic reports.
- the **Financial and Insurance Services Committee**, established on 19 March 2018, 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 2020 for the Poste Italiane Group's positions.

Poste Italiane Group - Fair value interest rate risk										
Description	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
2020 effects										
Financial assets										
Financial assets at FVTOCI	131,294	156,635	(10,061)	10,068	(8,669)	8,669	-	-	(1,392)	1,399
Fixed income instruments	130,794	156,095	(10,058)	10,065	(8,666)	8,666	-	-	(1,392)	1,399
Other investments	500	540	(3)	3	(3)	3	-	-	-	-
Financial assets at FVTPL	1,930	3,339	(325)	325	(322)	322	(3)	3	-	-
Fixed income instruments	1,890	1,992	(89)	89	(86)	86	(3)	3	-	-
Other investments*	40	1,347	(236)	236	(236)	236	-	-	-	-
Derivative financial instruments	268	-	19	(20)	-	-	-	-	19	(20)
Cash flow hedges	268	-	19	(20)	-	-	-	-	19	(20)
Financial liabilities										
Derivative financial instruments	3,110	(69)	237	(254)	74	(74)	-	-	163	(180)
Cash flow hedges	1,850	(59)	163	(180)	-	-	-	-	163	(180)
Fair value hedges	1,260	(10)	74	(74)	74	(74)	-	-	-	-
Variability at 31 December 2020	136,602	159,905	(10,130)	10,119	(8,917)	8,917	(3)	3	(1,210)	1,199
2019 effects										
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										
Derivative financial instruments	1,450	(43)	72	(77)	4	(4)	-	-	68	(73)
Cash flow hedges	1,330	(42)	68	(73)	-	-	-	-	68	(73)
Fair value hedges	120	(1)	4	(4)	4	(4)	-	-	-	-
Variability at 31 December 2019	126,765	142,237	(7,847)	7,829	(6,824)	6,824	(3)	3	(1,020)	1,002

(* 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 securities held by Poste Vita SpA, totalling €94,802 million; of this amount, €92,577 million is used to cover Class I and V policies linked to separately managed funds, and €2,225 million relates to the Company's free capital;

- fixed income government securities held by BancoPosta RFC for fair value totalling €42,638 million, which consist of: fixed rate bonds amounting to €17,190 million; variable rate bonds converted into fixed rate bonds via interest rate swaps designated as cash flow hedges, totalling €2,257 million, inflation-linked securities amounting to €2,657 million, and fixed or variable rate bonds converted to variable rate positions via fair value hedges amounting to €20,535 million (including €18,096 million in forward starts);
- €18,500 million total fair value in other non-government debt instruments held by Poste Vita SpA, used mainly to meet obligations towards policyholders;
- fixed income government securities held by Poste Assicura SpA with a total fair value of €204 million

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 €1,992 million and the position in Other investments consisting mainly of units in mutual funds amounting to €1,347 million.

Within the context of **derivative financial instruments**, the risk in question primarily concerns:

- forward sales of government securities with a nominal value of €1,800 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 nominal value €50 million variable rate bond;
- five fair value hedge forward sales transactions on the "BTPS 0.85%" government bond with a nominal value of €1,260 million entered into by Poste Vita SpA during the year.

At 31 December 2020, with reference to the interest rate risk exposure determined by the average duration¹⁵², the duration of BancoPosta's overall investments went from 5.53 to 6.16. 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 7.02 at 31 December 2019 to 7.72 at 31 December 2020, whilst the duration of the liabilities went from 9.24 to 10.24 (assessment of the duration was carried out using the new Coherent Duration method¹⁵³). 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 Eurozone 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

¹⁵² Duration is the indicator used to estimate the percentage change in price in response to a shift in market returns.

¹⁵³ 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.

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.

Due to the monetary policy measures adopted by the ECB to mitigate the impact of the Coronavirus pandemic on the Eurozone economy, financial year 2020 was characterised by a reduction in yields on Italian government securities (the 10-year BTP fell from 1.4% to 0.5%), which brought the BTP-Bund spread to 111 basis points compared to 160 last year. These changes led to an increase in the price of the securities and a consequent reduction in their yield

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 €34 billion) has undergone an overall net increase in fair value of approximately €4 billion: this change was partly recognised in the profit or 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 €2 billion;
- (ii) an overall net increase of approximately €6 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 €97 billion), almost entirely passed on to policyholders and recognised in specific technical provisions under the shadow accounting method.

The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the yield curve for Italian government bonds.

The table below shows the results of the analysis of sensitivity¹⁵⁴ to spread risk of the most significant positions in the portfolios of both the Parent Company and the Poste Vita group at 31 December 2020.

Poste Italiane SpA - Fair value spread risk							(€m)
Description	Risk exposure		Change in value		Equity reserves before taxation		
	Nominal	Fair value	+100bps	-100bps	+100bps	-100bps	
2020 effects							
Financial assets							
Financial assets at FVTOCI	33,969	43,046	(4,377)	5,228	(4,377)	5,228	
Fixed income instruments	33,969	43,046	(4,377)	5,228	(4,377)	5,228	
Derivative financial instruments	268	-	19	(21)	19	(21)	
Cash flow hedges	268	-	19	(21)	19	(21)	
Financial liabilities							
Derivative financial instruments	1,800	(54)	170	(188)	170	(188)	
Cash flow hedges	1,800	(54)	170	(188)	170	(188)	
Variability at 31 December 2020	36,037	42,992	(4,188)	5,019	(4,188)	5,019	
2019 effects							
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	
Financial liabilities							
Derivative financial instruments	1,280	(36)	70	(74)	70	(74)	
Cash flow hedges	1,280	(36)	70	(74)	70	(74)	
Variability at 31 December 2019	32,950	37,287	(3,394)	3,988	(3,394)	3,988	

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

¹⁵⁴ For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of -26.4 bps and the spread of the BTP compared to the 10-year swap rate of 80.7 bps).

income instruments measured at amortised cost attributable entirely to BancoPosta, which at 31 December 2020 amounted to €33,254 million (nominal value of €26,157 million) and have a fair value of €34,760 million, would be reduced in fair value by approximately €4.3 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.

Poste Vita Group - Fair value spread risk (€m)

Description	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
2020 effects										
Financial assets										
Financial assets at FVTOCI	97,294	113,557	(9,456)	9,456	(9,346)	9,346	-	-	(110)	110
Fixed income instruments	96,794	113,017	(9,441)	9,441	(9,331)	9,331	-	-	(110)	110
Other investments	500	540	(15)	15	(15)	15	-	-	-	-
Financial assets at FVTPL	1,930	3,339	(346)	346	(343)	343	(3)	3	-	-
Fixed income instruments	1,890	1,992	(109)	109	(106)	106	(3)	3	-	-
Other investments*	40	1,347	(237)	237	(237)	237	-	-	-	-
Financial liabilities										
Derivative financial instruments	1,260	(10)	74	(74)	74	(74)	-	-	-	-
Fair value hedges	1,260	(10)	74	(74)	74	(74)	-	-	-	-
Variability at 31 December 2020	100,484	116,886	(9,728)	9,728	(9,615)	9,615	(3)	3	(110)	110
2019 effects										
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	860	(224)	224	(224)	224	-	-	-	-
Financial liabilities										
Derivative financial instruments	120	(1)	4	(4)	4	(4)	-	-	-	-
Fair value hedges	120	(1)	4	(4)	4	(4)	-	-	-	-
Variability at 31 December 2019	93,734	104,924	(8,669)	8,669	(8,552)	8,552	(12)	12	(105)	105

(*) 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 2020 amounted to €1,858 million (nominal value of €1,794 million) and have a fair value of €2,191 million, would be reduced in fair value by approximately €175 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 2020, limited, in terms of materiality, to the financial assets held by the Parent Company and the Poste Vita group.

Poste Italiane SpA -VAR analysis

(€m)

Description	Risk exposure		SpreadVaR
	Nominal	Fair value	
2020 effects			
Financial assets			
Financial assets at FVTOCI (*)	33,969	43,046	231
Fixed income instruments	33,969	43,046	231
Variability at 31 December 2020	33,969	43,046	231
2019 effects			
Financial assets			
Financial assets at FVTOCI (*)	31,670	37,323	308
Fixed income instruments	31,670	37,323	308
Variability at 31 December 2019	31,670	37,323	308

*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

(€m)

Description	Risk exposure		SpreadVaR
	Nominal	Fair value	
2020 effects			
Financial assets			
Financial assets at FVTOCI*	97,294	113,557	364
Fixed income instruments	96,794	113,017	384
Other investments	500	540	-
Financial assets at FVTPL	1,930	3,339	7
Fixed income instruments	1,890	1,992	4
Other investments**	40	1,347	3
Variability at 31 December 2020	99,224	116,896	365
2019 effects			
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
Variability at 31 December 2019	93,614	104,925	980

* 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.

** 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 2020 on the Poste Italiane Group's positions is shown in the table below.

Poste Italiane Group - Cash flow interest rate risk (€m)

Description	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
2020 effects							
Financial assets							
Financial assets at amortised cost							
Receivables							
Deposits with the MEF	7,340	73	(73)	-	-	73	(73)
Other financial receivables	7,509	75	(75)	-	-	75	(75)
Fixed income instruments	4,070	41	(41)	-	-	41	(41)
Financial assets at FVTOCI							
Fixed income instruments	13,672	137	(137)	68	(68)	69	(69)
Other investments	500	5	(5)	5	(5)	-	-
Financial assets at FVTPL							
Fixed income instruments	53	1	(1)	1	(1)	-	-
Other investments	22	-	-	-	-	-	-
Cash and deposits attributable to BancoPosta							
Bank deposits	3,364	34	(34)	-	-	34	(34)
Cash and cash equivalents							
Bank deposits	1,019	10	(10)	2	(2)	8	(8)
Deposits with the MEF	1,991	20	(20)	-	-	20	(20)
Financial liabilities							
Loans							
Due to financial institutions	(1,150)	(11)	11	-	-	(11)	11
Other financial liabilities	(392)	(4)	4	-	-	(4)	4
Variability at 31 December 2020	37,998	381	(381)	76	(76)	305	(305)
2019 effects							
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							
Loans							
Other financial liabilities	(112)	(1)	1	-	-	(1)	1
Variability at 31 December 2019	31,343	314	(314)	94	(94)	220	(220)

Specifically, with respect to **financial assets**, the cash flow interest rate risk primarily relates to:

- a portion of the investment portfolio held by Poste Vita SpA, with a total nominal value of €7,791 million;
- receivables totalling €7,509 million, reflecting collateral posted to secure liabilities arising in relation to derivative financial instruments and repurchase agreements mainly held by BancoPosta RFC;
- 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 €7,340 million;
- fixed rate government securities held by the Parent Company and swapped into variable rate through fair value hedges, with a total nominal amount of €10,374 million (including €5,740 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.

In order to comply with the provisions of IFRS 9, which requires the inclusion of a forward looking approach in the calculation of expected losses on financial instruments, also taking into account the effects of the Covid-19 pandemic, the Group deemed it appropriate to update the forecast scenarios to take into account new elements based on the EU Commission's estimates for the year 2020, which led to a change in the PD of Italy and the other Sovereign counterparties compared to what was used in the assessments of the Annual Report at 31 December 2019. With regard to Corporate and Banking counterparties, the methodology used for this purpose is to increase PD in line with the increase in sectoral risk recorded by the rating agencies in 2020 for each rating level.

With regard to trade receivables, in order to reflect the effects of the Covid-19 pandemic, the following steps were taken:

- for trade receivables subject to analytical impairment, the level of PD was increased in line with the increase in sectoral risk recorded by the rating agencies in 2020;
- for trade receivables subject to on flat-rated basis, on the other hand, in order to calculate expected losses, homogeneous customer clusters representing the composition of the receivable portfolio were identified. Each cluster was associated with different on flat-rated basis percentages, broken down by past due age bands, which varied on the basis of the increase in risk historically recorded during phases of acute stress.

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 parameters deriving from agency ratings or 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 classes¹⁵⁵;
- a judgmental factor to be used only in the presence of sudden changes in the creditworthiness not yet reflected by the rating¹⁵⁶.

The ratings used in stage allocation derive from internal models in the case of banking, sovereign and corporate counterparties, and external infoproversiders 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.

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

¹⁵⁵ 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.

¹⁵⁶ 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.

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 information¹⁵⁷.

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.

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 di 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) and forward-looking valuation has been adopted;
- LGD: use has been made of the Internal Ratings-Based (IRB) Base 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.

¹⁵⁷ In particular, the use of such approach is limited to situations where, actually, the final figures are deemed to be no longer representative of the counterparty's risk.

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 2020, 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 - Ratings										(€m)
Description	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				
2020 effects										
Financial assets at amortised cost										
Loans	-	-	21	-	-	-			21	
Receivables	827	-	14,107	-	-	-			14,934	
Fixed income instruments	-	-	30,739	-	-	-			30,739	
Other investments	-	-	-	-	-	-			-	
Gross carrying amount - Total	827	-	44,867	-	-	-			45,694	
Provision to cover expected losses	-	-	(40)	-	-	-			(40)	
Total amortised cost at 31 December 2020	827	-	44,827	-	-	-	634	4,389	50,677	
2019 effects										
Financial assets at amortised cost										
Loans	-	-	-	-	-	-			-	
Receivables	1,532	-	11,026	-	265	-			12,823	
Fixed income instruments	-	-	23,932	-	-	-			23,932	
Other investments	-	-	-	-	-	-			-	
Gross carrying amount - Total	1,532	-	34,958	-	265	-			36,755	
Provision to cover expected losses	-	-	(32)	-	-	-			(32)	
Total amortised cost at 31 December 2019	1,532	-	34,926	-	265	-	569	2,871	40,163	
2020 effects										
Financial assets at FVTOCI										
Fixed income instruments	1,692	-	129,199	-	1,792	82			132,765	
Other investments	-	-	500	-	-	-			500	
Gross carrying amount - Total	1,692	-	129,699	-	1,792	82			133,265	
Carrying amount - Fair value at 31 December 2020	1,823	-	152,914	-	1,813	85			156,635	
2019 effects										
Financial assets at FVTOCI										
Fixed income instruments	1,986	-	121,158	-	1,409	9			124,562	
Other investments	-	-	500	-	-	-			500	
Gross carrying amount - Total	1,986	-	121,658	-	1,409	9			125,062	
Carrying amount - Fair value at 31 December 2019	2,125	-	136,241	-	1,448	9			139,823	

The following table shows the counterparty concentration of credit risk by financial asset class. Amounts refer to the gross carrying amount.

<u>Poste Italiane Group - Credit risk - Credit risk concentration</u>		<u>(€m)</u>		
<u>Description</u>	<u>31/12/2020</u>		<u>31/12/2019</u>	
	<u>Gross Carrying amount</u>	<u>Provision to cover expected losses</u>	<u>Gross Carrying amount</u>	<u>Provision to cover expected losses</u>
Financial assets at amortised cost	45,694	(40)	36,755	(32)
Loans	21	-	-	-
Sovereign	-	-	-	-
Corporate	21	-	-	-
Banking	-	-	-	-
Receivables	14,934	(24)	12,823	(23)
Sovereign	7,340	(4)	7,066	(3)
Corporate	1,290	(20)	1,105	(20)
Banking	6,304	-	4,652	-
Fixed income instruments	30,739	(16)	23,932	(9)
Sovereign	27,708	(14)	20,151	(8)
Corporate	3,020	(2)	3,770	(1)
Banking	11	-	11	-
Financial assets at FVTOCI	133,265	(77)	125,062	(48)
Fixed income instruments	132,765	(77)	124,562	(48)
Sovereign	114,884	(58)	108,464	(37)
Corporate	10,502	(17)	9,461	(9)
Banking	7,379	(2)	6,637	(2)
Other investments	500	-	500	-
Sovereign	-	-	-	-
Corporate	-	-	-	-
Banking	500	-	500	-
Total	178,959	(117)	161,817	(80)

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 securities;
- 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.

There were no impacts from the Covid-19 pandemic on guarantees and other credit risk mitigation instruments.

At 31 December 2020, 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 €3,000 million at 31 December 2020. 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 €4,352 million at 31 December 2020. 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 by the parent company or another associate, amounting to a nominal value of €3,708 million;
 - covered bonds backed by mortgages, primarily property mortgages, amounting to a nominal value of €256 million;
 - bonds guaranteed by sovereign states, amounting to a nominal value of €388 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

(€m)

Poste Italiane Group - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost

Description	Amortised cost		Total
	Receivables	Fixed income instruments	
	Stage 1	Stage 1	
Balance at 1 January 2020	23	9	32
Impairment of securities / receivables held at the beginning of the period	1	3	4
Reversal of securities / receivables held at the beginning of the period	-	-	-
Impairment of securities / receivables purchased/paid in the period	-	5	5
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	(1)	(1)
Balance at 31 December 2020	24	16	40

At 31 December 2020, estimated expected losses on financial instruments measured at amortised cost amount to approximately €40 million. The increase in the provision to cover expected losses takes account of the increased risk caused by the current pandemic.

(€m)

Poste Italiane Group - Credit risk - Details of the provision to cover expected losses on financial instruments at FVTOCI

Description	FVTOCI		Total
	Receivables	Fixed income instruments	
	Stage 1	Stage 1	
Balance at 1 January 2020	-	13	13
Impairment of securities / receivables held at the beginning of the period	-	4	4
Reversal of securities / receivables held at the beginning of the period	-	-	-
Impairment of securities / receivables purchased/paid in the period	-	4	4
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	(2)	(2)
Balance at 31 December 2020	-	19	19

At 31 December 2020, estimated expected losses on financial instruments measured at fair value through other comprehensive income amount to approximately €19 million. The increase in the provision to cover expected losses takes account of the increased risk caused by the current pandemic.

The value of ECL recorded in the financial statements derives mainly from exposures to the Italian Republic. In the calculation of the ECL, the sensitive parameter is the Probability of Default (PD) which, in the case of the Italian Republic, is estimated through the application of an internal model dedicated to sovereign counterparties that uses macroeconomic variables as inputs. The sensitivity of the PD, and therefore of the ECL, to these macroeconomic factors can be assessed by comparing the PD value of the Italian Republic in two forecast scenarios for 2021. At 31 December 2020, the following sensitivity analysis was performed on financial instruments relating to BancoPosta RFC:

- the application of the model to a scenario characterised by an increase in the Debt/GDP ratio of 4% would result in an increase in the PD of the Italian Republic of 9%, with a negative effect on the Fund to cover expected losses of approximately €3 million,
- the application of the model to a scenario characterised by a decrease in the Debt/GDP ratio of 4% would determine a decrease in the PD of the Italian Republic of 19% with a consequent positive effect of approximately €6 million on the Fund to cover expected losses.

The above sensitivity analysis was not carried out on the financial instruments relating to the Poste Vita insurance group, as the related provision to cover expected losses is almost entirely passed on to policyholders via shadow accounting.

Trade receivables

The Poste Italiane Group's exposure to credit risk, in relation to each class of **trade receivables** at 31 December 2020, 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 (€m)

Description	31/12/2020		31/12/2019	
	Gross Carrying amount	Provision to cover expected losses	Gross Carrying amount	Provision to cover expected losses
Trade receivables				
Due from customers	1,755	305	1,621	305
Cassa Depositi e Prestiti	432	-	451	-
Ministries and public entities	305	132	322	124
Overseas counterparties	316	2	229	2
Private customers	702	171	619	179
Due from the Parent Company	66	31	74	31
Due from others	1	-	1	-
Total	1,822	336	1,696	336

Poste Italiane Group - Credit risk - Trade receivables impaired on the basis of the simplified matrix (€m)

Range of past due	31/12/2020		31/12/2019	
	Gross Carrying amount	Provision to cover expected losses	Gross Carrying amount	Provision to cover expected losses
Not past due trade receivables	607	10	555	8
Past due 0 - 1 year	228	17	156	7
Past due 1 - 2 years	63	18	85	11
Past due 2 - 3 years	29	14	19	9
Past due 3 - 4 years	10	8	13	9
Past due > 4 years	57	57	63	63
Positions subject to legal recovery and/or insolvency proceedings	136	116	138	114
Total	1,129	240	1,030	221

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 (€m)

Description	Balance at 31/12/2019	Net provisions	Uses	Balance at 31/12/2020
Trade receivables				
Due from customers	525	66	(47)	544
Public administration entities	162	5	-	167
Overseas postal operators	12	-	-	12
Private customers	291	42	(39)	294
Interest on late payments	60	19	(8)	71
Due from the Parent Company	32	1	-	33
Total	557	67	(47)	577

At 31 December 2020, the provision for doubtful debts due from customers includes about €12 million set aside to account for the increased risk caused by the ongoing pandemic. Uses for the year mainly refer to the write-off of receivables following agreements signed with certain customers or following the conclusion of bankruptcy proceedings.

The provision for doubtful debts due from 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 (€m)

Description	Balance at 31/12/2019	Net provisions	Uses	Balance at 31/12/2020
Interest accrued on IRES refund	46	-	-	46
Public Administration entities for sundry services	1	-	-	1
Receivables relating to fixed-term contract settlements	12	7	-	19
Other receivables	87	5	(12)	80
Total	146	12	(12)	146

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 32¹⁵⁸.

In particular, the disclosures in question concern the following positions relating to Poste Italiane SpA at 31 December 2020:

- 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.

Repurchase agreement positions managed through the Central Counterparty, which meet the requirements of IAS 32, are shown net of offsetting.

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.

¹⁵⁸ 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:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis or to realise the asset and settle the liability simultaneously".

Financial assets offset in the financial statements or subject to master netting agreements or similar arrangements (€m)

Technical forms	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)	
FY 2020						
Financial assets attributable to						
Derivatives	78	-	78	78	-	-
Repurchase agreements	364	363	1	1	-	-
Financial assets						
Derivatives	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-
Total at 31 December 2020	442	363	79	79	-	-
FY 2019						
Financial assets attributable to						
Derivatives	73	-	73	73	-	-
Repurchase agreements	1,158	1,158	-	-	-	-
Financial assets						
Derivatives	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-
Total at 31 December 2019	1,231	1,158	73	73	-	-

Financial liabilities offset in the financial statements or subject to master netting agreements or similar arrangements (€m)

Technical forms	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)	
FY 2020						
Financial liabilities attributable to						
Derivatives	8,243	-	8,243	867	7,376	-
Repurchase agreements	14,711	363	14,348	14,359	(12)	1
Financial liabilities						
Derivatives	11	-	11	-	11	-
Repurchase agreements	412	-	412	408	4	-
Total at 31 December 2020	23,377	363	23,014	15,634	7,379	1
FY 2019						
Financial liabilities attributable to						
Derivatives	5,552	-	5,552	573	4,979	-
Repurchase agreements	12,194	1,158	11,036	11,027	9	-
Financial liabilities						
Derivatives	22	-	22	-	22	-
Repurchase agreements	-	-	-	-	-	-
Total at 31 December 2019	17,768	1,158	16,610	11,600	5,010	-

* 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 loans and counterparties; availability of relevant credit lines 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.

At 31 December 2020, unrestricted cash and cash equivalents amounted to €2.3 billion (of which €2.2 billion related to the Parent Company). The committed and uncommitted credit lines available to the Group and the related utilisations are summarised in the table below.

(€m)		
Description	Balance at 31/12/2020	Balance at 31/12/2019
Committed credit lines	1,750	2,000
Short-term loans	1,750	2,000
Uncommitted credit lines	1,893	1,964
Short-term loans	1,017	1,009
Current account overdrafts	148	173
Unsecured loans (*)	728	782
Total	3,643	3,964
Uncommitted uses	633	356
Short-term loans	250	-
Unsecured loans	383	356
Total	633	356

(*) At 31 December 2020, the Parent Company had €620 million in unsecured loans (€675 million at 31 December 2019).

No collateral has been provided to secure the credit lines obtained.

During 2020, in order to have additional liquidity and to cope with any adverse scenarios related to the COVID-19 pandemic, the Parent Company entered into three medium-term loans for €750 million, two of which were repaid early in November and December for a total of €500 million, and used uncommitted credit lines for short-term loans for a total of €660 million, of which €250 million were outstanding at 31 December 2020. The remaining medium-term loan of €250 million was repaid in advance in January 2021.

The uncommitted credit lines are also available for overnight transactions entered into by BancoPosta RFC. In addition, from 26 June 2020, BancoPosta's assets may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion.

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 €880 million, and the facility is unused at 31 December 2020.

At 31 December 2020, the Parent Company had an EMTN - Euro Medium Term Note program of €2 billion in place, thanks to which the Group can raise an additional €0.95 billion on the capital market. As part of this programme, in 2013, Poste Italiane placed a 10-year loan of €50 million on the Luxembourg Stock Exchange and in December 2020, it placed a further senior unsecured loan with a total nominal value of €1 billion.

The existing credit lines and medium/long-term loans are adequate to meet expected financing requirements. Moreover, the following tables compare the Poste Italiane Group's liabilities and assets at 31 December 2020, in terms of liquidity risk.

Poste Italiane Group - Liquidity Risk - Liabilities

(€m)

Description	31/12/2020				31/12/2019			
	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	10,369	36,925	129,524	176,818	13,000	34,452	108,125	155,577
Financial liabilities	46,691	18,994	24,638	90,323	38,356	16,685	18,930	73,971
Postal current accounts	22,968	13,110	22,737	58,815	18,062	12,438	17,827	48,327
Loans	10,521	5,674	1,082	17,277	8,557	3,705	578	12,840
Financial liabilities for leases	216	205	815	1,236	219	538	522	1,279
Other financial liabilities	12,986	5	4	12,995	11,518	4	3	11,525
Trade payables	1,839	-	-	1,839	1,627	-	-	1,627
Other liabilities	1,747	1,564	14	3,325	2,112	1,510	18	3,640
Total Liabilities	60,646	57,483	154,176	272,305	55,095	52,647	127,073	234,815

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 2020. 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

(€m)

Description	31/12/2020				31/12/2019			
	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	35,829	62,257	184,952	283,038	30,298	53,302	160,095	243,695
Trade receivables	2,375	2	-	2,377	2,166	3	2	2,171
Other receivables and assets	1,076	3,833	44	4,953	950	3,702	35	4,687
Cash and deposits attributable to BancoPosta	6,391	-	-	6,391	4,303	-	-	4,303
Cash and cash equivalents	4,516	-	-	4,516	2,149	-	-	2,149
Total Assets	50,187	66,092	184,996	301,275	39,866	57,007	160,132	257,005

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.

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 cards¹⁵⁹, 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

¹⁵⁹ Since 1 October 2018, prepaid cards have been the responsibility of PostePay SpA. The liquidity raised through these cards is transferred to BancoPosta, which invests the funds raised in Eurozone government bonds or other securities 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.

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 Eurozone 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.

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 2020 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 at 31 December 2020 for the Poste Italiane Group are shown in the following table.

Poste Italiane Group - Price risk									
Description	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
2020 effects									
Financial assets									
Financial assets at FVTPL	37,061	7,265	(7,265)	7,233	(7,233)	32	(32)	-	-
Equity instruments	272	120	(120)	89	(89)	31	(31)	-	-
Other investments	36,789	7,145	(7,145)	7,144	(7,144)	1	(1)	-	-
Derivative financial instruments	(20)	(31)	31	-	-	(31)	31	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	(20)	(31)	31	-	-	(31)	31	-	-
Variability at 31 December 2020	37,041	7,234	(7,234)	7,233	(7,233)	1	(1)	-	-
2019 effects									
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)	-	-	-	-
Derivative financial instruments	(16)	(12)	12	-	-	(12)	12	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	(16)	(12)	12	-	-	(12)	12	-	-
Variability at 31 December 2019	35,221	2,445	(2,445)	2,443	(2,443)	2	(2)	-	-

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 €36,789¹⁶⁰ million, including approximately €32,464 million used to cover Class I policies, approximately €4,320 million used to cover Class III policies and a residual amount relating to the free capital;
- equity instruments held by Poste Vita SpA, totalling €200 million, used to cover Class I policies linked to separately managed accounts and to cover Class III policies;
- shares held by BancoPosta RFC, totalling €72 million, consisting of €34 million in Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock) and €38 million in Visa Incorporated

¹⁶⁰ Not included in the scope of the analysis in question are €1,325 million of mutual funds with a predominantly bond composition.

preference shares (Series A Preferred Stock). 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.

Lastly, during 2019 and in the first months of 2020, shares in *Moneyfarm*, *sennder GmbH*, *Milkman*, *Tink* and *Volante*, 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 and PostePay, as described in further detail in the table 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 2020.

Poste Italiane Group - Cash flow inflation risk								(€m)	
Description	Risk exposure		Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax		
	Nominal	Carrying amount	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	
2020 effects									
Financial assets									
Financial assets at amortised cost	243	264	-	-	-	-	-	-	
Fixed income instruments	243	264	-	-	-	-	-	-	
Financial assets at FVTOCI	11,752	14,223	43	(43)	41	(41)	2	(2)	
Fixed income instruments	11,752	14,223	43	(43)	41	(41)	2	(2)	
Variability at 31 December 2020	11,995	14,487	43	(43)	41	(41)	2	(2)	
2019 effects									
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)	
Variability at 31 December 2019	11,555	13,392	41	(41)	39	(39)	2	(2)	

At 31 December 2020, 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 €9,805 million are held by Poste Vita SpA and securities totalling €2,143 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 2020.

Poste Italiane Group - Foreign exchange risk

(€m)

Description	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
2020 effects									
Financial assets									
Financial assets at FVTOCI	22	5	29	2	(2)	-	-	2	(2)
Equity instruments	22	5	29	2	(2)	-	-	2	(2)
Fixed income instruments	-	-	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	-	-
Financial assets at FVTPL	-	157	133	10	(10)	10	(10)	-	-
Equity instruments	-	89	72	5	(5)	5	(5)	-	-
Other investments	-	68	61	5	(5)	5	(5)	-	-
Derivative financial instruments	-	(24)	(20)	(1)	1	(1)	1	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	-	(24)	(20)	(1)	1	(1)	1	-	-
Variability at 31 December 2020	22	138	142	11	(11)	9	(9)	2	(2)
2019 effects									
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	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	-	-
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)	-	-
Derivative financial instruments	-	(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	-	-
Variability at 31 December 2019	14	137	139	6	(6)	5	(5)	1	(1)

The risk in question relates to equities held by the Parent Company and PostePay 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

(€m)

Description	Position in SDR	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
2020 effects								
Current assets in SDRs	244	287	11	(11)	11	(11)	-	-
Current liabilities in SDRs	(249)	(293)	(11)	11	(11)	11	-	-
Variability at 31 December 2020	(5)	(6)	-	-	-	-	-	-
2019 effects								
Current assets in SDRs	164	203	5	(5)	5	(5)	-	-
Current liabilities in SDRs	(148)	(182)	(4)	4	(4)	4	-	-
Variability at 31 December 2019	16	21	1	(1)	1	(1)	-	-

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									(€m)
Description	Risk exposure		Change in value		Profit/(Loss) before tax		Equity reserves before taxation		
	Nominal	Fair Value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	
2020 effects									
Financial assets attributable to BancoPosta									
Financial assets at FVTOCI	33,569	42,638	(1,299)	1,306	-	-	(1,299)	1,306	
Fixed income instruments	33,569	42,638	(1,299)	1,306	-	-	(1,299)	1,306	
Derivative financial instruments	268	-	19	(20)	-	-	19	(20)	
Cash flow hedge	268	-	19	(20)	-	-	19	(20)	
Financial assets									
Financial assets at FVTOCI	400	407	-	-	-	-	-	-	
Fixed income instruments	400	407	-	-	-	-	-	-	
Financial liabilities attributable to BancoPosta									
Derivative financial instruments	1,800	(54)	162	(179)	-	-	162	(179)	
Cash flow hedge	1,800	(54)	162	(179)	-	-	162	(179)	
Financial liabilities									
Derivative financial instruments	50	(5)	1	(1)	-	-	1	(1)	
Cash flow hedge	50	(5)	1	(1)	-	-	1	(1)	
Variability at 31 December 2020	36,087	42,986	(1,117)	1,106	-	-	(1,117)	1,106	
2019 effects									
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	
Derivative financial instruments	-	-	-	-	-	-	-	-	
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									
Derivative financial instruments	1,280	(36)	67	(71)	-	-	67	(71)	
Cash flow hedge	1,280	(36)	67	(71)	-	-	67	(71)	
Financial liabilities									
Derivative financial instruments	50	(6)	2	(2)	-	-	2	(2)	
Cash flow hedge	50	(6)	2	(2)	-	-	2	(2)	
Variability at 31 December 2019	33,000	37,281	(949)	932	-	-	(949)	932	

Cash flow interest rate risk

Cash flow interest rate risk (€m)					
Description	Risk exposure	Change in value		Profit/(Loss) before tax	
	Nominal	+100 bps	-100 bps	+100 bps	-100 bps
2020 effects					
Financial assets attributable to BancoPosta					
Financial assets at amortised cost					
Receivables					
Deposit with the MEF	7,340	73	(73)	73	(73)
Other financial receivables	7,494	75	(75)	75	(75)
Fixed income instruments	4,070	41	(41)	41	(41)
Financial assets at FVTOCI					
Fixed income instruments	6,029	60	(60)	60	(60)
Financial assets					
Financial assets at amortised cost					
Loans	374	4	(4)	4	(4)
Receivables					
Other financial receivables	15	-	-	-	-
Financial assets at FVTOCI					
Fixed income instruments	375	4	(4)	4	(4)
Cash and deposits attributable to BancoPosta					
Bank deposits	3,364	34	(34)	34	(34)
Cash and cash equivalents					
Bank deposits	573	6	(6)	6	(6)
Deposits with the MEF	1,991	20	(20)	20	(20)
Financial liabilities attributable to BancoPosta					
Loans	-	-	-	-	-
Due to financial institutions	(899)	(9)	9	(9)	9
Other financial liabilities	(392)	(4)	4	(4)	4
Financial liabilities					
Loans	-	-	-	-	-
Due to financial institutions	(250)	(3)	3	(3)	3
Financial liabilities due to subsidiaries	(729)	(7)	7	(7)	7
Variability at 31 December 2020	29,355	294	(294)	294	(294)
2019 effects					
Financial assets attributable to BancoPosta					
Financial assets at amortised cost					
Receivables					
Deposit with the 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					
Loans	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	(8)
Cash and cash equivalents					
Bank deposits	683	7	(7)	7	(7)
Deposits with the MEF	495	5	(5)	5	(5)
Financial liabilities attributable to BancoPosta					
Other financial liabilities	(112)	(1)	1	(1)	1
Financial liabilities					
Financial liabilities due to subsidiaries	(505)	(5)	5	(5)	5
Variability at 31 December 2019	20,964	210	(210)	210	(210)

Credit risk

Credit risk - Ratings for BancoPosta RFC

(€m)

Description	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			
2020 effects										
Financial assets at amortised cost										
Loans	-	-	1	-	-	-	-	-	-	1
Receivables	823	-	14,012	-	-	-	-	-	-	14,835
Fixed income instruments	-	-	28,880	-	-	-	-	-	-	28,880
Gross carrying amount - Total	823	-	42,893	-	-	-	-	-	-	43,716
Provision to cover expected losses	-	-	(19)	-	-	-	-	-	-	(19)
Total amortised cost at 31 December 2020	823	-	42,874	-	-	-	-	577	4,390	48,664
2019 effects										
Financial assets at amortised cost										
Loans	-	-	-	-	-	-	-	-	-	-
Receivables	1,532	-	10,944	-	251	-	-	-	-	12,727
Fixed income instruments	-	-	22,202	-	-	-	-	-	-	22,202
Gross carrying amount - Total	1,532	-	33,146	-	251	-	-	-	-	34,929
Provision to cover expected losses	-	-	(11)	-	-	-	-	-	-	(11)
Total amortised cost at 31 December 2019	1,532	-	33,135	-	251	-	-	507	2,870	38,295

Description	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			
2020 effects										
Financial assets at FVTOCI										
Fixed income instruments	-	-	35,925	-	-	-	-	-	-	35,925
Gross carrying amount - Total	-	-	35,925	-	-	-	-	-	-	35,925
Provision to cover expected losses - OCI	-	-	(18)	-	-	-	-	-	-	(18)
Carrying amount - Fair value at 31 December 2020	-	-	42,638	-	-	-	-	-	-	42,638
2019 effects										
Financial assets at FVTOCI										
Fixed income instruments	-	-	32,907	-	-	-	-	-	-	32,907
Gross carrying amount - Total	-	-	32,907	-	-	-	-	-	-	32,907
Provision to cover expected losses - OCI	-	-	(11)	-	-	-	-	-	-	(11)
Carrying amount - Fair value at 31 December 2019	-	-	36,798	-	-	-	-	-	-	36,798

Credit risk - Ratings for capital outside the ring-fence

(€m)

Description	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			
2020 effects										
Financial assets at amortised cost										
Loans	-	-	376	-	-	-	-	-	-	376
Receivables	4	-	60	-	-	-	-	-	-	64
Gross carrying amount - Total	4	-	436	-	-	-	-	-	-	440
Provision to cover expected losses	-	-	(21)	-	-	-	-	-	-	(21)
Total amortised cost at 31 December 2020	4	-	415	-	-	-	-	5	-	424
2019 effects										
Financial assets at amortised cost										
Loans	-	-	337	-	-	-	-	-	-	337
Receivables	-	-	64	-	8	-	-	-	-	72
Gross carrying amount - Total	-	-	401	-	8	-	-	-	-	409
Provision to cover expected losses	-	-	(20)	-	-	-	-	-	-	(20)
Total amortised cost at 31 December 2019	-	-	381	-	8	-	-	5	-	394

Description	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			
2020 effects										
Financial assets at FVTOCI										
Fixed income instruments	-	-	405	-	-	-	-	-	-	405
Gross carrying amount - Total	-	-	405	-	-	-	-	-	-	405
Carrying amount - Fair value at 31 December 2020	-	-	407	-	-	-	-	-	-	407
2019 effects										
Financial assets at FVTOCI										
Fixed income instruments	-	-	505	-	-	-	-	-	-	505
Gross carrying amount - Total	-	-	505	-	-	-	-	-	-	505
Carrying amount - Fair value at 31 December 2019	-	-	524	-	-	-	-	-	-	524

BancoPosta RFC - Credit risk - Concentration

(€m)

Description	31/12/2020		31/12/2019	
	Gross Carrying amount	Provision to cover expected losses	Gross Carrying amount	Provision to cover expected losses
Financial assets at amortised cost	43,716	(19)	34,928	(11)
Loans	1	-	-	-
Sovereign	-	-	-	-
Corporate	1	-	-	-
Banking	-	-	-	-
Receivables	14,835	(4)	12,726	(3)
Sovereign	7,340	(4)	7,066	(3)
Corporate	1,206	-	1,040	-
Banking	6,289	-	4,620	-
Fixed income instruments	28,880	(15)	22,202	(8)
Sovereign	25,868	(14)	18,440	(7)
Corporate	3,012	(1)	3,762	(1)
Banking	-	-	-	-
Financial assets at FVTOCI	35,925	(18)	32,907	(11)
Fixed income instruments	35,925	(18)	32,907	(11)
Sovereign	35,925	(18)	32,907	(11)
Corporate	-	-	-	-
Banking	-	-	-	-
Total	79,641	(37)	67,835	(22)

Capital outside the ring-fence - Credit risk - Concentration

(€m)

Description	31/12/2020		31/12/2019	
	Gross Carrying amount	Provision to cover expected losses	Gross Carrying amount	Provision to cover expected losses
Financial assets at amortised cost	445	(21)	415	(20)
Loans	376	(1)	338	-
Sovereign	-	-	-	-
Corporate	376	(1)	338	-
Banking	-	-	-	-
Receivables	69	(20)	77	(20)
Sovereign	-	-	-	-
Corporate	54	(20)	47	(20)
Banking	15	-	30	-
Financial assets at FVTOCI	405	-	505	-
Fixed income instruments	405	-	505	-
Sovereign	405	-	505	-
Corporate	-	-	-	-
Banking	-	-	-	-
Total	850	(21)	920	(20)

BancoPosta RFC - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost

(€m)

Description	Amortised cost		Total
	Receivables	Fixed income instruments	
	Stage 1	Stage 1	
Balance at 1 January 2020	3	8	11
Impairment of securities / receivables held at the beginning of the period	1	3	4
Reversal of securities / receivables held at the beginning of the period	-	-	-
Impairment of securities / receivables purchased/paid in the period	-	5	5
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	(1)	(1)
Balance at 31 December 2020	4	15	19

BancoPosta RFC - Credit risk - Details of the provision to cover expected losses on financial instruments at FVTOCI

(€m)

Description	FVTOCI		Total
	Receivables	Fixed income instruments	
	Stage 1	Stage 1	
Balance at 1 January 2020	-	11	11
Impairment of securities / receivables held at the beginning of the period	-	4	4
Reversal of securities / receivables held at the beginning of the period	-	-	-
Impairment of securities / receivables purchased/paid in the period	-	5	5
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	(2)	(2)
Balance at 31 December 2020	-	18	18

Capital outside the ring-fence - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost (€m)

Description	Amortised cost			Total
	Loans	Receivables	Fixed income instruments	
	Stage 1	Stage 1	Stage 1	
Balance at 1 January 2020	-	20	-	20
Impairment of securities / receivables held at the beginning of the period	1	-	-	1
Reversal of securities / receivables held at the beginning of the period	-	-	-	-
Impairment of securities / receivables purchased/paid in the period	-	-	-	-
Reversal for write-off	-	-	-	-
Reversal due to sale / collection	-	-	-	-
Balance at 31 December 2020	1	20	-	21

Capital outside the ring-fence - Credit risk - Details of the provision to cover expected losses on financial instruments at FVTOCI (€m)

Description	FVTOCI			Total
	Loans	Receivables	Fixed income instruments	
	Stage 1	Stage 1	Stage 1	
Balance at 1 January 2020	-	-	-	-
Impairment of securities / receivables held at the beginning of the period	-	-	-	-
Reversal of securities / receivables held at the beginning of the period	-	-	-	-
Impairment of securities / receivables purchased/paid in the period	-	-	-	-
Reversal for write-off	-	-	-	-
Reversal due to sale / collection	-	-	-	-
Balance at 31 December 2020	-	-	-	-

Credit risk - Trade receivables impaired on the analytical basis

(€m)

Description	31/12/2020		31/12/2019	
	Gross Carrying amount	Provisions for doubtful debts	Gross Carrying amount	Provisions for doubtful debts
Trade receivables				
Due from customers	1,507	256	1,434	259
Cassa Depositi e Prestiti	432	-	451	-
Ministries and public entities	283	114	300	110
Overseas counterparties	316	2	229	2
Private customers	476	140	454	147
Due from the Parent Company	66	31	74	32
Due from Group companies	891	1	482	-
Total	2,464	288	1,990	291

Credit risk - Trade receivables impaired on the basis of the simplified matrix

(€m)

Range of past due	31/12/2020		31/12/2019	
	Gross Carrying amount	Provisions for doubtful debts	Gross Carrying amount	Provisions for doubtful debts
Not past due trade receivables	556	8	477	6
Past due 0 - 1 year	203	14	127	4
Past due 1 - 2 years	56	13	79	9
Past due 2 - 3 years	26	12	16	7
Past due 3 - 4 years	8	7	10	7
Past due > 4 years	46	46	53	52
Positions subject to legal recovery and/or insolvency proceedings	88	75	85	72
Total	983	175	847	157

Details of the provision to cover expected losses on trade receivables

(€m)

	Balance at 01/01/2020	Net provisions	Uses	Changes from extraordinary operations	Balance at 31/12/2020
Trade receivables					
Due from customers	361	30	(30)	5	366
Private customers	193	24	(30)	2	189
Public administration entities	157	5	-	3	165
Overseas postal operators	11	1	-	-	12
Interest on late payments	52	19	(8)	-	63
Due from the Parent company	32	1	-	-	33
Due from Group companies	-	1	-	-	1
Total	445	51	(38)	5	463
of which attributable to BancoPosta RFC	40	7	(1)	-	46

Details of the provision to cover expected credit losses due from others

(€m)

	Balance at 01/01/2020	Net provisions	Uses	Balance at 31/12/2020
Public Administration entities for sundry services	2	-	-	2
Interest accrued on IRES refund	45	-	-	45
Receivables relating to fixed-term contract settlements	12	7	-	19
Other receivables	49	3	-	52
Total	108	10	-	118
of which attributable to BancoPosta RFC	29	-	-	29

Liquidity risk

Liquidity risk - Liabilities (€m)

Item	31/12/2020				31/12/2019			
	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	41,671	19,671	25,700	87,042	34,983	17,512	19,882	72,377
Postal current accounts	25,956	14,816	25,696	66,468	20,142	13,870	19,879	53,891
Loans	9,851	4,850	-	14,701	8,551	3,638	-	12,189
Other financial liabilities	5,864	5	4	5,873	6,290	4	3	6,297
Financial liabilities	1,587	941	1,844	4,372	700	540	1,064	2,304
Trade payables	2,121	-	-	2,121	1,598	-	-	1,598
Other liabilities	1,456	1,523	14	2,993	1,456	1,491	18	2,965
Total Liabilities	46,835	22,135	27,558	96,528	38,737	19,543	20,964	79,244

Liquidity risk - Assets (€m)

Description	31/12/2020				31/12/2019			
	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	23,573	10,984	62,710	97,267	20,656	10,588	54,966	86,210
Financial assets	494	82	337	913	241	576	324	1,141
Trade receivables	2,983	1	-	2,984	2,385	3	2	2,390
Other receivables and assets	903	1,547	44	2,494	1,020	1,414	35	2,469
Cash and deposits attributable to BancoPosta	6,391	-	-	6,391	4,303	-	-	4,303
Cash and cash equivalents	4,029	-	-	4,029	1,206	-	-	1,206
Total Assets	38,373	12,614	63,091	114,078	29,811	12,581	55,327	97,719

Price risk

Poste Italiane SpA - Price risk (€m)

Description	Risk exposure	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
2020 effects							
Financial assets attributable to BancoPosta							
Financial assets at FVTPL	73	31	(31)	31	(31)	-	-
Equity instruments	73	31	(31)	31	(31)	-	-
Financial liabilities attributable to BancoPosta							
Derivative financial instruments	(20)	(31)	31	(31)	31	-	-
Fair value through profit or loss	(20)	(31)	31	(31)	31	-	-
Variability at 31 December 2020	53	-	-	-	-	-	-
2019 effects							
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							
Derivative financial instruments	(15)	(12)	12	(12)	12	-	-
Fair value through profit or loss	(15)	(12)	12	(12)	12	-	-
Variability at 31 December 2019	56	2	(2)	2	(2)	-	-

Foreign exchange risk

Poste Italiane SpA - Currency risk USD

(€m)

Description	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
2020 effects								
Financial assets attributable to BancoPosta								
Financial assets at FVTPL	89	73	5	(5)	5	(5)	-	-
Equity instruments	89	73	5	(5)	5	(5)	-	-
Financial liabilities attributable to BancoPosta								
Derivative financial instruments	(24)	(20)	(1)	1	(1)	1	-	-
Fair value through profit or loss	(24)	(20)	(1)	1	(1)	1	-	-
Variability at 31 December 2020	65	53	4	(4)	4	(4)	-	-
2019 effects								
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								
Derivative financial instruments	(17)	(15)	(1)	1	(1)	1	-	-
Fair value through profit or loss	(17)	(15)	(1)	1	(1)	1	-	-
Variability at 31 December 2019	62	56	2	(2)	2	(2)	-	-

Poste Italiane SpA - Currency risk GBP

(€m)

Description	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
2020 effects								
Financial assets								
Financial assets at FVTOCI	22	24	2	(2)	-	-	2	(2)
Equity instruments	22	24	2	(2)	-	-	2	(2)
Variability at 31 December 2020	22	24	2	(2)	-	-	2	(2)
2019 effects								
Financial assets								
Financial assets at FVTOCI	14	16	1	(1)	-	-	1	(1)
Equity instruments	14	16	1	(1)	-	-	1	(1)
Variability at 31 December 2019	14	16	1	(1)	-	-	1	(1)

Poste Italiane SpA - Currency risk DSP

(€m)

Description	Position in DSP	Position in EUR	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
2020 effects								
Current assets in SDRs	244	287	11	(11)	11	(11)	-	-
Current liabilities in SDRs	(249)	(293)	(11)	11	(11)	11	-	-
Variability at 31 December 2020	(5)	(6)	-	-	-	-	-	-
2019 effects								
Current assets in SDRs	164	203	5	(5)	5	(5)	-	-
Current liabilities in SDRs	(148)	(182)	(4)	4	(4)	4	-	-
Variability at 31 December 2019	16	21	1	(1)	1	(1)	-	-

OTHER RISKS

The other principal risks to which the Poste Italiane Group is exposed at 31 December 2020 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 2020, activities continued to refine the operational risk management framework, with the aim of making the process of recording operational losses more efficient, monitoring, reporting 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 2019.

The activities carried out in 2020 also included assessments of the risk profile associated with the outsourcing of BP RFC and the ex-ante assessments of the risk profile associated with innovation in the BP offering and/or specific project initiatives.

At 31 December 2020, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC products are exposed to. In particular:

Operational risk

Event type	Number of types
Internal fraud	29
External fraud	44
Employee practices and workplace safety	7
Customers, products and business practices	34
Damage caused by external events	4
Business disruption and system failure	7
Execution, delivery and process management	108
Total at 31 December 2020	233

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, the exposure to risks is in line with that recorded in 2019 and the main operational losses relate to customer litigation expenses.

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.). Mortality, longevity and surrender risks are relevant here.

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 2020, 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 2.55% in 2020).

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.

The reinsurance strategy allows:

- mitigating risks, stabilising the variability of insurance business results and ensuring the technical balance of the portfolio;
- mitigating risks arising from peak exposures;
- strengthening financial soundness, if possible and/or necessary, optimising costs in terms of capital allocation and optimisation.

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 policies for accidents, fire, general liability and other damage to property, as well as catastrophic risks such as earthquake). Furthermore, when defining the guarantees offered in order to mitigate the assumption of specific types of risk and particularly unfavourable technical trends, compensation limits have been introduced (stop loss) in the case of certain specific types of loss. The latter approach is used, for example, for the main health risks (retail and corporate), including the credit protection segment.

Poste Assicura defines, on each occasion, the risk quota and reinsurance structure deemed most appropriate in relation to the characteristics of the risk in question.

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).

7. DETERMINATION OF FAIR VALUE

7.1 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 general principles for measuring financial instruments at fair value have been updated since 31 December 2019 primarily to review roles and responsibilities in the process of establishing and implementing the Policy and to integrate, among others, the models supporting the valuation of unlisted shares described below. These general principles have been identified in compliance with the indications from the reference accounting standards and from the various Regulators (banking and insurance), ensuring uniformity in the valuation techniques adopted within the Group. 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 liability¹⁶¹. 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:**

¹⁶¹ 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, for example, quoted prices provided by third parties (pricing or brokerage services), yield and inflation curves, 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.

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.

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 (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.

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 to the tenant or the minimum selling price if the property is sold through a public auction.

Unquoted equity instruments: this category includes shares for which no price is observable directly or indirectly in the market. For these types of instruments, fair value is determined by considering the implicit valuation at the time of acquisition, adjusted by value adjustments to take account of any changes in price

resulting from significant transactions¹⁶² observable on the market in the 12 months prior to the reporting date. Alternatively, and in the absence of significant transactions, the fair value of the share is determined using alternative methods (verification of financial data that can be inferred from the company's Business Plans if available and analysis of the company's performance, multiple market use, etc.).

7.2 FAIR VALUE HIERARCHY

The following table shows an analysis of financial instruments measured at fair value at 31 December 2020, classified by level in the fair value hierarchy.

Fair value hierarchy									(€m)
Description	31/12/2020				31/12/2019				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
Financial assets									
Financial assets at FVTOCI	146,155	10,480	76	156,711	130,322	9,499	23	139,844	
Equity instruments	-	-	76	76	-	-	23	23	
Fixed income instruments	146,155	9,940	-	156,095	130,322	8,960	-	139,282	
Other investments	-	540	-	540	-	539	-	539	
Financial assets at FVTPL									
Receivables	4,164	31,572	4,680	40,416	3,234	30,614	3,848	37,696	
Equity instruments	-	-	15	15	-	-	-	-	
Fixed income instruments	200	38	34	272	177	-	71	248	
Other investments	1,829	163	-	1,992	1,308	191	-	1,499	
Derivative financial instruments	2,135	31,371	4,631	38,137	1,749	30,423	3,777	35,949	
Derivative financial instruments	-	79	-	79	-	73	-	73	
Total	150,319	42,131	4,756	197,206	133,556	40,186	3,871	177,613	
Financial liabilities									
Financial liabilities at fair value	-	-	-	-	-	-	-	-	
Derivative financial instruments	-	(8,263)	(20)	(8,283)	-	(5,575)	(15)	(5,590)	
Total	-	(8,263)	(20)	(8,283)	-	(5,575)	(15)	(5,590)	

Transfers between levels 1 and 2, relating entirely to the Poste Vita insurance group, are shown below:

Transfers from Level 1 to Level 2					(€m)
Description	From Level 1 to Level 2		From Level 2 to Level 1		
	Level 1	Level 2	Level 1	Level 2	
Transfers of financial assets					
Financial assets at FVTOCI					
Equity instruments	-	-	-	-	
Fixed income instruments	(105)	105	333	(333)	
Other investments	-	-	-	-	
Financial assets at FVTPL					
Receivables	-	-	-	-	
Equity instruments	-	-	-	-	
Fixed income instruments	(7)	7	8	(8)	
Other investments	-	-	-	-	
Net transfers	(112)	112	341	(341)	

Reclassifications from level 1 to level 2 relate to financial instruments whose value, at 31 December 2020, 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 2020, is observable in a liquid and active market.

¹⁶² A relevant transaction in this context is defined as a minimum investment of €10 million or at least 5% of the share capital of the investee entity over the last twelve months from the reporting date.

Movements in level 3 during the year are shown below:

Changes in financial instruments - level 3 (€m)

Description	Financial assets			Total
	Financial assets at FVTOCI	Financial assets at FVTPL	Derivative financial instruments	
Balance at 1 January 2020	23	3,848	-	3,871
Purchases/Issues	41	1,187	-	1,228
Sales/Extinguishment of initial accruals	-	(213)	-	(213)
Redemptions	-	-	-	-
Changes in fair value through profit or loss	-	(111)	-	(111)
Changes in fair value through equity	17	-	-	17
Transfers to profit or loss	-	-	-	-
Gains/Losses in profit or loss due to sales	-	-	-	-
Transfers to level 3	-	-	-	-
Transfers to other levels	-	(31)	-	(31)
Changes in amortised cost	-	-	-	-
Write-off	-	-	-	-
Other changes (including accruals at end of period)	(5)	-	-	(5)
Balance at 31 December 2020	76	4,680	-	4,756

Financial instruments classified in level 3 are held primarily by Poste Vita SpA and, to a residual extent, by Poste Italiane SpA.

With respect to the Parent Company, as a result of the 24 September 2020 conversion of a portion of the Visa Series C shares into Visa Series A Preferred Stock, approximately 31 million of the C shares were reclassified from Level 3 to Level 2.

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, private debt and 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.

8. 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 transactions involving fixed-income or inflation-linked securities held by BancoPosta.

Hedging transactions - Fair value hedges

Hedging transactions on fixed income and inflation-linked government securities

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 test¹⁶³, using the approaches illustrated in the following notes.

The retrospective effectiveness test is run by utilising the "dollar offset approach through the hypothetical derivative¹⁶⁴". 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

¹⁶³ 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.

¹⁶⁴ 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).

main source of ineffectiveness¹⁶⁵. 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.

For the purposes of the prospective effectiveness test, different approaches have been adopted, depending on the characteristics of the hedging instrument. Specifically:

- the "Critical terms¹⁶⁶" 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 derivative¹⁶⁷. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

Finally, the Poste Vita Group has entered into forward sales agreements in order to protect unrealised gains on government bonds held by the Separately Managed Account, Posta ValorePiù, against unexpected changes in interest rates and/or credit risk. For the retrospective and prospective effectiveness test, the company adopts the "dollar offset through the hypothetical derivative" approach.

Hedging transactions on repurchase agreements

The Poste Italiane Group engages in repurchase agreements, in euro government bonds or securities guaranteed by the Italian government, for a variety of purposes, including investing in government securities, meeting liquidity requirements deriving from the funding of current accounts, actively managing treasury positions and managing deposits as collateral in collateralisation transactions. These transactions are mainly at fixed rates and are therefore exposed to changes in fair value due to fluctuations in interest rates.

To limit the effects of interest rates on fair value, the Group enters into Interest Rate Swaps (IRC) Over the Counter (OTC) to hedge the fair value of the repurchase agreements held in portfolio.

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, using the approaches illustrated in the following notes.

For the retrospective effectiveness test, the Group adopts the "dollar offset through the hypothetical derivative" approach. 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 and differ solely in the fixed rate component which is therefore considered the main source of

¹⁶⁵ 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.

¹⁶⁶ 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.

¹⁶⁷ Calculated by assuming a parallel shift of + / - 100 bps of the curves.

ineffectiveness¹⁶⁸. 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.

For the purposes of the prospective effectiveness test, the Group adopts the "dollar offset through the hypothetical derivative" approach 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 derivative¹⁶⁹. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

Hedging transactions – Cash flow hedges

Hedging transactions on inflation-linked government securities and forecast transactions

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 contracts¹⁷⁰.

¹⁶⁸ The hedge is carried out by defining the variable rate component simply indexed to Euribor and the fixed rate component that instead incorporates market conditions. The hypothetical derivative uses the mid-market 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.

¹⁶⁹ Calculated by assuming a parallel shift of + / - 100 bps of the curves.

¹⁷⁰ 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.

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 component¹⁷¹. 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 derivative¹⁷². The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

Variable rate bond 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 time distribution based on the remaining contract duration. The average interest rate of the interest rate swaps shown represents the contractually expected average fixed rate of the hedging transaction by maturity band.

¹⁷¹ 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.

¹⁷² Calculated by assuming a parallel shift of + / - 100 bps of the curves.

Time distribution based on remaining duration of cash flow hedge contracts

	(€m)			
	Maturity			
	Up to 1 year	1 - 5 years	Over 5 years	Total
Cash flow hedges - Interest rate risk				
Forward sales				
Nominal	2,068	-	-	2,068
Settlement price	2,449	-	-	2,449
Interest rate sw aps				
Nominal	200	290	1,280	1,770
Average rate %	4.75	4.949%	4.106%	4.346%

Time distribution based on remaining duration of fair value hedge contracts

	(€m)			
	Maturity			
	Up to 1 year	1 - 5 years	Over 5 years	Total
Fair value hedges - Interest rate risk				
Forward sales				
Nominal	1,260	-	-	1,260
Settlement price	1,302	-	-	1,302
Interest rate sw aps				
Nominal	375	925	30,109	31,409

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 use to recognise ineffective portion of hedge	Accumulated amount of fair value hedge adjustments on the hedged item in case of discontinuing
		Assets	Liabilities	Assets	Liabilities		
Hedged items							
Fixed income instruments, of which:		44,105	-	4,389	-	3,255	-
at amortised cost		21,884	-	4,389	-	1,658	-
at FVTOCI		22,221	-		-	1,596	-
Repurchase agreements		-	(901)		-	-	-
Hedging instruments							
Interest rate sw aps	31,409	11	(8,127)			(3,248)	
Forward sales	1,260	-	(10)			(10)	
Profits/(losses) on hedging recognised in P&L						(3)	

*Not including provision to cover expected losses

Cash flow hedges - Rate risk

	(€m)					
	Nominal	Carrying amount		Change in value use to recognise ineffective portion of hedge	Cash flow hedge	
		Assets	Liabilities		Hedge reserve	Discontinued
Hedged items						
Fixed income instruments, of which:				50		
at amortised cost		-	-	-		
at FVTOCI		4,786	-	50		
Bond		-	(50)	1		
Forward purchases instruments				-		
Hedging instruments						
Forward purchases					167	
Forward sales	2,068	-	(54)	(55)	(54)	
Interest rate sw aps	1,770	68	(74)	4	25	
Profits/(losses) on hedging recognised in P&L						

The table below shows the effects of cash flow hedges on other comprehensive income.

Impact on OCI of cash flow hedges - Rate risk

	(€m)		
	Profits/(losses) on hedging recognised in OCI period fair value (inc./dec.)	Transfers to profit or loss:	
		Hedge accounting effects	Discontinued
Fixed income instruments	(27)	3	-
Bond	(1)	2	-
Total	(28)	5	-

Reform of the reference indices for determining interest rates

A reform of the main interest rate benchmarks known as the "IBOR (InterBank Offered Rate) Reform" is underway globally, involving the replacement of certain interbank rates with alternative risk-free rates. Regulatory bodies in various jurisdictions around the world, have initiated a substitution process and working groups have developed the alternative reference rates as well as guidelines to update the contract models.

Currently, the main benchmark indices for the Eurozone are:

- the Euro Short Term Rate - ESTR (administered by the European Central Bank and published from 2 October 2019) which replaces the Euro OverNight Index Average (EONIA - no longer quoted from 1 January 2022) redefining it as ESTR plus 8.5 bps;
- the EURIBOR (administered by the European Money Market Institute), whose reform process ended in November 2019.

The Group has financial instruments indexed to EURIBOR, which continues to be quoted daily and the related cash flows continue to be exchanged with counterparties as usual. There is therefore no uncertainty regarding this parameter resulting from the IBOR reform at 31 December 2020. These instruments are subject to daily collateralisation remunerated to EONIA which, as mentioned above, will be replaced from next year by ESTR.

In addition, the Group holds interest rate swaps designated as fair value hedges with a floating "leg" indexed to EURIBOR and a notional value of €31,034 million, almost entirely held by BancoPosta RFC.

9. 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 until 31 December 2020. As of today, the Court of Cassation has not set a hearing for the purpose of declaring the discontinuance of the matter in dispute.

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 no. 119/2018 is supported by the participation in the collaborative compliance regime with the tax authorities provided for by Law Decree no. 128 of 5 August 2015 (Cooperative Compliance). Since by the deadline of 31 July 2020 (deadline set forth in paragraph 12 of art. 6 of Law Decree no. 119/2018) the Company has not received any denial notices from the tax authorities, the settlement of the disputes can be considered correctly completed. The Company then released the amount set aside in the provision for risks.

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 Law Decree no. 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. On 24 June 2020, after the deadline for the appeal had expired, the decision in favour of the Company became final;
- 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. At the hearing held on 30 September 2020, the Provincial Tax Tribunal of Rome, having acknowledged the measure of full annulment in self defence issued by the Revenue Agency to annul the contested assessment notice in its entirety with a concurrent request for the extinction of the proceedings due to the discontinuance of the dispute and compensation for litigation expenses, reserved the right to decide. With a ruling dated 22 October 2020, the Regional Tax Tribunal of Rome fully upheld the appeal filed on behalf of the Company and cancelled the assessment notice issued in relation to the 2014 tax year.

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. The hearing originally scheduled for 17 February 2021, for which a request for oral arguments was sent on 21 January 2021, has not yet been discussed nor has any news been received regarding the date of postponement.

In November 2018, **Consorzio Postemotori** received notice of an order issued by the Criminal Court in Rome containing a precautionary seizure regarding the consortium, amounting to €4.6 million. On 13 May 2019, the G.U.P. of the Ordinary Court of Rome downsized the original charges establishing the committal for trial only in relation to part of the charges relating to the liability invoicing transactions of a subcontractor and a tax consultant of one of the partners. The Consortium mandated an external criminal lawyer to file a petition for release from seizure with respect to the criminal seizure ordered against the Consortium.

SOCIAL SECURITY DISPUTES

Since 2012 and until 31 December 2020, 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 €25.1 million. 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 2020.

Moreover, 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. With regard to the latter claim, the company settled differently depending on the period under consideration:

- for October, November and December 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;
- for the year 2018 and the first 7 months of 2019, two Notices of Debit were served with the request for payment of the CUAF at 0.68% and minor contributions CIG, CIGS to Postel, which it paid, subject to repetition reserve awaiting the decision of the appeal pending in Cassation;
- with effect from January 2020, Postel pays the CUAF rate to INPS at 0.68% instead of 4.40%, as a result of the provisions of art. 11, paragraph 5 bis of Law Decree no. 162 of 2019, converted into Law no. 8 of 28 February 2020.

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 also based on the opinion of its legal advisors.

Provisions recognised in the financial statements at 31 December 2020 amount to €11.25 million.

PRINCIPAL PROCEEDINGS PENDING AND 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 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. Poste Italiane has challenged the above measure before the Lazio Regional Administrative Court (TAR). The hearing on the merits scheduled for 8 April 2020 was postponed to 20 July 2020 at which time the hearing was postponed to a date to be determined.

On 19 November 2019, the AGCM initiated proceedings **PS11563** against **Poste Italiane** in order to ascertain allegedly unfair commercial practice in the delivery of mail and, in particular, registered mail, in possible violation of articles 20, 21 and 22 of the Consumer Code. In particular, according to some customers: i) the advertised features of the "registered mail delivery" service are not reflected in the service actually provided; ii) the advertising for the "digital registered mail collection" service does not make it clear that the service may no longer be free of charge in the near future and that, in any case, there are restrictions on its use, since it can only be accessed if the sender has authorised it. In January 2020, a number of consumer associations were admitted to the proceedings. At the conclusion of the proceedings, by way of a measure notified on 15 September 2020, the Authority imposed an administrative fine of €5 million, payment of which was made on 5 January 2021. Poste Italiane has appealed this decision to the Lazio Regional Administrative Court, and the hearing on the merits has been set for 26 May 2021.

On 6 April 2020, pursuant to art. 9, paragraph 3-bis of Law 192/98 and art. 14 of Law 287/90, the AGCM initiated proceedings **A539** against **Poste Italiane**, following a complaint by a third-party supplier that Poste Italiane had presumably imposed unjustifiably burdensome contractual clauses. In particular, following the termination of contractual relations in mid-2017, the supplier was not, in fact, able to otherwise offer the services it was providing on the market because of the obligation to comply with rules and organisational parameters considered such as to make the company structure excessively rigid, making it unsuitable to operate with parties other than Poste Italiane. A hearing was held on 8 June 2020 at which Poste Italiane stated its position and, subsequently, the Authority requested the delivery of documentation. Additional hearings were held on 30 November 2020 and 3 February 2021. The proceedings are still in the pre-trial phase.

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"¹⁷³. In this regard:

- (i) During 2020, the procedure for verifying the net cost of the universal postal service for the year 2019 was launched. In particular, with a communication dated 8 July 2020, AGCom extended to 2019 the objective scope of the net cost verification procedure of the universal postal service for the years 2017 and 2018, previously initiated with Resolution 215/19/CONS of 2 July 2019.
- (ii) 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 2 October 2019, Poste Italiane challenged this resolution by filing an appeal before the Lazio Regional Administrative Court (still pending).
- (iii) 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).
- (iv) 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).

On 8 October 2020, with Notice of Objection **30/20/DSP**, AGCom notified **Poste Italiane** that it had breached its obligation to provide continuity in the provision of the universal service, in relation to the failure to open certain Post Offices, concentrated almost entirely in Trentino Alto Adige, due to the sudden absence of personnel, in the period from 1 January to 21 February 2020. Poste Italiane sent its defence briefs to the Authority on 6 November 2020. By way of Resolution 48/21/CONS, published on 8 March 2021, at the conclusion of the proceedings in question, the Authority imposed an administrative fine of €1.06 million (€10

¹⁷³ 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.

thousand for each of the disputed events), equal to the same amount that the Company would have paid if it had availed itself of reduced payment. At 31 December 2020, the Company has taken into account the penalty in the determination of the Provisions for risks and charges, the payment of which is due by 5 April 2021.

Bank of Italy

On 26 February 2020, the Bank of Italy launched an ordinary and general inspection of BancoPosta Fondi S.p.A. SGR, in accordance with article 6-ter of Legislative Decree no. 58 of 24 February 1998. Subsequently, on 22 May 2020, the Authority communicated the interruption of the inspection, in relation to the impossibility - due to the health emergency in progress - to remotely complete some verification activities and that for the above reasons, the delivery of an ordinary inspection report is not expected.

On 5 May 2020, a communication from the Bank of Italy was received containing the results of the transparency audits it carried out from 23 May to 19 July 2019 at 24 Post Offices and headquarters, which concerned, among other things: the organisational structure of BancoPosta, the Group and the territorial network, the management of relations with external partners, and the management of payment not approved. In response to the feedback of the Bank of Italy, the Company has prepared a plan containing the corrective measures to be put in place with an indication of the implementation methods and timing, which was communicated to the Bank of Italy on 3 July 2020.

CONSOB

In January 2020, the Consob launched an inspection of a general nature pursuant to article 6-ter, paragraph 1, of Legislative Decree no. 58 of 24 February 1998, aimed at ascertaining the state of adaptation to the new MiFID 2 legislation. The inspection was completed on 23 October 2020. The Company is awaiting feedback from the Authority.

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

On 19 February 2020, IVASS notified **Poste Vita** of a complaint concerning the alleged delay in the liquidation of life insurance policies. The Company filed its defence briefs, the filing deadline for which, set at 60 days from the date of notification, was suspended from 23 February to 15 April 2020 and further extended to 15 May 2020 due to the entry into force of Law Decree no. 23 of 8 April 2020, published in the Official Gazette no. 94 of 8 April 2020. Subsequently, on 25 August 2020, IVASS notified Poste Vita of a further complaint regarding the alleged delay in settling life insurance policies. The Company filed its defence briefs within the prescribed time.

It should also be noted that on 14 December 2020, IVASS launched an ordinary audit on the assessment of governance, management and control of investments and financial risks, the activities of which are still ongoing.

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, for the part of the fine not annulled by the Court, to the Court of Cassation, which rejected the appeal filed by the Company and upheld the fine of €0.34 million. We are waiting for the Data Protection Authority to summarise the judgement before the Court of Rome, as pronounced by the Court of Cassation.

Despite the pending judgement at the Court of Cassation referred to above, 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 Authority appealed against this judgement to the Court of Cassation, notified on 3 August 2018, and Postel took steps to duly institute legal proceedings. The Court of Cassation, fully adhering to the Company's arguments, declared the appeal filed by the Authority inadmissible, also ordering it to reimburse the legal costs.

10. MATERIAL NON-RECURRING EVENTS AND/OR TRANSACTIONS

A brief summary of the impact of material non-recurring events and transactions¹⁷⁴ involving the Poste Italiane Group in 2019, is provided below, as required by Consob ruling DEM/6064293 of 28 July 2006:

- income of €96 million relating, for €81 million, to the "Patent Box", covering the years 2015-2019, of which €58 million recognised by Poste Vita and Poste Assicura and €23 million by the Parent Company. Agreements to recognise the economic contribution were entered into with the Revenue Agency on 16 December 2020 for Poste Vita, 21 December 2020 for Poste Italiane and 22 December 2020 for Poste Assicura. The remaining €15 million refers to the tax benefit for the Parent Company related to the Aid to Economic Growth (ACE), referring to the 2015-2016 financial years for which, in the year under review, the uncertainties associated with the quantification no longer exist.

11. 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 transactions¹⁷⁵ in 2020.

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

The events that occurred after the reporting date are described below. For a complete description of these events, please refer to paragraph 3.1 - *Principal corporate actions*.

- sennder GmbH

In January 2021, Poste Italiane took part in a new capital increase promoted by sennder GmbH, investing €7.5 million and increasing its holding in the German company to 2.0% (1.8% on a fully diluted basis).

- Nexive Group Srl

As part of the agreement between Poste Italiane SpA and the Dutch company PostNL European Mail Holdings B.V. ("PostNL") and the German company Mutares Holding - 32 GmbH ("Mutares Holding"), on 29 January 2021, Poste Italiane acquired from PostNL and Mutares the entire share capital of Nexive at a price of €34.4 million, based on an Enterprise Value of €50 million and net debt of €15.6 million.

- Sengi Express Limited

On 19 January 2021, Poste Italiane SpA and Cloud Seven Holding Limited entered into a framework agreement under which Poste Italiane will acquire 51% of the voting capital of Sengi Express Limited ("Sengi Express"), a company wholly owned by Cloud Seven Holding Limited based in Hong Kong. The closing of the transaction was completed on 1 March 2021.

¹⁷⁴ 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.

¹⁷⁵ 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.

- PostePay: Debit business

On 27 January 2021, Poste Italiane's Board of Directors approved an amendment to BancoPosta RFC resulting in the removal of the restriction on the assets, properties and legal relationships that make up the Debit Business, to be submitted for final approval by Poste Italiane's Extraordinary Shareholders' Meeting, after obtaining all the authorisations required by current legislation and regulations; on 4 February 2021, PostePay's Extraordinary Shareholders' Meeting approved, among other things, a divisible capital increase to be subscribed and paid up by 30 September 2021 via the contribution in kind of the Debit Business by Poste Italiane.

13. ADDITIONAL INFORMATION

This note provides information applicable to both the Poste Italiane Group's consolidated financial statements and Poste Italiane S.p.A.'s separate financial statements, including qualitative and quantitative disclosures on matters residually 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 2020 are analysed below.

Poste Italiane Group

Net debt/(funds) at 31 December 2020

(€m)

Balance at 31/12/2020	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Eliminations	Consolidated	of which related parties
Financial liabilities	5,438	7,459	95,295	304	(10,266)	98,230	
Financial liabilities at amortised cost	3,757	7,085	79,756	41	(738)	89,901	4,379
Postal current accounts	-	-	59,548	-	(738)	58,810	1
Bonds	1,046	-	-	-	-	1,046	-
Due to financial institutions	1,488	-	14,347	-	-	15,835	-
Other borrowings	-	-	-	-	-	-	-
Lease payables	1,211	-	-	24	-	1,235	7
MEF account held at the Treasury	-	-	3,588	-	-	3,588	3,588
Other financial liabilities	12	7,085	2,273	17	-	9,387	783
Financial liabilities at FVTPL	46	-	-	-	-	46	-
Financial liabilities for purchase of minority interests	46	-	-	-	-	46	-
Derivative financial instruments	10	-	8,263	10	-	8,283	234
Intersegment financial liabilities	1,625	374	7,276	253	(9,528)	-	-
Technical provisions for insurance business	-	-	-	153,794	-	153,794	-
Financial assets	(1,310)	(7,753)	(92,385)	(155,953)	9,518	(247,883)	
Financial instruments at amortised cost	(75)	(133)	(48,590)	(1,879)	-	(50,677)	(10,934)
Financial instruments at FVTOCI	(447)	(36)	(42,671)	(113,557)	-	(156,711)	(540)
Financial instruments at FVTPL	-	-	(72)	(40,344)	-	(40,416)	(22)
Derivative financial instruments	-	-	(79)	-	-	(79)	-
Intersegment financial assets	(788)	(7,584)	(973)	(173)	9,518	-	-
Technical provisions attributable to reinsurers	-	-	-	(54)	-	(54)	-
Net financial liabilities/(assets)	4,128	(294)	2,910	(1,909)	(748)	4,087	
Cash and deposits attributable to BancoPosta	-	-	(6,391)	-	-	(6,391)	-
Cash and cash equivalents	(2,254)	(16)	(2,020)	(964)	738	(4,516)	(1,992)
Net debt/(funds)	1,874	(310)	(5,501)	(2,873)	(10)	(6,820)	

Net debt/(funds) at 31 December 2019

(€m)

Balance at 31/12/2019	Mail, Parcels and Distribution	Payments and Mobile	Financial Services	Insurance Services	Eliminations	Consolidated	of which related parties
Financial liabilities	3,061	5,539	77,061	295	(7,598)	78,358	
Financial liabilities at amortised cost	1,886	5,194	66,123	42	(477)	72,768	4,829
Postal current accounts	-	-	48,794	-	(477)	48,317	1
Bonds	50	-	-	-	-	50	-
Due to financial institutions	574	-	11,036	-	-	11,610	265
Other borrowings	-	-	-	-	-	-	-
Lease payables	1,251	1	-	27	-	1,279	9
MEF account held at the Treasury	-	-	4,542	-	-	4,542	4,542
Other financial liabilities	11	5,193	1,751	15	-	6,970	12
Derivative financial instruments	22	-	5,567	1	-	5,590	123
Intersegment financial liabilities	1,153	345	5,371	252	(7,121)	-	-
Technical provisions for insurance business	-	-	-	140,261	-	140,261	-
Financial assets	(1,395)	(5,645)	(75,920)	(141,936)	7,120	(217,776)	
Financial instruments at amortised cost	(62)	(115)	(38,244)	(1,742)	-	(40,163)	(11,181)
Financial instruments at FVTOCI	(547)	-	(36,831)	(102,466)	-	(139,844)	(539)
Financial instruments at FVTPL	-	-	(71)	(37,625)	-	(37,696)	(21)
Derivative financial instruments	-	-	(73)	-	-	(73)	(1)
Intersegment financial assets	(786)	(5,530)	(701)	(103)	7,120	-	-
Technical provisions attributable to reinsurers	-	-	-	(58)	-	(58)	-
Net financial liabilities/(assets)	1,666	(106)	1,141	(1,438)	(478)	785	
Cash and deposits attributable to BancoPosta	-	-	(4,303)	-	-	(4,303)	-
Cash and cash equivalents	(851)	(96)	(518)	(1,161)	477	(2,149)	(495)
Net debt/(funds)	815	(202)	(3,680)	(2,599)	(1)	(5,667)	

Total net debt/(funds) at 31 December 2020 showed funds of €6,820 million, up €1,153 million from 31 December 2019 (€5,667 million). This change was primarily attributable to positive operating income of €2.1 billion (including €1,206 million attributable to profit for the period) and the increase in the fair value of investments classified as FVTOCI held by the Financial Services SBU relating to the portion not hedged by fair value hedges amounting to €1.7 billion, partially offset by the negative change in working capital of about €1 billion, investments for €680 million and the distribution of dividends totalling €613 million.

An analysis of the net funds of the Mail, Parcels and Distribution segment at 31 December 2020, in accordance with ESMA recommendation 319/2013, is provided below:

ESMA net debt/(funds)	(€m)	
	At 31 December 2020	At 31 December 2019
A. Liquidity	(2,254)	(851)
B. Current financial receivables	(425)	(135)
C. Current due to banks	665	1
D. Current lease payables	212	215
E. Current portion of non-current debt	-	-
F. Other current borrowings	17	15
G. Current debt/(funds) (C+D+E+F)	894	231
H. Current net debt/(funds) (A+B+G)	(1,785)	(755)
I. Non-current due to banks	823	573
L. Bonds issued	1,046	50
M. Non-current lease payables	999	1,036
N. Other non-current payables	51	18
O. Non-current debt/(funds) (I+L+M+N)	2,919	1,677
P. Net debt/(funds) (ESMA) (H+O)	1,134	922
Non-current financial assets	(97)	(474)
Net debt/(funds)	1,037	448
Intersegment financial receivables and borrowings	837	367
Net debt/(funds) including intersegment transactions	1,874	815

Poste Italiane SpA

Net debt/(funds) (€m)					
Balance at 31/12/2020	Capital outside ring-fence	BancoPosta RFC	Eliminations	Poste Italiane SpA	of which related
Financial liabilities	5,237	95,086	(1,038)	99,285	
Postal current accounts	-	66,602	(140)	66,462	7,641
Bonds	1,046	-	-	1,046	-
Due to financial institutions	1,487	14,348	-	15,835	-
Lease payables	1,065	-	-	1,065	38
MEF account held at the Treasury	-	3,588	-	3,588	3,588
Derivative financial instruments	11	8,263	-	8,274	234
Other financial liabilities	730	2,285	-	3,015	1,536
Intersegment financial liabilities	898	-	(898)	-	-
Financial assets	(872)	(92,351)	898	(92,325)	
Financial instruments at amortised cost	(424)	(48,664)	-	(49,088)	(11,361)
Financial instruments at FVTOCI	(448)	(42,638)	-	(43,086)	-
Financial instruments at fair value through profit or loss	-	(73)	-	(73)	-
Derivative financial instruments	-	(78)	-	(78)	-
Intersegment financial assets	-	(898)	898	-	-
Liabilities/(net financial assets)	4,365	2,735	(140)	6,960	
Cash and deposits attributable to BancoPosta	-	(6,391)	-	(6,391)	
Cash and cash equivalents	(2,159)	(2,010)	140	(4,029)	(1,992)
Net debt/(funds)	2,206	(5,666)	-	(3,460)	

Net debt/(funds) (€m)					
Balance at 31/12/2019	Capital outside ring-fence	BancoPosta RFC	Eliminations	Poste Italiane SpA	of which related
Financial liabilities	2,948	76,837	(705)	79,080	
Postal current accounts	-	53,938	(58)	53,880	5,573
Bonds	50	-	-	50	-
Due to financial institutions	574	11,036	-	11,610	265
Lease payables	1,149	-	-	1,149	-
MEF account held at the Treasury	-	4,542	-	4,542	4,542
Derivative financial instruments	22	5,567	-	5,589	123
Other financial liabilities	506	1,754	-	2,260	571
Intersegment financial liabilities	647	-	(647)	-	-
Financial assets	(941)	(75,885)	647	(76,179)	
Financial instruments at amortised cost	(394)	(38,295)	-	(38,689)	(11,568)
Financial instruments at FVTOCI	(547)	(36,799)	-	(37,346)	-
Financial instruments at fair value through profit or loss	-	(71)	-	(71)	-
Derivative financial instruments	-	(73)	-	(73)	(1)
Intersegment financial assets	-	(647)	647	-	-
Liabilities/(net financial assets)	2,007	952	(58)	2,901	
Cash and deposits attributable to BancoPosta	-	(4,303)	-	(4,303)	
Cash and cash equivalents	(753)	(511)	58	(1,206)	(495)
Net debt/(funds)	1,254	(3,862)	-	(2,608)	

Total net funds of the Company at 31 December 2020, as described above, amounted to €3,460 million, up €852 million compared to 31 December 2019 (funds of €2,608 million). The main factors contributing to this change were a positive operating result of approximately €1 billion and an increase in the fair value of financial instruments at FVTOCI of €1.7 billion partially offset by investments of €612 million, distribution of dividends totalling €613 million and a negative change in net working capital of €377 million.

An analysis of the net funds of the Parent Company outside the ring-fence at 31 December 2020, in accordance with ESMA recommendation 319/2013, is provided below:

ESMA net financial indebtedness for capital outside ring-fence

(€m)

	At 31 December 2020	At 31 December 2019
A. Liquidity	(2,159)	(753)
B. Current financial receivables	(495)	(201)
C. Current due to banks	663	-
D. Current lease payables	187	190
E. Current portion of non-current debt	1	1
F. Other current borrowings	735	509
G. Current debt/(funds) (C+D+E+F)	1,586	700
H. Current net debt/(funds) (A+B+G)	(1,068)	(254)
I. Non-current due to banks	823	573
L. Bonds issued	1,046	50
M. Non-current lease payables	878	959
N. Other non-current payables	6	19
O. Non-current debt/(funds) (I+L+M+N)	2,753	1,601
P. Net debt/(funds) (ESMA) (H+O)	1,685	1,347
Non-current financial assets	(377)	(740)
RFC net debt/(funds)	1,308	607
Intersegment financial receivables and payables	898	647
Net debt/(funds) for capital outside ring-fence including intersegment transactions	2,206	1,254

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 2020, 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								(€m)
Description	Notes	31 December 2020			31 December 2019			
		Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value	
Financial assets attributable to BancoPosta	[A6]							
Financial assets at amortised cost		5,930	6,366	7,079	4,929	5,179	5,207	
Financial assets at FVTOCI		7,526	8,883	8,883	6,621	7,329	7,329	
Financial liabilities attributable to BancoPosta	[B6]							
Financial liabilities arising from repos		(14,717)	(14,711)	(14,743)	(12,201)	(12,194)	(12,205)	
Financial assets	[A7]							
Financial assets at FVTOCI		400	407	407	-	-	-	
Financial liabilities	[B7]							
Financial liabilities arising from repos		(414)	(412)	(412)	-	-	-	
Total		(1,275)	533	1,214	(651)	314	331	

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					(€m)
Description	31 December 2020		31 December 2019		
	Nominal value	Carrying amount	Nominal value	Carrying amount	
Financial assets attributable to BancoPosta					
Financial assets at amortised cost					
Loans and receivables	7,494	7,494	5,660	5,660	
Receivables used as collateral provided by CSAs	7,494	7,494	5,181	5,181	
Receivables used as collateral provided by GMIRAs	-	-	208	208	
Receivables in the form of guarantee deposits (Clearing House margin requirements)	-	-	271	271	
Fixed income instruments	6,427	6,969	5,457	5,706	
Securities involved in repurchase agreements	5,930	6,366	4,929	5,179	
Securities used as collateral provided by CSAs and GMIRAs	497	603	528	527	
Securities used as collateral for intraday credit from the Bank of Italy and for Sepa Direct Debits	-	-	-	-	
Financial assets at FVTOCI					
Fixed income instruments	8,615	9,992	7,557	8,290	
Securities involved in repurchase agreements	7,526	8,883	6,621	7,329	
Securities used as collateral provided by CSAs and GMIRAs	172	178	-	-	
Securities used as collateral for intraday credit from the Bank of Italy and for Sepa Direct Debits	917	931	936	961	
Financial assets					
Financial assets at amortised cost					
Loans and receivables	15	15	23	23	
Receivables used as collateral provided by CSAs	11	11	23	23	
Receivables used as collateral provided by GMIRAs	4	4	-	-	
Financial assets at FVTOCI					
Fixed income instruments	400	407	-	-	
Securities involved in repurchase agreements	400	407	-	-	
Total financial assets subject to encumbrances	22,951	24,877	18,697	19,679	

At 31 December 2020, the Parent Company has received financial assets as collateral for repurchase agreements and reverse repurchase agreements, having a nominal value of €375 million and a fair value of €379 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 2020 is shown in the table below.

Poste Italiane Group - Exposure to sovereign debt (€m)

Description	31/12/2020			31/12/2019		
	Nominal value	Carrying amount	Market Value	Nominal value	Carrying amount	Market Value
Italy	136,818	166,952	168,620	125,322	143,188	143,000
Financial assets at amortised cost	24,929	31,791	33,459	19,100	22,825	22,637
Financial assets at FVTOCI	111,842	135,111	135,111	106,170	120,308	120,308
Financial assets at FVTPL	47	50	50	52	55	55
Belgium	132	162	162	89	107	107
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	132	162	162	89	107	107
Financial assets at FVTPL	-	-	-	-	-	-
France	151	229	229	151	203	203
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	151	229	229	151	203	203
Financial assets at FVTPL	-	-	-	-	-	-
Germany	242	272	272	52	62	62
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	242	272	272	50	60	60
Financial assets at FVTPL	-	-	-	2	2	2
Ireland	10	14	14	10	13	13
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	10	14	14	10	13	13
Financial assets at FVTPL	-	-	-	-	-	-
Spain	1,230	2,001	2,002	1,159	1,780	1,781
Financial assets at amortised cost	3	3	4	3	3	4
Financial assets at FVTOCI	1,227	1,998	1,998	1,156	1,777	1,777
Financial assets at FVTPL	-	-	-	-	-	-
USA	25	25	25	1	1	1
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	25	25	25	1	1	1
Financial assets at FVTPL	-	-	-	-	-	-
Other countries	83	84	84	20	20	20
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	83	84	84	20	20	20
Financial assets at FVTPL	-	-	-	-	-	-
Total	138,691	169,739	171,408	126,804	145,374	145,187

Below are details for Poste Italiane

Credit risk - Exposure to sovereign debt (€m)

Description	31 December 2020			31 December 2019		
	Nominal value	Carrying amount	Market Value	Nominal value	Carrying amount	Market Value
Financial assets attributable to BancoPosta						
Italy	56,726	72,593	73,932	48,595	57,917	57,505
Financial assets at amortised cost	23,157	29,955	31,294	17,425	21,118	20,706
Financial assets at FVTOCI	33,569	42,638	42,638	31,170	36,799	36,799
Financial assets						
Italy	400	407	407	500	524	524
Financial assets at FVTOCI	400	407	407	500	524	524
Total	57,126	73,000	74,339	49,095	58,441	58,029

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

(€m)

ISIN - Name	Nature of entity	Activity of the Fund	% investment	NAV	
				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	31/12/2020	6,037
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	31/12/2020	5,129
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/2020	4,886
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/2020	4,321
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	31/12/2020	4,191
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/2020	909
LU1500341240 - MULTIFLEX-LT OPTIMAL MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/2020	884
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/2020	614
LU1500341752 - MULTIFLEX-DYNAMIC LT MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/2020	567
LU2051218035 - OLYMPIUM SEVERUM FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/2020	495
IT0004937691 - 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	31/12/2020	447
IT0005174450 - DIAMOND EUROZONE FUND OFFICE UBS	Italian-registered, 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	30/09/2020	383
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	30/09/2020	328
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	31/12/2020	312
IT0005247819 - Diamond Core	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	30/06/2020	276
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	30/09/2020	275
IT0005386666 - Fund i3-Dante segment Convivio	Italian-registered, closed-end multi-segment alternative real estate investment fund	Investment in "core" and "core plus" income real estate assets located in the central areas of the main Italian cities, starting with Rome and Milan	100	31/12/2020	249
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	30/06/2020	156
QU0006738854 - Prima Credit Opportunity Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/11/2020	140
IT0005215113 - CBRE DIAMOND FUND	Italian-registered, 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	30/09/2020	135
IT0005210593 - DIAMOND OTHER SECTOR ITALY	Italian-registered, 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	30/06/2020	110
QU0006746865 - ALC Prima European Private Credit Feeder Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/2020	107
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	Italian-registered, 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	30/09/2020	101
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	30/09/2020	100
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	30/11/2020	80
QU0006742476 - PRIMA GLOBAL EQUITY PARTNERS FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/2020	77
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	30/09/2020	70
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	30/09/2020	17

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. The entities primarily regard open-end harmonised funds that invest in a mix

of assets, such as corporate bonds, government bonds and equities, and closed-end real estate funds that invest in property and property rights. Certain details are provided below.

Nature of risk

(€m)

ISIN - Name	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	6,037	1,356	4,681	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1407712014 - MULTIFLEX - Global Optimal Multi Asset Fund	Financial assets at FVTPL	5,129	919	4,209	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	Financial assets at FVTPL	4,886	1,037	3,849	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	Financial assets at FVTPL	4,321	645	3,676	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1193254122 - MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Financial assets at FVTPL	4,191	904	3,287	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	Financial assets at FVTPL	909	176	733	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1500341240 - MULTIFLEX-LT OPTIMAL MA-CM	Financial assets at FVTPL	884	235	650	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	Financial assets at FVTPL	614	136	477	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1500341752 - MULTIFLEX-DYNAMIC LT MA-CM	Financial assets at FVTPL	567	80	486	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU2051218035 - OLYMPIUM SEVERUM FUND	Financial assets at FVTPL	495	174	322	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0004937691 - PRIMA HEDGE PLATINUM GROWTH ISIN IE00BK1KDS71	Financial assets at FVTPL	447	30	418	Provided by fund management company
IT0005174450 - DIAMOND EUROZONE FUND OFFICE UBS	Financial assets at FVTPL	383	174	209	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006744795 - Prima European Direct Lending 1 Fund	Financial assets at FVTPL	328	82	246	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	Financial assets at FVTPL	312	31	281	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
IT0005247819 - Diamond Core	Financial assets at FVTPL	276	91	185	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006738052 - Prima EU Private Debt Opportunity Fund	Financial assets at FVTPL	275	36	238	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005386666 - Fund I3-Dante segment Convivio	Financial assets at FVTPL	249	62	186	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005212193 - DIAMOND ITALIAN PROPERTIES	Financial assets at FVTPL	156	47	109	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006738854 - Prima Credit Opportunity Fund	Financial assets at FVTPL	140	55	85	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005215113 - CBRE DIAMOND FUND	Financial assets at FVTPL	135	52	84	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005210593 - DIAMOND OTHER SECTOR ITALY	Financial assets at FVTPL	110	34	75	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006746865 - ALC Prima European Private Credit Feeder Fund	Financial assets at FVTPL	107	17	91	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	Financial assets at FVTPL	101	36	65	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006745081 - Prima Real Estate Europe Fund I	Financial assets at FVTPL	100	45	54	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1581282842 - Indaco SICAV SIF - Indaco CIFC US Loan	Financial assets at FVTPL	80	29	51	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006742476 - PRIMA GLOBAL EQUITY PARTNERS FUND	Financial assets at FVTPL	77	42	35	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1081427665 - SHOPPING PROPERTY FUND 2	Financial assets at FVTPL	46	20	25	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0004597396 - ADVANCE CAPITAL ENERGY FUND	Financial assets at FVTPL	15	8	6	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets

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.

Asset class	(€m) Fair Value
Financial instruments	
Corporate bonds	14,043
Government bonds	10,214
Other investments net of liabilities	3,181
Equity instruments	1,719
Cash	2,412
Derivative financial instruments	
Swaps	5
Futures	(28)
Forwards	(150)
Total	31,396

Market traded on and UCITS	(€m) Fair Value
Germany (Frankfurt, Berlin, Munich)	5,421
Dublin	1,920
New York	3,275
Trace	3,520
London	2,129
Paris	549
Euronext	1,662
Tokyo	988
Singapore	798
Euromtf	365
Luxembourg	138
Eurotlx	508
Hong Kong	411
Other	8,190
Funds	1,522
Total	31,396

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

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan.

First Cycle 2016-2018

At the end of the one-year retention period to which the 139,604 Phantom Stocks deriving from the finalisation of the Plan, which matured in 2018, were subject, the cash equivalent of the units fully paid out during the year amounted to approximately €1.5 million. The cost recognised for the first half of the year was about €0.1 million.

Second Cycle 2017-2019

Also the Second Cycle of the "Phantom Stock LTIP", awarded in 2017 (2017-2019), vested in 2019. The final number of phantom stocks awarded under the Plan totals 645,673, including 207,320 stocks subject to a one-year retention period. The cash value of the stocks granted in the year was approximately €4.7 million. The cost recognised in the period was approximately €0.3 million, whilst the liability recognised in amounts due to staff was approximately €1.7 million.

Third Cycle 2018-2020

At 31 December 2020, the total number of phantom stocks awarded to the 68 Beneficiaries of the Third Cycle of the Plan amount to 624,869 to the target. The cost recognised for 2020 was approximately €1.5 million, whilst the liability recognised in amounts due to staff was approximately €6 million.

Poste Italiane SpA

The effects on profit or loss of the above Long-Term Incentive scheme at 31 December 2020 for Poste Italiane SpA are shown below.

First Cycle 2016-2018

At the end of the one-year retention period to which the 100,683 Phantom Stocks deriving from the finalisation of the Plan, which matured in 2018, were subject, the cash equivalent of the units fully paid out during the year amounted to approximately €1.1 million. The cost recognised for the first half of the year was about €0.1 million.

Second Cycle 2017-2019

Also the Second Cycle of the "Phantom Stock LTIP", awarded in 2017 (2017-2019), vested in 2019. The final number of phantom stocks awarded under the Plan totals 595,131, including 156,778 stocks subject to a one-year retention period. The cash value of the stocks granted in the year was approximately €4.7 million. The

cost recognised in the period was approximately €0.3, whilst the liability recognised in amounts due to staff was approximately €1.3 million.

Third Cycle 2018-2020

At 31 December 2020, the total number of phantom stocks awarded to the 63 Beneficiaries of the Third Cycle of the Plan amount to 584,656 to the target. The cost recognised for 2020 was approximately €1.5 million, whilst the liability recognised in amounts due to staff was approximately €5.6 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 index¹⁷⁶.

Vesting of the Rights and 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;

¹⁷⁶ 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%.

- 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

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan.

First Cycle 2019-2021

The total number of Rights to receive Shares assigned for the First Cycle of the Plan concerns 106 Beneficiaries and was 632,679 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 2020 was approximately €2.3 million, whilst the specific equity reserve was approximately €4 million. The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (non-market based performance conditions) considering the best estimate of the service conditions and performance conditions (non-market based performance conditions).

Second Cycle 2020-2022

The total number of Rights to receive Shares assigned for the Second Cycle of the Plan concerns 113 Beneficiaries and was 931,041 units, whose unit fair value at the grant date (5 March 2020 for the General Manager and 12 November 2020 for the BP Beneficiaries and Other Beneficiaries) was €5.42, €3.91 and €4.64, respectively. The cost recognised for 2020 was approximately €1.5 million, equivalent to the equity reserve specifically created. The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (non-market based performance conditions) considering the best estimate of the service conditions and performance conditions (non-market based performance conditions).

Poste Italiane SpA

The effects on profit or loss of the above Performance Share Long-Term Incentive scheme at 31 December 2020 for Poste Italiane SpA are shown below.

First Cycle 2019-2021

At 31 December 2020, the total number of Rights to receive Shares assigned for the First Cycle of the Performance Share Plan concerns 102 Beneficiaries and was 620,178 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 2020 was approximately €2.3 million, whilst the specific equity reserve was approximately €4 million. The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (non-market based performance conditions) considering the best estimate of the service conditions and performance conditions (non-market based performance conditions).

Second Cycle 2020-2022

The total number of Rights to receive Shares assigned for the Second Cycle of the Plan concerns 108 Beneficiaries and was 909,910 units, whose unit fair value at the grant date (5 March 2020 for the General Manager and 12 November 2020 for the BP Beneficiaries and Other Beneficiaries) was €5.42, €3.91 and €4.64, respectively. The cost recognised for 2020 was approximately €1.5 million, equivalent to the equity reserve specifically created. The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (service conditions) considering the best estimate of the service conditions and performance conditions (non-market based performance conditions).

LONG-TERM INCENTIVE SCHEMES: STOCK OPTIONS

MLK delivery's long-term incentive scheme, which was approved by the subsidiary's Board of Directors on 10 December 2020, provides for the grant, free of charge, of a maximum number of stock options that entitle holders to subscribe for class Z shares of MLK delivery, i.e., shares issued to service the Plan without dividend and voting rights. The Plan has a total duration of five years and will end with the assignment of all Stock Options.

The cost recognised for 2020 is approximately €0.3 million, equivalent to the equity reserve specifically created for this case.

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 the specific organisational and operational aspects of BancoPosta and Poste Italiane SpA, 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, only applicable to the Parent Company Poste Italiane SpA 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 was 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:

- for 60% of the 5-year pro-rata incentive, for key personnel who benefit from both the short-term incentive system and the long-term incentive plan "Phantom Stock ILT 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 most recent short-term management incentive schemes (MBO 2019 and MBO 2020) provide, where the incentive exceeded 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 and 2020) 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

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan.

At 31 December 2020, the number of Phantom Stocks relating to the 2017 and 2018 MBO plans in place was 170,613, relating mainly to personnel employed by the Parent Company. During the year, a cost adjustment of approximately €0.2 million was recognised, payments of €0.4 million were made and the liability recognised amounted to approximately €1.3 million.

The number of Rights to receive Shares, deriving from the new short-term MBO 2019 and 2020 incentive plan (the latter 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 89,133, mainly relating to personnel employed by the Parent Company. During the year, a cost of approximately €0.2 million was recognised and at 31 December 2020, a specific Shareholders' Equity reserve of approximately €0.4 million and a liability of approximately €0.3 million were recognised.

SEVERANCE PAYMENTS ON TERMINATION OF EMPLOYMENT

Severance payments to BancoPosta RFC Risk Takers on early termination are paid in accordance with the same procedures applied to short-term variable remuneration (MBO 2017) 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 2020 totals 117,725. During the year, a cost adjustment of approximately €0.3 million was recognised, payments of €0.5 million were made and the liability recognised amounted to approximately €0.9 million.

KEY INFORMATION ON INVESTMENTS

This item breaks down as follows:

List of investments consolidated on a line-by-line basis

(€k)

Name (Registered office)	% share	Share capital	Net profit / (loss) for the year	Equity
BancoPosta Fondi SpA SGR (Rome)	100.00%	12,000	20,477	51,785
Consorzio Logistica Pacchi ScpA (Rome)	100.00%	516	-	788
Consorzio per i Servizi di Telefonia Mobile ScpA (Rome)	100.00%	120	-	116
Consorzio PosteMotori (Rome)	80.75%	120	-	120
Europa Gestioni Immobiliari SpA (Rome)	100.00%	103,200	262	238,669
MLK Deliveries SpA (Milan)	70.00%	333	(2,787)	12,564
Poste Air Cargo Srl (Rome)	100.00%	1,000	1,880	3,023
PatentiViaPoste ScpA (Rome)	86.86%	120	-	124
PostePay SpA (Rome)	100.00%	7,561	184,560	436,915
Poste Tributi ScpA - in liquidation (Rome) (*) (**)	100.00%	-	901	-
Poste Vita SpA (Rome) (*)	100.00%	1,216,608	740,158	5,083,885
Poste Assicura SpA (Rome) (*)	100.00%	25,000	38,942	237,467
Postel SpA (Rome)	100.00%	20,400	1,926	85,507
SDA Express Courier SpA (Rome)	100.00%	5,000	45,457	59,488
sennder Italia Srl (Milan)	75.00%	40	929	5,266
Poste Welfare Servizi Srl (Rome)	100.00%	16	2,379	16,737
Poste Insurance Broker Srl (Rome)	100.00%	600	(96)	465

(*) 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.

(**) On 26 May 2020, the company was cancelled from the Register of Companies

List of investments accounted for using the equity method

(€k)

Name (Registered office)	Nature of investment	Carrying amount	% share	Assets	Liabilities	Equity	Revenue from sales and services	Net profit / (loss) for the year
Address Software Srl (Rome)	Subsidiary	372	51.00%	1,272	542	730	1,161	154
Anima Holding SpA (Milan) (a)	Associate	210,046	10.35%	2,147,129	888,472	1,258,657	714,722 ^(*)	103,258
Conio Inc. (San Francisco) (b)	Associate	382	17.62%	1,611	551	1,060	180	(1,155)
FSIA Investimenti Srl (Milan) (c)	Associate	402,212	30.00%	1,418,869	80,821	1,338,048	26,623 ^(*)	26,165
Indabox Srl (Rome)	Subsidiary	410	100.00%	557	244	313	430	-
ItaliaCamp Srl (Rome) (b)	Associate	147	19.40%	2,878	1,487	1,391	2,840	444
Kipoint SpA (Rome)	Subsidiary	1,476	100.00%	3,137	1,661	1,476	2,865	307
Uptime SpA - in liquidation (Rome) (b)	Subsidiary	-	100.00%	3,147	2,972	175	-	(2)
Other SDA Express Courier associate (d)	Associates	4						

- Data derived from the latest consolidated interim accounts for the period ended 30 September 2020 approved by the company's board of directors.
- Figures taken from the company's latest financial statements approved by the Board at 31.12.2019.
- Figures including measurement of the SIA Group using the equity method and recognition of the related effects with regard to Purchase Price Allocation.
- It refers to 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.

(€k)

Group companies	Grantor/beneficiary	Purpose	Amount disbursed/received
Grants received			
Poste Italiane	Ministry of Education, Universities and Research	Financed training and research projects	460
Poste Italiane	Lazio Region	Financed training and research projects	36
Total			496
Grants disbursed			
PostePay	Fondazione Poste Insieme Onlus	Donation	223
Poste Vita	Fondazione Poste Insieme Onlus	Donation	223
Poste Italiane	Fondazione Poste Insieme Onlus	Donation	425
Poste Italiane	Biomedical University Foundation 2020	Donation	50
Poste Italiane	Casa Internazionale delle Donne	Donation	50
Poste Italiane	Associazione Telefono Rosa Onlus	Donation	50
Poste Italiane	Presidenza Consiglio Ministri - Protezione Civile	Donation	45
Poste Italiane	Fondazione Dynamo Camp Onlus 2020	Donation	30
Poste Italiane	Comunità San Patrignano SOC.COOP.SO	Donation	30
Poste Italiane	Vicariato di Roma Fondo Gesù Divino Salvatore	Donation	30
Poste Italiane	Save the children Italia Onlus	Donation	25
Poste Italiane	Associazione Rondine Cittadella della Pace	Donation	15
Poste Italiane	Fondazione Intercultura Onlus	Donation	14
Poste Italiane	Canovalandia Onlus 2020	Donation	10
Poste Italiane	Asd Laboratorio 0246	Donation	10
Total			1,230

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 (€m)

Description	31/12/2020	31/12/2019
Post office savings books	103,715	101,842
Interest-bearing Postal Certificates	231,417	227,163
Cassa Depositi e Prestiti	173,584	165,548
MEF	57,833	61,615
Total	335,132	329,005

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 €10,063 million at 31 December 2020 (€9,442 million at 31 December 2019).

COMMITMENTS

The Group's purchase commitments break down as follows.

Commitments (€m)		
Description	31/12/2020	31/12/2019
Lease arrangements	26	50
Contracts to purchase property, plant and equipment	45	94
Contracts to purchase intangible assets	29	54
Total	100	198

At 31 December 2020, the item Lease contracts includes commitments that do not fall under IFRS 16 - Leases.

In addition, at 31 December 2020, EGI SpA had substantially ceased its activities as an electricity wholesaler and did not purchase electricity on regulated futures markets.

Poste Italiane SpA's purchase commitments break down as follows.

Commitments (€m)				
Description	31/12/2020	related to Group companies	31/12/2019	related to Group companies
Lease arrangements	26	2	54	11
Contracts to purchase property, plant and equipment	46	1	95	1
Contracts to purchase intangible assets	28	-	56	1
Total	100	3	205	13

At 31 December 2020, 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 (€m)		
Description	31/12/2020	31/12/2019
Sureties and other guarantees issued:		
by banks/insurance companies in the interests of Group companies in favour of third parties	391	357
by the Group in its own interests in favour of third parties	55	55
Total	446	412

Guarantees (€m)		
Description	31/12/2020	31/12/2019
Sureties and other guarantees issued:		
by banks in the interests of Poste Italiane SpA in favour of third parties	295	275
by Poste Italiane SpA in the interests of subsidiaries in favour of third parties	57	47
letters of patronage issued by Poste Italiane SpA in the interests of subsidiaries	55	55
Total	407	377

THIRD-PARTY ASSETS

The Group's third-party assets include, in addition to the amounts detailed in the table below for the Parent Company, material for the COVID emergency within the scope of the Civil Protection contract for €3 billion, held in the warehouses of the subsidiary SDA Express Courier SpA.

Third-party assets		(€m)	
Description	31/12/2020	31/12/2019	
Bonds subscribed by customers held at third-party banks	2,592	3,375	
Total	2,592	3,375	

In addition to the above, at 31 December 2020, Poste Italiane SpA holds a further €2 million in assets belonging to Group companies.

ASSETS IN THE PROCESS OF ALLOCATION

At 31 December 2020, 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 REGULATIONS FOR ISSUERS

The following table shows fees¹⁷⁷ payable to the Parent Company's auditor, Deloitte & Touche, and companies within its network for 2020, presented in accordance with art. 149 duodecies of the CONSOB's Regulations for Issuers:

Disclosure of fees paid to Independent Auditors			(€k)
Type of services	Entity providing the service	2020 fees	
Poste Italiane SpA			
Audit	Deloitte & Touche S.p.A.	1,159	
Attestation services	Deloitte & Touche S.p.A.	463	
Other services	Deloitte & Touche S.p.A.	17	
Other services	Deloitte & Touche network	25	
Subsidiaries of Poste Italiane SpA			
Audit (*)	Deloitte & Touche S.p.A.	1,509	
Attestation services	Deloitte & Touche S.p.A.	569	
Other services	Deloitte & Touche S.p.A.	-	
Total		3,742	

(*) Includes costs for the audit of funds managed by BPF SGR charged to savers for a total fee of €195 thousand

¹⁷⁷ Auditing services are expensed as incurred and reported in the audited financial statements. Any 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.

14. BANCOPOSTA RFC'S SEPARATE REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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FINANCIAL STATEMENTS

BALANCE SHEET

(figures in €)

Assets	31 December 2020	31 December 2019
10. Cash and cash equivalents	6,404,127,761	4,313,694,951
20. Financial assets measured at fair value through profit or loss	72,352,360	70,661,465
<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>	72,352,360	70,661,465
30. Financial assets measured at fair value through other comprehensive income	42,638,326,216	36,798,745,848
40. Financial assets measured at amortised cost	52,028,321,401	39,792,034,639
<i>a) due from banks</i>	6,344,289,302	4,694,045,131
<i>b) due from customers</i>	45,684,032,099	35,097,989,508
50. Hedging derivatives	78,244,095	72,776,189
60. Adjustments for changes in hedged financial assets portfolio (+/-)	-	-
70. Investments	-	-
80. Property, plant and equipment	-	-
90. Intangible assets	-	-
<i>of which:</i>	-	-
- goodwill	-	-
100. Tax assets	129,633,285	311,951,306
<i>a) current</i>	-	-
<i>b) deferred</i>	129,633,285	311,951,306
110. Non-current assets and disposal groups held for sale	-	-
120. Other assets	2,629,878,491	2,491,763,796
Total assets	103,980,883,609	83,851,628,194

BALANCE SHEET

(figures in €)

Liabilities and equity	31 December 2020	31 December 2019
10. Financial liabilities measured at amortised cost	86,109,541,953	70,378,845,309
<i>a) due to banks</i>	10,814,911,214	7,186,265,048
<i>b) due to customers</i>	75,294,630,739	63,192,580,261
<i>c) debt securities in issue</i>	-	-
20. Financial liabilities held for trading	19,813,389	14,701,804
30. Financial liabilities designated at fair value	-	-
40. Hedging derivatives	8,243,169,397	5,552,045,402
50. Adjustments for changes in hedged financial liabilities portfolio (+/-)	-	-
60. Tax liabilities	978,664,314	661,611,070
<i>a) current</i>	-	-
<i>b) deferred</i>	978,664,314	661,611,070
70. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80. Other liabilities	3,153,666,722	2,953,394,233
90. Employee termination benefits	2,869,309	2,824,300
100. Provisions for risks and charges:	213,498,475	327,258,828
<i>a) commitment and guarantees given</i>	-	-
<i>b) pensions and similar obligations</i>	-	-
<i>c) other provisions</i>	213,498,475	327,258,828
110. Valuation reserves	2,278,282,242	1,083,146,195
120. Redeemable shares	-	-
130. Equity instruments	-	-
140. Reserves	2,352,582,101	2,267,115,140
150. Share premium reserve	-	-
160. Share capital	-	-
170. Treasury shares (-)	-	-
180. Profit/(Loss) for the year (+/-)	628,795,707	610,685,913
Total liabilities and equity	103,980,883,609	83,851,628,194

STATEMENT OF PROFIT OR LOSS

(figures in €)

Items	FY 2020	FY 2019
10. Interest and similar income	1,586,562,357	1,639,759,421
<i>of which: interest income calculated using the effective interest method</i>	1,586,562,357	1,639,759,421
20. Interest expense and similar charges	(89,265,394)	(74,238,340)
30. Net interest income	1,497,296,963	1,565,521,081
40. Fee income	3,582,077,042	3,794,094,221
50. Fee expenses	(291,797,838)	(335,262,925)
60. Net fee and commission income	3,290,279,204	3,458,831,296
70. Dividends and similar income	406,922	429,921
80. Profits/(Losses) on trading	6,530,477	(11,070,181)
90. Profits/(Losses) on hedging	(2,146,775)	(4,496,098)
100. Profits/(Losses) on disposal or repurchase of:	365,352,304	339,308,445
a) <i>financial assets measured at amortised cost</i>	63,032,233	(10,460,322)
b) <i>financial assets measured at fair value through other comprehensive income</i>	302,320,071	349,768,767
c) <i>financial liabilities</i>	-	-
110. Profits/(Losses) on other financial assets/liabilities measured at fair value through profit or loss	1,700,378	26,531,023
a) <i>financial assets and liabilities designated at fair value</i>	-	-
b) <i>other financial assets mandatorily measured at fair value</i>	1,700,378	26,531,023
120. Net interest and other banking income	5,159,419,473	5,375,055,487
130. Net losses/recoveries due to credit risk on:	(22,043,396)	(9,234,870)
a) <i>financial assets measured at amortised cost</i>	(15,818,813)	(10,886,543)
b) <i>financial assets measured at fair value through other comprehensive income</i>	(6,224,583)	1,651,673
140. Profits/(Losses) from contract amendments without termination	-	-
150. Net income from banking activities	5,137,376,077	5,365,820,617
160. Administrative expenses:	(4,443,831,906)	(4,537,811,729)
a) <i>personnel expenses</i>	(33,902,283)	(35,844,313)
b) <i>other administrative expenses</i>	(4,409,929,623)	(4,501,967,416)
170. Net provisions for risks and charges	69,288,109	(16,219,668)
a) <i>commitment and guarantees given</i>	-	-
b) <i>other net provisions</i>	69,288,109	(16,219,668)
180. Net losses/recoveries on property, plant and equipment	-	-
190. Net losses/recoveries on intangible assets	-	-
200. Other operating income/(expense)	66,599,191	32,420,978
210. Operating expenses	(4,307,944,606)	(4,521,610,419)
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	-	-
260. Income/(Loss) before tax from continuing operations	829,431,471	844,210,198
270. Taxes on income from continuing operations	(200,635,764)	(233,524,285)
280. Income/(Loss) after tax from continuing operations	628,795,707	610,685,913
290. Income/(Loss) after tax from discontinued operations	-	-
300. Profit/(Loss) for the year	628,795,707	610,685,913

STATEMENT OF COMPREHENSIVE INCOME

(figures in €)

Items	FY 2020	FY 2019
10. Profit/(Loss) for the year	628,795,707	610,685,913
Other components of comprehensive income after taxes not reclassified to profit or loss		
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	(105,516)	210,366
80. Non-current assets and disposal groups held for sale	-	-
90. Share of valuation reserve attributable to equity-accounted investments	-	-
Other components of comprehensive income after taxes reclassified to profit or loss		
100. Hedges of foreign investments	-	-
110. Foreign exchange differences	-	-
120. Cash flow hedges	(17,062,553)	26,792,931
130. Hedges (elements not designated)	-	-
140. Financial assets (other than equity instruments) measured at fair value through other comprehensive income	1,212,304,116	1,041,309,295
150. Non-current assets and disposal groups held for sale	-	-
160. Share of valuation reserve attributable to equity-accounted investments	-	-
170. Total other components of comprehensive income after taxes	1,195,136,047	1,068,312,592
180. Comprehensive income (Items 10+170)	1,823,931,754	1,678,998,505

STATEMENT OF CHANGES IN EQUITY

(figures in €)

	31 December 2020									
	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 **					
Balance at 31/12/2019	-	-	-	1,057,026,750	1,210,088,390	1,083,146,195	-	-	610,685,913	3,960,947,248
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Balance at 01/01/2020	-	-	-	1,057,026,750	1,210,088,390	1,083,146,195	-	-	610,685,913	3,960,947,248
Attribution of retained earnings	-	-	-	85,000,000	-	-	-	-	(610,685,913)	(525,685,913)
Reserves	-	-	-	85,000,000	-	-	-	-	(85,000,000)	-
Dividends and other attributions	-	-	-	-	-	-	-	-	(525,685,913)	(525,685,913)
Changes during the year	-	-	-	-	466,961	1,195,136,047	-	-	628,795,707	1,824,398,715
Movements in reserves	-	-	-	-	466,961	-	-	-	-	466,961
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 2020	-	-	-	-	-	1,195,136,047	-	-	628,795,707	1,824,398,715
Equity at 31/12/2020	-	-	-	1,142,026,750	1,210,555,351	2,278,282,242	-	-	628,795,707	5,259,660,050

(*) This item represents the Reserve for BancoPosta RFC of €1,210 million and also includes the Incentive Plans Reserve of €0.6 million.

(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 **					
Balance at 31/12/2018	-	-	-	1,057,025,485	1,210,000,000	14,833,603	-	-	596,808,586	2,878,667,674
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Balance at 01/01/2019	-	-	-	1,057,025,485	1,210,000,000	14,833,603	-	-	596,808,586	2,878,667,674
Attribution of retained earnings	-	-	-	-	-	-	-	-	(596,808,586)	(596,808,586)
Reserves	-	-	-	-	-	-	-	-	-	-
Dividends and other attributions	-	-	-	-	-	-	-	-	(596,808,586)	(596,808,586)
Changes during the year	-	-	-	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	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-
Comprehensive income for 2019	-	-	-	-	-	1,068,312,592	-	-	610,685,913	1,679,088,160
Equity at 31/12/2019	-	-	-	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 Incentive Plans Reserve of €0.1 million.

STATEMENT OF CASH FLOWS

Indirect method

(figures in €)

	FY 2020	FY 2019
A. OPERATING ACTIVITIES		
1. Cash flow from operations	689,520,140	754,202,690
- profit/(loss) for the year (+/-)	628,795,707	610,685,913
- gains/(losses) on financial assets held for trading and on assets and liabilities measured at fair value through profit or loss (-/+)	8,809,605	(12,308,652)
- gains/(losses) on hedging activities (-/+)	2,146,775	4,496,098
- net losses/recoveries due to credit risk (+/-)	22,043,397	9,234,870
- net losses/recoveries on property, plant and equipment and intangible assets (+/-)	-	-
- net provisions and other expenses/income (+/-)	(53,807,805)	136,284,751
- unpaid taxes and duties (+)	200,577,777	233,524,282
- net losses/recoveries on discontinued operations after tax (+/-)	-	-
- other adjustments (+/-)	(119,045,316)	(227,714,572)
2. Cash flow from/(used for) financial assets	(13,230,158,860)	(5,479,781,588)
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	9,483	13,911,081
- financial assets measured at fair value through other comprehensive income	(2,342,172,617)	(1,038,739,773)
- financial assets measured at amortised cost	(10,688,600,920)	(4,483,190,589)
- other assets	(199,394,806)	28,237,693
3. Cash flow from/(used for) financial liabilities	15,156,757,443	6,308,408,020
- financial liabilities measured at amortised cost	15,730,722,989	6,429,614,758
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	(573,965,546)	(121,206,738)
Net cash flow from/(used for) operating activities	2,616,118,723	1,582,829,122
B. INVESTING ACTIVITIES		
1. Cash flow from	-	-
- disposal of investments	-	-
- dividends received on investments	-	-
- disposal of property, plant and equipment	-	-
- disposal of intangible assets	-	-
- disposal of business divisions	-	-
2. Cash flow used for	-	-
- acquisition of investments	-	-
- acquisition of property, plant and equipment	-	-
- acquisition of intangible assets	-	-
- acquisition of business divisions	-	-
Net cash flow from / (used for) investing activities	-	-
C. FINANCING ACTIVITIES		
- issuance/purchase of treasury shares	-	-
- issuance/purchase of equity instruments	-	-
- dividends and other payments	(525,685,913)	(596,808,586)
Net cash flow from / (used for) financing activities	(525,685,913)	(596,808,586)
NET CASH FLOW GENERATED / (USED) DURING THE YEAR	2,090,432,810	986,020,536

KEY:

(+) from

(-) used for

Reconciliation

(figures in €)

Items	FY 2020	FY 2019
Cash and cash equivalents at beginning of the year	4,313,694,951	3,327,674,415
Net cash flow generated/(used) during the year	2,090,432,810	986,020,536
Cash and cash equivalents: effect of exchange rate fluctuations	-	-
Cash and cash equivalents at end of the year	6,404,127,761	4,313,694,951

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 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 in force at 31 December 2020, regarding which no derogations were made.

Accounting standards and interpretations applicable from 1 January 2020 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 have been prepared in accordance with the provisions of the sixth update of Bank of Italy Circular no. 262 of 22 December 2005 - "Bank's financial statements: layouts and preparation" and the Bank of Italy Communication of 15 December 2020 - Additions to the provisions of Circular no. 262 concerning the impact of COVID-19 and measures to support the economy and amendments to IAS/IFRS, where applicable, and have been prepared in accordance with the provisions 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 2020, has been prepared in euros and consists of the balance sheet, 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 balance sheet, 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 balance sheet, 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 method¹⁷⁸. All figures in the notes are stated in millions of euros. Notes and account analysis have not been included for nil balances.

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 2019. In order to allow for a uniform comparison with the figures for 2019, certain figures and notes for the comparison year have been reclassified.

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. Poste Group companies, and thus BancoPosta RFC, as a going concern, prepare their financial statements on a going concern basis, taking account of the Group's economic and financial outlook, as reflected in the "2024 Sustain & Innovate" strategic plan approved by the Board of Directors on 18 March 2021.

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.

The disclosures provided in these Separate Report are in accordance, to the extent applicable, with the guidance and recommendations of European regulatory and supervisory bodies and standard setters (EBA, ECB and IFRS Foundation) published in 2020 to provide a guideline in the current economic environment, which is heavily influenced by the pandemic.

SECTION 3 – EVENTS AFTER THE END OF THE REPORTING PERIOD

On 27 January 2021, Poste Italiane's Board of Directors approved an amendment to BancoPosta RFC resulting in the removal of the restriction on the assets, properties and legal relationships that make up the Debit Business, to be submitted for final approval by Poste Italiane's Extraordinary Shareholders' Meeting, after obtaining all the authorisations required by current legislation and regulations; on 4 February 2021, PostePay's Extraordinary Shareholders' Meeting approved, among other things, a divisible capital increase to be subscribed and paid up by 30 September 2021 via the contribution in kind of the Debit Business by Poste Italiane.

¹⁷⁸ 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 deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.

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 balance sheet at 31 December 2020 as shown below:

€m	31/12/2020	of which intersegment	31/12/2019	of which intersegment	
Assets					
10.	Cash and cash equivalents	6,404	-	4,314	-
20.	Financial assets measured at fair value through profit or loss	72	-	71	-
	a) financial assets held for trading	-	-	-	-
	b) financial assets designated at fair value	-	-	-	-
	c) other financial assets mandatorily measured at fair value	72	-	71	-
30.	Financial assets measured at fair value through other comprehensive income	42,638	-	36,799	-
40.	Financial assets measured at amortised cost	52,028	902	39,792	651
	a) due from banks	6,344	-	4,694	-
	b) due from customers	45,684	902	35,098	651
50.	Hedging derivatives	78	-	73	-
100.	Tax assets	130	-	312	-
120.	Other assets	2,631	22	2,491	83
A Total assets		103,981	924	83,852	734
Liabilities and equity					
10.	Financial liabilities measured at amortised cost	86,110	140	70,379	58
	a) due to banks	10,815	-	7,186	-
	b) due to customers	75,295	140	63,193	58
	c) debt securities in issue	-	-	-	-
20.	Financial liabilities held for trading	20	-	15	-
40.	Hedging derivatives	8,243	-	5,552	-
60.	Tax liabilities	979	-	662	-
80.	Other liabilities	3,153	491	2,953	442
90.	Employee termination benefits	3	-	3	-
100.	Provisions for risks and charges	213	-	327	-
110.	Valuation reserves	2,278	-	1,083	-
140.	Reserves	2,353	-	2,267	-
180.	Profit/(Loss) for the year (+/-)	629	-	611	-
B Total liabilities and equity		103,981	631	83,852	500
A-B Net intersegment balances			293		234

The provision of services to BancoPosta RFC by Poste Italiane SpA functions is governed by the specific *Regulations governing the process of awarding and outsourcing of BancoPosta RFC*, approved by Poste Italiane SpA's Board of Directors¹⁷⁹.

These Regulations, in execution of the provisions set out in the *Regulations for ring-fenced capital*, govern and formalise the process of awarding 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 Regulations 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, as established in the Regulations, 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 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, the Board of Statutory Auditors is required to verify, at least every six months,

¹⁷⁹ At its meeting of 12 May 2020, the Board of Directors approved an update to the "Regulations governing the process of awarding and outsourcing of BancoPosta RFC", regulating and formalising both the process of awarding BancoPosta's Corporate Functions to Poste Italiane and the process of outsourcing to third parties outside Poste Italiane's organisation.

that the policies adopted are fit for purpose and are in compliance with the related statutory requirements and supervisory standards.

In line with 2019, 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 transfer prices defined in the Guidelines are revised every year in connection with the planning and budget process. The Guidelines, which expired on 31 December 2020 and are being renewed for the two-year period 2021-2022, were notified to the Bank of Italy pursuant to the Supervisory Provisions and the 60-day period within which the authority could initiate the administrative prohibition procedure has elapsed.

For the purposes of oversight of the unbundled accounts, in 2020, the Board of Statutory Auditors conducted the relevant audit activities during 2 meetings, reporting its conclusions in its annual report to shareholders for the year ended 31 December 2020.

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.

BANK OF ITALY

On 5 May 2020, a communication from the Bank of Italy was received containing the results of the transparency audits it carried out from 23 May to 19 July 2019 at 24 Post Offices and headquarters, which concerned, among other things: the organisational structure of BancoPosta, the Group and the territorial network, the management of relations with external partners, and the management of payment not approved. In response to the feedback of the Bank of Italy, Poste Italiane has prepared a plan containing the corrective measures to be put in place

with an indication of the implementation methods and timing, which was communicated to the Bank of Italy on 3 July 2020.

CONSOB

In January 2020, the Consob launched an inspection of a general nature pursuant to article 6-ter, paragraph 1, of Legislative Decree no. 58 of 24 February 1998, aimed at ascertaining the compliance with the new MiFID II legislation. The inspection was completed on 23 October 2020. Poste Italiane is awaiting feedback from the Authority.

4.3 RISKS, UNCERTAINTIES AND IMPACTS OF THE COVID-19 PANDEMIC

For a description of the principal risks and uncertainties arising from COVID-19, reference should be made to the section *Risk management - COVID risk management at Poste Italiane* in the Report on Operations.

It should also be noted that the uncertainties caused by the current pandemic were taken into account in the determination of the expected credit losses calculated in accordance with IFRS 9. In particular, the models used to assess the expected credit losses on the financial assets of BancoPosta RFC take account of the various macroeconomic scenarios characterised by greater risk and uncertainty and, as a result, additional impairments of approximately €12 million have been recognised, primarily relating to the securities portfolio and deposits with the MEF.

With regard to the adjustments made to the models, more detailed information is provided in Part E - Credit Risk.

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 instruments, 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 test¹⁸⁰;
- 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, 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".

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" - HTCS 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).

¹⁸⁰ 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.

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 or loss in "Item 100 – Profits/(Losses) on disposal or repurchase".

The effects of the application of amortised cost are recognised in profit or 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 or 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 sale. The only component that is reported in profit or 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.

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 the deposits with 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 or 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.

4 – HEDGES

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 with reference to hedge accounting.

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.

Derivative contracts that constitute effective hedging relationships are shown as assets or liabilities depending on whether the fair value is positive or negative.

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 hedges

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, where the time effect of money is relevant, at a rate that reflects current market values and takes into account the risks specific to the liability. Provisions are reviewed at each reporting date and are adjusted to reflect the best estimate of the expected charge to meet existing obligations at the reporting date. Any effect of the passage of time and the effect of changes in interest rates are shown in the statement of profit or loss under net provisions for the year. 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 the expected cash flows and they can be reliably estimated, the value of amounts due 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.

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 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 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.

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 Eurozone government bonds, 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 method utilised is the "General deterioration 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 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.

For a detailed description of the approaches, reference is made to Part E – Section 1 – Credit risk.

Repurchase agreements

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. Consequently, in the case of securities purchased under a resale agreement, the amount paid is recognised

as an amount due from customers or banks under Financial assets measured at amortised cost; in the case of securities sold under a repurchase agreement, the liability is recognised as an amount due to banks or customers under Financial liabilities measured at amortised cost. The transactions described are subject to offsetting if, and only if, they are carried out with the same counterparty, have the same maturity and offsetting is provided for in the contract.

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 2006¹⁸¹.

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)

¹⁸¹ 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.

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.

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

The preparation of financial information requires the use of estimates and assumptions that can have a significant effect on the final values indicated in the financial statements and in the disclosure provided. The preparation of these estimates involves the use of available information and the adoption of subjective assessments, also based on historical experience, used for the formulation of reasonable assumptions for the recognition of operating events. 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. Due to their nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that in subsequent years, the values recorded in this Separate Report may also vary significantly as a result of changes in the subjective valuations used.

The following section describes the accounting treatments that require greater subjectivity in the preparation of estimates and for which a change in the conditions underlying the assumptions used could have a material impact on the Separate Report, also taking account of the effects of the health emergency linked to the spread of the Coronavirus pandemic, which has had a significant impact on the economic and social context and makes it difficult to make realistic forecasts regarding the economic and financial outlook for the market and the Poste Italiane Group.

- **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.

With regard to trade receivables, on the other hand, stage allocation is not applied in accordance with the Simplified Approach. Impairment, for these items in the financial statements, is based on:

- analytical impairment: when a defined credit threshold is exceeded, the individual credit position is analytically monitored on the basis of internal or external evidence; or
- on a flat-rate basis impairment: elaboration of a provision matrix for historical losses.

For further details, please refer to Part E - Credit Risk.

- **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.

- [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 described in detail in Part I, the valuation of the Poste Italiane Group's existing share-based payment arrangements at the end of this Separate Report has been carried out using an internal pricing tool that adopts simulation models that meet the requirements of the relevant accounting standards and take account of the specific characteristics of the Plans. 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 this Separate Report.

[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.

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 general principles for measuring financial instruments at fair value have been updated since 31 December 2019 primarily to review roles and responsibilities in the process of establishing and implementing the policy. These general principles 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 liability¹⁸².

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

¹⁸² Given the nature of BancoPosta RFC's operations, the observable data used as input to determine the fair value of the various instruments include, for example, quoted prices provided by third parties (pricing or brokerage services), yield and inflation curves, 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.

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.
- 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 30.71%.

A.4.3 FAIR VALUE HIERARCHY

The primary factors contributing to transfers between fair value levels include changes in the observability of significant inputs and market conditions (including the liquidity parameter) and refinements in valuation models used in measuring fair value.

For all classes of assets and liabilities, the transfer from one level to another takes place on the date of the event or change in circumstances that led to the transfer.

Information on transfers during the period is provided in Part A.4.5 - 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: breakdown by fair value level

Assets/Liabilities measured at fair value	(€m)					
	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
1. Financial assets measured at fair value through profit or loss	-	38	34	-	-	71
a) financial assets held for trading	-	-	-	-	-	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	38	34	-	-	71
2. Financial assets measured at fair value through other comprehensive income	42,324	314	-	36,506	293	-
3. Hedging derivatives	-	78	-	-	73	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	42,324	430	34	36,506	366	71
1. Financial liabilities held for trading	-	20	-	-	15	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	8,243	-	-	5,552	-
Total	-	8,263	-	-	5,567	-

(*) Notes on this position are provided in Part B, Assets, Table 2.5.

A.4.5.2 Changes 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				
1. Opening balance	71	-	-	71	-	-	-	-
2. Increases	-	-	-	-	-	-	-	-
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profit recognition:	-	-	-	-	-	-	-	-
2.2.1. Profit or loss	-	-	-	-	-	-	-	-
- of which gains	-	-	-	-	-	-	-	-
2.2.2. Equity	-	x	x	x	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	(37)	-	-	(37)	-	-	-	-
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Impairment recognition:	(6)	-	-	(6)	-	-	-	-
3.3.1. Profit or loss	(6)	-	-	(6)	-	-	-	-
- of which losses	(6)	-	-	(6)	-	-	-	-
3.3.2. Equity	-	x	x	x	-	-	-	-
3.4. Transfers to other levels	(31)	-	-	(31)	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	34	-	-	34	-	-	-	-

During the reporting period, the changes that occurred include €6 million to the change in fair value of the Series C Visa Incorporated Convertible Participating Preferred Stock and €31 million to the transfer from Level 3 to Level 2 of a portion of the Visa Incorporated Series C Preferred Stock converted to Series A Preferred Stock on 24 September 2020, as described in Part B, Section 2 of Assets.

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

(€m)

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	Total at 31/12/2020				Total at 31/12/2019			
	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	52,028	31,188	3,573	18,772	39,792	20,613	4,073	14,728
2. Property, plant and equipment held for investment purpose:	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	52,028	31,188	3,573	18,772	39,792	20,613	4,073	14,728
1. Financial liabilities measured at amortised cost	86,110	-	14,380	71,762	70,379	-	11,047	59,343
2. Liabilities associated with non-current assets held for sale	-	-	-	-	-	-	-	-
Total	86,110	-	14,380	71,762	70,379	-	11,047	59,343

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 BALANCE SHEET

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – ITEM 10

1.1 Cash and cash equivalents: breakdown

	(€m)	
	Total at 31/12/2020	Total at 31/12/2019
a) Cash	3,042	3,500
b) Central Bank deposit	3,362	814
Total	6,404	4,314

"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 €15 million.

The increase in the sub-item "Central bank deposits" is due to temporary excess liquidity deriving from private customer deposits on the account opened with the Bank of Italy, intended for interbank settlements, and not yet invested.

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 2020 or 31 December 2019.

BancoPosta RFC entered into transactions to acquire and immediately dispose of debt securities and equities on behalf of certain customers.

2.3 / 2.4 Financial assets designated at fair value: breakdown by type and by debtor/issuer

There are no financial assets designated 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 31/12/2020			Total at 31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	-	38	34	-	-	71
3. UCIs	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	-	38	34	-	-	71

Investments in equity securities refer to:

- for €34 million, 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 6.853¹⁸³ ordinary shares for each C share, minus a suitable illiquidity discount. These shares can be converted into several tranches starting from the fourth year after closing and up to the twelfth year. On 21 June 2020 (the fourth year after closing), the process of determining the proportion of convertibility and related rate of Visa Incorporated Series C Convertible Participating Preferred Stock commenced, partially concluded on 24 September 2020 with the grant of 2,199 preference shares of Visa Incorporated Series A Preferred Stock;
- for €38 million, the fair value of 2,199 Visa Incorporated preference shares (Series A Preferred Stock); these shares are convertible into ordinary shares on the basis of a ratio of one hundred ordinary shares for every share of Class A Preferred Stock.

The overall net change in fair value during the year is a positive €2 million and is recorded in profit or loss under "Item 110 - Profits (Losses) of other financial assets and liabilities measured at fair value through profit or loss".

Given the conversion rate at 31 December 2020, the VISA Incorporated preference shares (Series A and C) held in the portfolio correspond to 439,600 VISA Incorporated ordinary shares.

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 fair value of the forward sale has decreased by €5 million in the reporting year, reflecting movements in both the price of the shares in dollars and the euro/dollar exchange rate. This reduction has been recognised in profit or loss in "Item 80 - Profits (Losses) on trading".

¹⁸³ 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 31/12/2020	Total at 31/12/2019
1. Equity instruments	72	71
of which: banks	-	-
of which: other financial companies	72	71
of which: non-financial companies	-	-
2. Debt securities	-	-
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCIs	-	-
4. Loans	-	-
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	72	71

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

	(€m)					
Items/Amounts	Total at 31/12/2020			Total at 31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	42,324	314	-	36,506	293	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	42,324	314	-	36,506	293	-
2. Equity instruments	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-
Total	42,324	314	-	36,506	293	-

Investments in debt securities are recognised at fair value, for €42,638 million (of which €292 million in accrued interest).

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

	(€m)	
Items/Amounts	Total at 31/12/2020	Total at 31/12/2019
1. Debt securities	42,638	36,799
a) Central banks	-	-
b) Public Administration entities	42,638	36,799
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	-	-
a) Banks	-	-
b) Other issuers:	-	-
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	-	-
- other	-	-
3. Loans	-	-
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	42,638	36,799

Debt securities issued by governments include Eurozone fixed income government bonds, represented by Italian government securities with a nominal value of €33,569 million. Total fair value fluctuation for the period was positive for €3,645 million, with gains of €1,947 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 €1,698 million recognised through profit or loss in relation to the hedged portion.

Securities with a nominal value of €8,615 million are encumbered as follows:

- €7,526 million, carried at fair value for €8,883 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with repurchase agreements concluded prior to 31 December 2020;
- €172 million, carried at fair value for €177 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;
- €880 million, carried at fair value for €894 million, and delivered to the Bank of Italy to secure an intraday credit line;
- €37 million carried at fair value for €37 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

	Gross amount						Total impairment losses			(€m)
	Stage 1		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total partial write-offs*		
		of which: Instruments with low credit risk								
Debt securities	42,656	-	-	-	18	-	-	-		
Loans	-	-	-	-	-	-	-	-		
Total at 31/12/2020	42,656	-	-	-	18	-	-	-		
originated 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 2020 amount to €18 million (€11 million at 31 December 2019).

SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST – ITEM 40

4.1 Financial assets measured at amortised cost: breakdown of amounts due from banks by type

Type of transactions/Amounts	Total at 31/12/2020						Total at 31/12/2019						(€m)
	Carrying amount		of which: purchased or originated impaired	Fair Value			Carrying amount		of which: purchased or originated 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	
A. Due from Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Time deposits	-	-	-	x	x	x	-	-	-	x	x	x	x
2. Compulsory reserve	-	-	-	x	x	x	-	-	-	x	x	x	x
3. Repurchase agreements	-	-	-	x	x	x	-	-	-	x	x	x	x
4. Other	-	-	-	x	x	x	-	-	-	x	x	x	x
B. Due from banks	6,344	-	-	-	-	-	4,694	-	-	-	-	-	-
1. Loans	6,344	-	-	-	-	-	4,694	-	-	-	-	-	-
1.1 Current accounts and demand depct	4	-	-	x	x	x	4	-	-	x	x	x	x
1.2 Time deposits	-	-	-	x	x	x	-	-	-	x	x	x	x
1.3 Other loans:	6,340	-	-	x	x	x	4,690	-	-	x	x	x	x
- Reverse repurchase agreements	-	-	-	x	x	x	-	-	-	x	x	x	x
- Finance leases	-	-	-	x	x	x	-	-	-	x	x	x	x
- Other	6,340	-	-	x	x	x	4,690	-	-	x	x	x	x
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	x	x	x	-	-	-	x	x	x	x
2.2 Other debt securities	-	-	-	x	x	x	-	-	-	x	x	x	x
Total	6,344	-	-	-	-	6,344	4,694	-	-	-	-	-	4,694

"Other loans, Other" includes cash collateral held by counterparties for interest rate swaps (€6,289 million as collateral pursuant to Credit Support Annexes), entered into for cash flow and fair value hedging purposes by BancoPosta RFC.

In addition, "Other loans, Other" includes trade receivables for €52 million arising from contracts with customers, accounted for in accordance with IFRS 15 (€70 million at 31 December 2019) mainly relating to financial services and personal loan distribution.

4.2 Financial assets measured at amortised cost: breakdown of amounts due to customers by type

Type of transactions/Amounts	Total at 31/12/2020						Total at 31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	of which: purchased or originated impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: purchased or originated impaired	Level 1	Level 2	Level 3
1. Loans	12,429	-	-	-	-	-	10,034	-	-	-	-	-
1.1 Current accounts	5	-	-	X	X	X	8	-	-	X	X	X
1.2 Reverse repurchase agreements	1	-	-	X	X	X	-	-	X	X	X	X
1.3 Mortgages	-	-	-	X	X	X	-	-	X	X	X	X
1.4 Credit cards, personal and salary loans	-	-	-	X	X	X	-	-	X	X	X	X
1.5 Finance leases	-	-	-	X	X	X	-	-	X	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	X	X	X	X
1.7 Other loans	12,423	-	-	X	X	X	10,026	-	-	X	X	X
2. Debt securities	33,255	-	-	-	-	-	25,064	-	-	-	-	-
2.1 Structured securities	-	-	-	X	X	X	-	-	X	X	X	X
2.2 Other debt securities	33,255	-	-	X	X	X	25,064	-	-	X	X	X
Total	45,684	-	-	31,188	3,573	12,428	35,098	-	-	20,613	4,073	10,034

A description of "Loans" is provided below.

The sub-item "Reverse repurchase agreements" refers to agreements of €364 million entered into with the Cassa di Compensazione e Garanzia SpA (hereinafter the Central Counterparty) for the temporary use of liquidity from private customer deposits. These transactions are guaranteed by securities for a total nominal amount of €360 million. The fair value of Reverse repurchase agreements is shown in Level 2 of the fair value hierarchy.

Financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2020, already included in the exposure to net balances, amounted to €363 million (€1,158 million at 31 December 2019).

"Other loans" primarily consist of:

- €7,344 million, €8 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 securities¹⁸⁴. The deposit has been adjusted to reflect accumulated impairments of €4 million, to reflect the risk of counterparty default (€3 million at 31 December 2019). During 2020, in the phase of increasing returns following the onset of the pandemic, (operating) hedging derivative contracts were entered into on the 10-year indexed remuneration component. The hedging transaction was carried out through forward purchases of the 10-year BTP with settlement of the differential between the pre-set price of the security and its market value. These transactions generated positive effects of €11 million, recorded in the statement of profit or loss in "Item 80 - Profits/(Losses) on trading";
- €1,205 million in cash collateral held by counterparties for interest rate swaps (collateral pursuant to Credit Support Annexes), entered into for cash flow and fair value hedging purposes by BancoPosta RFC;
- €902 million in amounts receivable from Poste Italiane SpA's functions outside the ring-fence, €901 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;
- €1,988 million, €3 million of which being accrued net interest expense, in deposits at the MEF (the "Buffer account"), remunerated at the EONIA rate¹⁸⁵;

¹⁸⁴ The variable rate in question is calculated as follows: 50% is based on the average return on 6-month BOTs recognised monthly and the remaining 50% is based on the average 10-year BTP return recognised monthly.

¹⁸⁵ 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 Eurozone (the biggest banks

- €432 million in fees receivable from Cassa Depositi e Prestiti during the year in connection with postal savings;
- €220 million in amounts due from PostePay for services relating to the placement of payment products;
- €214 million from Poste Vita in respect of commissions deriving from the placement of insurance policies;
- €24 million in amounts due for the payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security).

Receivables arisen from contracts with customers, which fall within the scope of IFRS 15, amount to €991 million (€782 million at 31 December 2019). These are mainly due to financial services, pension payments, interest on postal deposits, and personal loan distribution, net of any loss provisions for €47 million (€40 million at 31 December 2019). 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 €26,157 million. Their carrying amount of €33,255 million reflects the amortised cost of unhedged fixed income instruments, totalling €11,380 million, the amortised cost of fair-value hedged fixed income bonds, totalling €17,485 million, increased by €4,390 million to take into account the effects of the hedge (€2,871 million related to 2019). The value of these securities was adjusted to take into account the related impairments. Accumulated impairments at 31 December 2020 amount to approximately €15 million (€8 million at 31 December 2019).

At 31 December 2020 the total fair value of these instruments, inclusive of €236 million in accrued interest, amounts to €34,760 million, of which €31,188 million classified in Level 1 of the fair value hierarchy and €3,572 million classified in Level 2.

Securities with a nominal value of €6,427 million are encumbered as follows:

- €5,930 million, carried at amortised cost for €6,366 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with repurchase agreements concluded at 31 December 2020;
- €497 million, carried at amortised cost for €603 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.

in all the Eurozone countries).

4.3 Financial assets measured at amortised cost: breakdown of amounts due from customers by debtor/issuer

Type of transactions/Amounts	Total at 31/12/2020			Total at 31/12/2019		
	Stage 1 and 2	Stage 3	of which: purchased or originated impaired assets	Stage 1 and 2	Stage 3	of which: purchased or originated impaired assets
1. Debt securities	33,255	-	-	25,064	-	-
a) Public Administration entities	29,955	-	-	21,118	-	-
b) Other financial companies	3,300	-	-	3,946	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	12,429	-	-	10,034	-	-
a) Public Administration entities	9,397	-	-	7,625	-	-
b) Other financial companies	2,111	-	-	1,723	-	-
of which: insurance companies	223	-	-	147	-	-
c) Non-financial companies	917	-	-	680	-	-
d) Households	4	-	-	6	-	-
Total	45,684	-	-	35,098	-	-

Securities related to "Other financial companies" for a carrying amount of €3,300 million refer to fixed-rate securities for a total nominal amount of €3,000 million issued by Cassa Depositi e Prestiti and guaranteed by the Italian State.

4.4 Financial assets measured at amortised cost: gross amount and total impairment

Items/Amounts	Gross amount			Total impairment			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	33,270	-	-	15	-	-	-
Loans	17,734	-	1,106	4	63	13	-
Total at 31/12/2020	51,004	-	1,106	19	63	13	-
Total at 31/12/2019	38,951	-	908	11	56	13	-
originated 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

	Fair value at 31/12/2020			Notional amount* at 31/12/2020	Fair value at 31/12/2019			Notional amount* at 31/12/2019
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	-	78	-	2,275	-	73	-	1,520
1) Fair value	-	10	-	1,220	-	11	-	745
2) Cash flow	-	68	-	1,055	-	62	-	775
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	-	78	-	2,275	-	73	-	1,520

(*) 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: breakdown by hedged portfolio and type of hedge

(€m)

Transactions/Type of hedge	Fair Value						Cash flow			Foreign investments
	Micro						Macro	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	6	-	-	-	x	x	x	68	x	x
2. Financial assets measured at amortised cost	4	x	-	-	x	x	x	-	x	x
3. Portfolio	x	x	x	x	x	x	-	x	-	x
4. Other transactions	-	-	-	-	-	-	x	-	x	-
Total assets	10	-	-	-	-	-	-	68	-	-
1. Financial liabilities	-	x	-	-	-	-	x	-	x	x
2. Portfolio	x	x	x	x	x	x	-	x	-	x
Total liabilities	-	x	x	x	x	x	-	x	-	x
1. Expected transactions	x	x	x	x	x	x	x	-	x	x
2. Portfolio of financial assets and 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)								Total IRES	Total IRAP
	Financial assets and liabilities		Hedging derivatives		Provisions for doubtful debts		Provisions for risks and charges			
	IREs	IRAP	IREs	IRAP	IREs	IRAP	IREs	IRAP		
Deferred tax assets through profit or loss	-	2	-	-	13	-	34	6	47	8
Deferred tax assets through equity	32	6	31	6	-	-	-	-	63	12
2020 total	32	8	31	6	13	-	34	6	110	20
Deferred tax assets through profit or loss	-	1	-	-	14	-	54	10	68	11
Deferred tax assets through equity	167	31	30	5	-	-	-	-	197	36
2019 total	167	32	30	5	14	-	54	10	265	47

10.2 Deferred tax liabilities: breakdown

Description	(€m)						Total IRES	Total IRAP
	Financial assets and liabilities		Hedging derivatives		Total IRES	Total IRAP		
	IREs	IRAP	IREs	IRAP				
Deferred tax liabilities through profit or loss	-	-	1	2	-	-	1	2
Deferred tax liabilities through equity	-	-	769	144	53	10	822	154
2020 total	-	-	770	146	53	10	823	156
Deferred tax liabilities through profit or loss	-	-	-	-	-	-	-	-
Deferred tax liabilities through equity	-	-	496	93	61	12	557	105
2019 total	-	-	496	93	61	12	557	105

10.3 Changes in deferred tax assets through profit or loss

	(€m)	
	Total at 31/12/2020	Total at 31/12/2019
1. Opening balance	79	137
2. Increases	1	2
2.1 Deferred tax assets recognised in the year	1	2
a) relating to previous years	-	1
b) due to changes in accounting policies	-	-
c) write-backs	1	1
d) other	-	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	(25)	(60)
3.1 Deferred tax assets derecognised in the year	(25)	(60)
a) reversals	(19)	(55)
b) write-downs of non-recoverable items	-	(5)
c) due to changes in accounting policies	(6)	-
d) other	-	-
3.2 Reductions of tax rates	-	-
3.3 Other decreases:	-	-
a) transformation into tax credit pursuant to Law 214/2011	-	-
b) other	-	-
4. Closing balance	55	79

10.4 Changes in deferred tax liabilities through profit or loss

	(€m)	
	Total at 31/12/2020	Total at 31/12/2019
1. Opening balance	-	-
2. Increases	(4)	-
2.1 Deferred tax liabilities recognised in the year	(4)	-
a) relating to previous years	-	-
b) due to changes in accounting policies	(2)	-
c) other	(2)	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	1	-
3.1 Deferred tax liabilities derecognised in the year	1	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	1	-
3.2 Reductions of tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	(3)	-

10.5 Changes in deferred tax assets through equity

	(€m)	
	Total at 31/12/2020	Total at 31/12/2019
1. Opening balance	233	370
2. Increases	24	11
2.1 Deferred tax assets recognised in the year	24	11
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	24	11
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	(182)	(148)
3.1 Deferred tax assets derecognised in the year	(182)	(148)
a) reversals	(62)	(11)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	(120)	(137)
3.2 Reductions of tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	75	233

10.6 Changes in deferred tax liabilities through equity

	(€m)	
	Total at 31/12/2020	Total at 31/12/2019
1. Opening balance	(662)	(372)
2. Increases	(448)	(416)
2.1 Deferred tax liabilities recognised in the year	(448)	(416)
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	(448)	(416)
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	134	126
3.1 Deferred tax liabilities derecognised in the year	134	126
a) reversals	134	96
b) due to changes in accounting policies	-	-
c) other	-	30
3.2 Reductions of tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	(976)	(662)

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.

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

	(€m)	
Items/Amounts	Total at 31/12/2020	Total at 31/12/2019
Tax receivables from revenue agency	349	336
Items in process	612	554
Current tax assets receivable from Poste Italiane SpA outside the ring-fence	15	77
Other items	1,654	1,525
Total	2,630	2,492

Tax receivables refer mainly to advances paid to the tax authorities, of which: €320 million for stamp duty to be paid virtually in 2021 and €11 million for withholding tax on interest payable to current account holders in 2020, 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 €14 million;
- €68 million in withdrawals from BancoPosta ATMs yet to be debited to customer accounts or awaiting settlement;
- amounts to be charged to PostePay SpA for €72 million (mainly in the first few days of 2021).

"Other items" include mainly:

- €1,474 million in stamp duty accrued to 31 December 2020 payable by holders of outstanding Interest-bearing Postal Certificates¹⁸⁶. 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;
- €118 million relating to stamp duty charged to Postal Savings Books, which BancoPosta RFC pays in virtual form as required by law.

The sub-item "Current tax assets receivable from Poste Italiane SpA outside the ring-fence" is commented in Section 8 of Liabilities.

LIABILITIES

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – ITEM 10

1.1 Financial liabilities measured at amortised cost: breakdown of amounts due to banks by type

Type of transactions/Amounts	Total at 31/12/2020					Total at 31/12/2019			
	Carrying amount	Fair Value			Carrying amount	Fair Value			
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
1. Due to Central Banks	-	x	x	x	-	x	x	x	
2. Due to banks	10,815	x	x	x	7,186	x	x	x	
2.1 Current accounts and demand deposits	720	x	x	x	383	x	x	x	
2.2 Time deposits	-	x	x	x	-	x	x	x	
2.3 Loans	9,701	x	x	x	6,690	x	x	x	
2.3.1 Repurchase agreements	9,701	x	x	x	6,690	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	394	x	x	x	113	x	x	x	
Total	10,815	-	9,731	1,114	7,186	-	6,699	496	

At 31 December 2020, €9,701 million is due to banks under the terms of "Loans, repurchase agreements" entered into with primary financial institutions involving securities with a total nominal value of €8,856 million. These regard €5,109 million in Long Term Repos and €4,592 million in loans, with the resulting proceeds invested in Italian fixed income government securities and utilised as funding for incremental deposits used as collateral in collateralisation transactions. At 31 December 2020, repurchase agreements with a nominal value of €900 million were subject to fair value hedges, entered into during the year to hedge interest rate risk.

Repurchase agreements are classified as fair value Level 2 transactions, 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 €392 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).

¹⁸⁶ 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).

BancoPosta RFC has uncommitted overnight credit lines amounting to €1,017 million, overdraft facilities for €148 million and arrangements for the issue of personal guarantees for €620 million granted to Poste Italiane SpA, undrawn at 31 December 2020.

In addition, from 26 June 2020, it may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion, unused at 31 December 2020.

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 €880 million, and the facility is unused at 31 December 2020.

1.2 Financial liabilities measured at amortised cost: breakdown of amounts due to customers by type

Type of transactions/Amounts	(€m)							
	Total at 31/12/2020			Total at 31/12/2019				
	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	65,882	x	x	x	53,555	x	x	x
2. Time deposits	-	x	x	x	-	x	x	x
3. Loans	8,235	x	x	x	8,888	x	x	x
3.1 Repurchase agreements	4,647	x	x	x	4,346	x	x	x
3.2 Other	3,588	x	x	x	4,542	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	1,178	x	x	x	750	x	x	x
Total	75,295	-	4,649	70,648	63,193	-	4,348	58,847

The sub-item "Current accounts and demand deposits" include €7,044 million in postal current accounts held by PostePay SpA mainly relating to the deposit of income from prepaid cards, €484 million in postal current accounts held by PosteVita SpA and €140 million in current accounts held by Poste Italiane outside the ring-fence.

At 31 December 2020 "Loans, repurchase agreements" amount to €5,010 million, reflecting transactions entered into with Central Counterparty in relation to securities with a nominal amount of €4,599 million. These regard €1,974 million in Long Term Repos and €3,036 million in loans, with the resulting proceeds invested in Italian fixed income government securities and utilised as funding for incremental deposits used as collateral in collateralisation transactions.

Financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2020, already included in the exposure to net balances, amounted to €363 million (€1,158 million at 31 December 2019).

The sub-item "Loans, Other" consist of the net amount of €3,588 million deposited in the MEF account held at the Treasury, which breaks down as follows:

- the balance of cash flows for advances, amounting to €3,602 million, represents the net amount payable as a result of advances from the MEF to meet the cash requirements of BancoPosta;
- net balance of cash flows from the management of postal savings of €192 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 2020, the balance consisted of a receivable of €146 million owed to Cassa Depositi e Prestiti and a receivable of €46 million owed to the MEF for issues of Interest-bearing Postal Certificates attributable to Cassa Depositi e Prestiti;

- amounts payable due to thefts suffered by Post Offices of €159 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 €19 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 €784 million, and postal money orders for €381 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.

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 20

Type of transactions/Amounts	Total at 31/12/2020					Total at 31/12/2019				
	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	
A. On-balance sheet liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.: Structured	-	-	-	-	x	-	-	-	-	x
3.1.: Other bonds	-	-	-	-	x	-	-	-	-	x
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.: Structured	-	-	-	-	x	-	-	-	-	x
3.2.: Other	-	-	-	-	x	-	-	-	-	x
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives			20	-			15	-		
1.1 Trading	x	-	-	-	x	x	-	-	-	x
1.2 Connected to the fair value option	x	-	-	-	x	x	-	-	-	x
1.3 Other	x	-	20	-	x	x	15	-	-	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
Total B	-	-	20	-	-	-	15	-	-	-
Total (A+B)	-	-	20	-	-	-	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 DESIGNATED AT FAIR VALUE – ITEM 30

No financial liabilities are held in portfolio designated at fair value through profit or loss (the "fair value option").

SECTION 4 – HEDGING DERIVATIVES – ITEM 40

4.1 Hedging derivatives: breakdown by type of hedge and level

	(€m)							
	Fair value at 31/12/2020			Notional amount* at 31/12/2020	Fair value at 31/12/2019			Notional amount* at 31/12/2019
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	-	8,243	-	32,928	-	5,552	-	27,344
1) Fair value	-	8,121	-	29,814	-	5,450	-	24,945
2) Cash flow	-	122	-	3,114	-	102	-	2,399
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	-	8,243	-	32,928	-	5,552	-	27,344

(*) 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: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value							Cash flow			Foreign investments
	Micro							Macro	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	3,698	-	-	-	x	x	x	68	x	x	
2. Financial assets measured at amortised cost	4,423	x	-	-	x	x	x	-	x	x	
3. Portfolio	x	x	x	x	x	x	-	x	-	x	
4. Other transactions	-	-	-	-	-	-	x	-	x	-	
Total assets	8,121	-	-	-	-	-	-	68	-	-	
1. Financial liabilities	-	x	-	-	-	-	x	-	x	x	
2. Portfolio	x	x	x	x	x	x	-	x	-	x	
Total liabilities	-	-	-	-	-	-	-	-	-	-	
1. Expected transactions	x	x	x	x	x	x	x	54	x	x	
2. Portfolio of financial assets and 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 31/12/2020	Total at 31/12/2019
Tax payables to revenue agency	1,542	1,402
Items in process	599	844
- amounts to be credited to Postal Savings Books	104	212
- other	495	632
Amounts payable to Poste Italiane outside the ring-fence:	490	441
- for services rendered by Poste Italiane SpA	455	441
- current tax liabilities	35	-
Amounts payable to customers	119	52
Amounts payable to suppliers	364	103
Amounts payable to staff	8	10
Contract liabilities	29	26
Other items	3	75
Total	3,154	2,953

The sub-item "Tax payables to revenue agency" mainly includes:

- €1,474 million in stamp duty accrued to 31 December 2020 on outstanding Interest-bearing Postal Certificates in accordance with the requirements referenced in Part B, Assets, Table 12.1;
- €52 million in the payable for virtual stamp duty to the tax authorities;
- €10 million in tax withholdings on current account interest earned by customers.

The sub-item "Due to suppliers" primarily includes €349 million in trade payables due to PostePay for collection and payment services under the service contract.

"Items in process, other" 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 2021.

"Contract liabilities" are mainly due to the placement of loan products, as shown in the following table:

Description	(€m)			
	Balance at 31/12/2019	Increases / (Decreases)	Change due to recognition of revenue for period	Balance at 31/12/2020
Liabilities for volume discounts	3	(1)	-	2
Liabilities for fees to be refunded	20	(39)	43	24
Deferred income from trading transactions	3	-	-	3
Total	26	(40)	43	29

Liabilities for fees to be refunded refer to the estimate of the commissions to be relegated to partners in case of the contractually agreed early repayment of loan products placed after 1 January 2018.

The decrease in the sub-item "Other items" compared to 31 December 2019 is due to the settlement of prior items resulting from an overall process of revision of estimates completed in the year under review, with consequent positive effects recognised in the statement of profit or loss in "Item 200 - Other operating income/(expenses)".

Movements in current tax assets and liabilities receivable from and payable to Poste Italiane SpA outside the ring-fence are shown below:

Description	Current tax 2020			Current tax 2019		
	IRAP		Total	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	
Opening balance	68	9	77	(14)	2	(12)
Payments of:	57	21	78	206	38	244
account for the current year	57	21	78	192	38	230
balance payable for the previous year	-	-	-	14	-	14
Amount recognised in profit or loss	(147)	(28)	(175)	(145)	(31)	(176)
current tax	(170)	(35)	(205)	(145)	(30)	(175)
changes in current taxation for previous years	23	7	30	-	(1)	(1)
Amount recognised in equity	-	-	-	-	-	-
Other	-	-	-	21	-	21
Closing balance	(22)	2	(20)	68	9	77
of which:						
Current tax assets due from Poste Italiane outside the ring-fence (Item 120 Assets)	11	4	15	68	9	77
Current tax liabilities due to Poste Italiane outside the ring-fence (Item 80 Liabilities)	(32)	(3)	(35)	-	-	-

Current tax assets, totalling €15 million, refer to receivables recognised following the signing of the agreement on the Patent Box¹⁸⁷ in respect of the 2015-2016 financial years (€7 million) and the responses received to two requests on the correct application of IFRS 9 and 15 (€8 million). These assets will become compensable after the submission of the relevant supplementary tax returns.

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 31/12/2020	Total at 31/12/2019
A. Opening balance	3	3
B. Increases	-	1
B.1 Provisions for the year	-	-
B.2 Other changes	-	1
C. Decreases	-	(1)
C.1 Benefits paid	-	-
C.2 Other changes	-	(1)
D. Closing balance	3	3

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.

¹⁸⁷ On 21 December 2020, an agreement was entered into with the Revenue Agency to adhere to the "Patent Box" regime for the recognition of the economic contribution, referring to the 2015-2019 financial years with a positive effect in terms of tax benefit amounting to a total of €23 million, of which €16 million referring to the 2017, 2018 and 2019 financial years, used to offset taxes for the year.

9.2 Other information

Measurement of the liability entails actuarial computations for which the following assumptions were used in 2020 and 2019:

Economic and financial assumptions

	31/12/2020
Discount rate	0.300%
Inflation rate	1.50%
Annual rate of increase of employee termination benefits	2.625%

Demographic assumptions

	31/12/2020
Mortality	ISTA T2018 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)

	(€m)	
	31/12/2020	31/12/2019
Change in demographic assumptions	-	-
Change in financial assumptions	-	0.2
Other experience-related adjustments	0.1	(0.5)
Total	0.1	(0.3)

Sensitivity analysis

	Employee termination benefits at 31/12/2020
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

31/12/2020

Service Cost	-
Average duration of defined benefit plan	12.3
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 31/12/2020	Total at 31/12/2019
1. Provisions for credit risk relating to financial commitments and guarantees gi	-	-
2. Provisions for other commitments and guarantees given	-	-
3. Provisions for retirement benefits	-	-
4. Other provisions for risks and charges	213	327
4.1 litigation	81	95
4.2 personnel expenses	1	1
4.3 other	131	231
Total	213	327

The composition of "Other provisions" is provided in Table 10.6, below.

10.2 Provisions for risks and charges: annual changes

	(€m)			Total
	Provisions for other commitments and guarantees given	Provisions for retirement benefits	Other provisions for risks and charges	
A. Opening balance	-	-	327	327
B. Increases	-	-	35	35
B.1 Provisions for the year	-	-	35	35
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to changed discount rates	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	-	-	(149)	(149)
C.1 Uses during the year	-	-	(46)	(46)
C.2 Changes due to changed discount rates	-	-	-	-
C.3 Other changes	-	-	(103)	(103)
D. Closing balance	-	-	213	213

The main changes are commented in the remainder of this section.

10.6 Provisions for risks and charges - other provisions

Description	(€m)	
	Total at 31/12/2020	Total at 31/12/2019
Litigation	81	95
Provisions for disputes with third parties	81	95
Provisions for disputes with staff	-	-
Provisions for personnel expenses	1	1
Other provisions	131	231
Provisions for operational risks	131	231
Total	213	327

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, penalties and indemnities payable to customers. During the year, net provisions of €9 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 primarily reflect risks linked to the distribution of postal savings products issued in previous years, adjustments and settlements of income for previous years, estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta, primarily in its capacity as a third party in foreclosure, and fraud.

In 2020, a total of €24 million was allocated to provision, mainly due to risks associated with the distribution of postal savings products issued in previous years and expenses to be incurred as a result of seizures suffered by BancoPosta mainly as a third party. Transfers to profit or loss for €88 million are due to the elimination of liabilities identified in the past and refer mainly to the revised estimate of certain risks associated with the distribution of postal savings products and the conclusion of voluntary protection initiatives undertaken for the Europa Immobiliare I and Obelisco funds. Uses are primarily attributable to risks linked to the distribution of postal savings products and to liabilities defined in favour of customers subscribing to the Obelisco fund who have taken part in the above initiative.

SECTION 11 – REDEEMABLE SHARES – ITEM 120

Nothing to report.

SECTION 12 – EQUITY – ITEMS 110, 130, 140, 150, 160, 170 AND 180

12.4 Profit reserves: other information

At 31 December 2020, retained earnings amounted to €1,142 million, increased compared to 31 December 2019 by the allocation of €85 million, as approved by the General Shareholders' Meeting of 15 May 2020.

Other reserves amounted to €1,211 million, including the initial reserve of €1,000 million provided to BancoPosta RFC on its creation, €210 million in additional capital contributions in 2018, and €1 million for incentive plans reserves, described in Part I.

Regarding the availability and distributability of the reserves of BancoPosta RFC, reference should be made to the information provided in Section 5, Table B.3 - *Availability and distributability of reserves* - of this section - *Financial statements of Poste Italiane* - of the Annual Report.

OTHER INFORMATION

3. Assets pledged as collateral for liabilities and commitments

Portfolios	(€m)	
	Total at 31/12/2020	Total at 31/12/2019
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	9,060	7,329
3. Financial assets measured at amortised cost	6,969	5,707
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 and to securities provided as collateral to counterparties with which interest rate swap transactions with negative fair value are in place. "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

		(€m)
Type of services		Amount
1. Execution of orders on behalf of customers		-
a) purchase		-
1. settled		-
2. not settled		-
b) sale		-
1. settled		-
2. not settled		-
2. Individual portfolio management		-
3. Custody and administration of securities		62,318
a) third-party securities in custody: associated with depositary bank services (excluding portfolio management)		-
1. securities issued by the reporting bank		-
2. other securities		-
b) other third-party securities in custody (excluding portfolio management): other		2,592
1. securities issued by the reporting bank		-
2. other securities		2,592
c) third-party securities deposited with third parties		2,592
d) own securities deposited with third parties		59,726
4. Other transactions		248,727
a) Postal Savings Books		103,710
b) Interest-bearing Postal Certificates		145,017

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 master netting agreements or similar arrangements

(€m)

Technical forms	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 2020 (f=c-d-e)	Net amount at 31 December 2019
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	78	-	78	78	-	-	-
2. Repurchase agreements	364	363	1	1	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31/12/2020	442	363	79	79	-	-	x
Total at 31/12/2019	1,231	1,158	73	73	-	x	-

6. Financial liabilities offset in the financial statements or subject to master netting agreements or similar arrangements

(€m)

Technical forms	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 2020 (f=c-d-e)	Net amount at 31 December 2019
				Financial instruments (d)	Cash deposits provided as collateral (e)		
1. Derivatives	8,243	-	8,243	867	7,376	-	-
2. Repurchase agreements	14,711	363	14,348	14,359	(12)	1	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31/12/2020	22,954	363	22,591	15,226	7,364	1	x
Total at 31/12/2019	17,746	1,158	16,588	11,600	4,988	x	-

The above tables have been compiled in accordance with IFRS 7, which requires a specific disclosure regardless of whether or not the financial instruments have been offset in the financial statements.

In particular, the tables show:

- the carrying amounts, before and after the effects of accounting offsetting, relating to repurchase agreements that meet the conditions necessary for the recognition of such effects;
- the carrying amounts relating to derivative transactions and repurchase agreements that do not meet these conditions but are governed by standardised bilateral netting agreements that allow, in the event of counterparty default, the offsetting of credit and debit positions (ISDA and GMRA agreements);
- the value of the collateral attached to them.

In order to present the tables and in compliance with the requirements of IFRS 7 and Bank of Italy Circular no. 262, repurchase agreements are shown at amortised cost, whilst derivative transactions are shown at fair value; the relevant financial guarantees are measured at fair value.

PART C – INFORMATION ON PROFIT OR LOSS

SECTION 1 – INTEREST – ITEMS 10 AND 20

1.1 Interest and similar income: breakdown

(€m)					
Items/Technical forms	Debt securities	Loans	Other transactions	FY 2020	FY 2019
1. Financial assets measured at fair value through profit or loss	-	-	-	-	-
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets measured at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	898	-	x	898	1,012
3. Financial assets measured at amortised cost	649	32	-	681	600
3.1 Due from banks	-	-	-	-	-
3.2 Due from customers	649	32	-	681	600
4. Hedging derivatives	x	x	(37)	(37)	(23)
5. Other assets	x	x	-	-	-
6. Financial liabilities	x	x	x	45	51
Total	1,547	32	(37)	1,587	1,640
of which: interest income on impaired financial assets	-	-	-	-	-
of which: interest income on finance leases	-	-	-	-	-

The sub-item "Financial liabilities" reflects mainly interest income accruing during the year on repurchase agreements.

1.3 Interest expense and similar charges: breakdown

(€m)					
Items/Technical forms	Payables	Securities	Other transactions	FY 2020	FY 2019
1. Financial liabilities measured at amortised cost	(77)	-	-	(77)	(60)
1.1 Due to Central Banks	-	x	x	-	-
1.2 Due to banks	(35)	x	x	(35)	(22)
1.3 Due to customers	(42)	x	x	(42)	(38)
1.4 Debt securities in issue	x	-	x	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities measured at fair value	-	-	-	-	-
4. Other liabilities and provisions	x	x	-	-	-
5. Hedging derivatives	x	x	-	-	-
6. Financial assets	x	x	x	(12)	(14)
Total	(77)	-	-	(89)	(74)
of which: interest expense on lease payables	-	-	-	-	-

The sub-item "Financial assets" mainly includes interest expense on the deposit at MEF (Buffer account) for €6 million and interest expense accrued during the year for repurchase agreements for €2 million.

1.5 Differentials related to hedge transactions

(€m)		
Items	FY 2020	FY 2019
A. Positive hedge differentials	26	8
B. Negative hedge differentials	(63)	(31)
C. NET (A-B)	(37)	(23)

SECTION 2 – FEES AND COMMISSIONS – ITEMS 40 AND 50

2.1 Commission income: breakdown

	(€m)	
Type of services/Amounts	FY 2020	FY 2019
a) guarantees given	-	-
b) credit derivatives	-	-
c) management, brokerage and advisory services:	2,740	2,837
1. financial instrument trading	-	-
2. FX trading	-	1
3. individual portfolio management:	-	-
4. securities custody and administration	2	3
5. depository banking	-	-
6. securities placements	2	1
7. order receipt and transmission	5	4
8. advisory services:	-	-
8.1 relating to investments	-	-
8.2 relating to financial structuring	-	-
9. arrangement of third-party services:	2,731	2,828
9.1 portfolio management:	-	-
9.1.1 individual	-	-
9.1.2 collective	-	-
9.2 insurance products	439	437
9.3 other products	2,292	2,391
d) collection and payment services	589	703
e) securitisation servicing	-	-
f) factoring services	-	-
g) tax collection	-	-
h) multilateral trading services	-	-
i) current account maintenance and management	241	242
j) other services	12	12
Total	3,582	3,794

"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 €1,851 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 expired 31 December 2020 and being renewed.

The decrease compared to 2019 was primarily caused by the health emergency that affected our country starting in March 2020 and significantly affected normal operations. The largest decreases relate to commissions for collection and payment services, following the decline in volumes of payment slips, and commissions for the placement of financing products.

Revenue from contracts with customers

	(€m)	
Description	FY 2020	FY 2019
Management, brokerage and advisory services	2,740	2,837
Recognised at a point in time	-	1
Recognised over time	2,740	2,836
Collection and payment services	589	703
Recognised at a point in time	312	409
Recognised over time	277	294
Current account maintenance and management	241	242
Recognised at a point in time	-	-
Recognised over time	241	242
Other services	12	12
Recognised at a point in time	-	-
Recognised over time	12	12
Total	3,582	3,794

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 maintenance and management 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

(€m)		
Channels/Amounts	FY 2020	FY 2019
A. own counters:	2,733	2,829
1. portfolio management	-	-
2. securities placements	2	1
3. third-party products and services	2,731	2,828
B. door-to-door:	-	-
1. portfolio management	-	-
2. securities placements	-	-
3. third-party products and services	-	-
C. other distribution channels:	-	-
1. portfolio 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

(€m)		
Services/Amounts	FY 2020	FY 2019
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	(3)	(2)
1. financial instrument trading	-	-
2. FX trading	-	-
3. portfolio management:	-	-
3.1 own	-	-
3.2 for third parties	-	-
4. securities custody and administration	(1)	(1)
5. financial instrument placements	(2)	(1)
6. door-to-door marketing of financial instruments, products and services	-	-
d) collection and payment services	(287)	(331)
e) other services	(2)	(2)
Total	(292)	(335)

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

(€m)					
Transactions/Profit components	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	-	6	-	-	6
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 UCIs	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	6	-	-	6
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	x	x	x	x	(5)
4. Derivative instruments	-	11	(5)	-	6
4.1 Financial derivatives:	-	11	(5)	-	6
- on debt securities and interest rates	-	11	-	-	11
- on equity instruments and share indices	-	-	(5)	-	(5)
- on foreign exchange and gold	x	x	x	x	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of w hich: natural hedges connected w ith the fair value option	x	x	x	x	-
Total	-	17	(5)	-	7

SECTION 5 – PROFITS/(LOSSES) ON HEDGING – ITEM 90

5.1 Profits/(losses) on hedging: breakdown

(€m)		
Profit components/Amounts	FY 2020	FY 2019
A. Income on:		
A.1 Fair value hedge derivatives	10	11
A.2 Hedged financial assets (fair value)	3,268	3,935
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedge derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Gross hedging income (A)	3,278	3,946
B. Cost of:		
B.1 Fair value hedge derivatives	(3,270)	(3,939)
B.2 Hedged financial assets (fair value)	(10)	(11)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Gross hedging cost (B)	(3,280)	(3,950)
C. Profits/(Losses) on hedging (A – B)	(2)	(4)
of w hich: 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 components	(€m)					
	FY 2020			FY 2019		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	101	(38)	63	-	(10)	(10)
1.1 Due from banks	-	-	-	-	-	-
1.2 Due from customers	101	(38)	63	-	(10)	(10)
2. Financial assets measured at fair value through other comprehensive income	399	(97)	302	352	(3)	349
2.1 Debt securities	399	(97)	302	352	(3)	349
2.2 Loans	-	-	-	-	-	-
Total assets (A)	500	(135)	365	352	(13)	339
B. Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

SECTION 7 – PROFITS/(LOSSES) ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

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 components	(€m)				
	Gains (A)	Realised gains (B)	Losses (C)	Realised losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets	11	-	3	-	8
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	11	-	3	-	8
1.3 UCIs	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange differences	x	x	x	x	(6)
Total	11	-	3	-	2

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 components	(€m)						
	Losses (1)			Recoveries (2)		FY 2020	FY 2019
	Stage 1 and 2	Write-off	Other	Stage 1 and 2	Stage 3		
A. Due from banks	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-
of which: purchased or originated impaired loans	-	-	-	-	-	-	-
B. Due from customers	(19)	-	-	3	-	(16)	(11)
- Loans	(9)	-	-	2	-	(7)	(12)
- Debt securities	(10)	-	-	1	-	(9)	1
of which: purchased or originated impaired loans	-	-	-	-	-	-	-
Total	(19)	-	-	3	-	(16)	(11)

8.2 Net losses/recoveries due to credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Profit components						(€m)	
	Losses (1)			Recoveries (2)		FY 2020	FY 2019
	Stage 1 and 2	Write-off	Other	Stage 1 and 2	Stage 3		
A. Debt securities	(8)	-	-	2	-	(6)	2
B. Loans	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which: purchased or originated impaired financial ass	-	-	-	-	-	-	-
Total	(8)	-	-	2	-	(6)	2

SECTION 9 – PROFITS/(LOSSES) FROM CONTRACT AMENDMENTS WITHOUT TERMINATION – ITEM 140

Not applicable

SECTION 10 – ADMINISTRATIVE EXPENSES – ITEM 160

10.1 Personnel expenses: breakdown

Type of expenses/Amounts	(€m)	
	FY 2020	FY 2019
1) Employees	(34)	(36)
a) wages and salaries	(24)	(24)
b) social security	(6)	(7)
c) employee termination benefits	(1)	(1)
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)
i) other employee benefits	(2)	(2)
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	-	-
Total	(34)	(36)

10.2 Average number of employees by category (*)

	FY 2020	FY 2019
Employees	410	426
a) executives	33	32
b) middle managers	296	304
c) other employees	81	90
Other employees	-	-
Total	410	426

(*) Figures expressed in full time equivalent terms.

10.4 Other employee benefits

This primarily relates to redundancy payments.

10.5 Other administrative expenses: breakdown

	(€m)	
Type of expenses/Amounts	FY 2020	FY 2019
1) Cost of services provided by Poste Italiane SpA	(4,380)	(4,476)
2) Cost of goods and non-professional services:	-	(1)
- printing and postage	-	(1)
- credit and debit card supply services	-	-
3) Advisory and other professional services	(16)	(12)
4) Taxes, penalties and duties	(14)	(13)
5) Other expenses	-	-
Total	(4,410)	(4,502)

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

11.3 Net provisions for other risks and charges: breakdown

	(€m)		
Items/Profit components	Provisions	Reversals	Net result
Provisions for litigation	(9)	14	5
Provisions for other risks and charges	(24)	88	64
Total	(33)	102	69

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/(EXPENSES) – ITEM 200

14.1 Other operating expenses: breakdown

	(€m)	
Profit components/Amounts	FY 2020	FY 2019
1. Burglaries and theft	(6)	(4)
2. Other expenses	(72)	(31)
Total	(78)	(35)

14.2 Other operating income: breakdown

	(€m)	
Profit components/Amounts	FY 2020	FY 2019
1. Other revenue from contracts with customers	2	2
2. Other operating income	143	65
Total	145	67

The sub-items "Other expenses" and "Other operating income" mainly include the total net effects of €75 million related to the settlement of items previously recognised under "Other liabilities" resulting from a comprehensive review of estimates completed during the year.

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

	(€m)	
Profit components/Amounts	FY 2020	FY 2019
1. Current taxes (-)	(205)	(175)
2. Increase/(decrease) in current taxes of prior period taxation (+/-)	30	(1)
3. Reduction in current taxes (+)	-	-
3. bis Reduction in current taxes due to tax credit pursuant to Law 214/2011 (+)	-	-
4. Increase/(decrease) in deferred tax assets (+/-)	(24)	(58)
5. Increase/(decrease) in deferred tax liabilities (+/-)	(2)	-
6. Tax expense for the year (-) (-1+/-2+3+3 bis +/-4+/-5)	(201)	(234)

The decrease in taxes is mainly due to the positive effect of the Patent Box agreement signed on 21 December 2020, which was recognised in current taxes in previous years.

19.2 Reconciliation between theoretical tax charge at statutory rate and effective tax charge

Description	FY 2020		FY 2019	
	IRES	Tax Rate	IRES	Tax Rate
<i>Profit before tax</i>	<u>829</u>		<u>844</u>	
Theoretical tax charge	199	24.0%	202	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Net provisions for risks and charges and impairments of receivables	(10)	-1.2%	3	0.4%
Other	(3)	-0.4%	(9)	-1.1%
Effective tax (before recognition of the Patent Box tax effect)	186	22.4%	196	23.3%
Patent Box tax effect	(19)	-2.3%	-	0.0%
Effective tax charge	167	20.1%	196	23.3%

The decrease in the tax rate is mainly due to the effects deriving from the recognition of the Patent Box.

(€m)

Description	FY 2020		FY 2019	
	IRAP	Tax Rate	IRAP	Tax Rate
<i>Profit before tax</i>	<u>829</u>		<u>844</u>	
Theoretical tax charge	37	4.5%	38	4.5%
Effect of increases/(decreases) on theoretical tax charge				
Provisions for risks and charges	(2)	-0.2%	-	0.0%
Other	3	0.4%	-	0.0%
Effective tax (before recognition of the Patent Box tax effect)	38	4.6%	38	4.5%
Patent Box tax effect	(4)	-0.5%	-	0.0%
Effective tax charge	34	4.1%	38	4.5%

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

	(€m)	
Items	FY 2020	FY 2019
10. Profit/(Loss) for the year	629	611
Other components of comprehensive income not reclassified to profit or loss		
20. Equity instruments measured at fair value through other comprehensive income:	-	-
a) changes in fair value	-	-
b) transfers to other equity	-	-
30. Financial liabilities measured at fair value through profit or loss (changes in own credit rating):	-	-
a) changes in fair value	-	-
b) transfers to other equity	-	-
40. Hedges of equity instruments measured at fair value through other comprehensive income:	-	-
a) changes in fair value (hedged instrument)	-	-
b) changes 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	-	-
Other components of comprehensive income reclassified to profit or loss		
110. Hedges of foreign investments:	-	-
a) changes in fair value	-	-
b) reclassified to profit or loss	-	-
c) other changes	-	-
120. Foreign exchange differences:	-	-
a) changes in value	-	-
b) reclassified to profit or loss	-	-
c) other changes	-	-
130. Cash flow hedges:	(24)	38
a) changes in fair value	(27)	98
b) reclassified to profit or loss	3	(60)
c) other changes	-	-
of which: result of net positions	-	-
140. Hedges (elements not designated):	-	-
a) changes in value	-	-
b) reclassified to profit or loss	-	-
c) other changes	-	-
150. Financial assets (other than equity instruments) measured at fair value through other comprehensive income:	1,693	1,457
a) changes in fair value	1,947	1,702
b) reclassified to profit or loss	(254)	(245)
- losses due to credit risk	6	(2)
- realised gains/(losses)	(260)	(243)
c) other changes	-	-
160. Non-current assets and disposal groups held for sale:	-	-
a) changes in fair value	-	-
b) reclassified to profit or loss	-	-
c) other changes	-	-
170. Share of valuation reserves attributable to equity-accounted investments:	-	-
a) changes in fair value	-	-
b) reclassified to profit or loss	-	-
- losses	-	-
- realised gains/(losses)	-	-
c) other changes	-	-
180. Tax expense on other comprehensive income reclassified to profit or loss	(474)	(427)
190. Total other comprehensive income	1,195	1,068
200. Comprehensive income (Items 10+190)	1,824	1,679

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 Eurozone government bonds and, for a portion not exceeding 50% of the funds raised, in other securities backed by the Italian government guarantee¹⁸⁸, whilst deposits by Public Administration entities are deposited with the MEF.

In 2020, BancoPosta RFC's operations focused on investment of the significantly increased volume of current account deposits, the reinvestment of funds deriving from maturing government bonds and in the active management of financial instruments.

Due to the monetary policy measures adopted by the ECB to mitigate the impact of the Coronavirus pandemic on the Eurozone economy, financial year 2020 was characterised by a reduction in yields on Italian government securities (the 10-year BTP fell from 1.4% to 0.5%), which brought the BTP-Bund spread to 111 basis points compared to 160 last year.

With reference to BancoPosta RFC, following the positive development in revenue volumes, mainly due to the effect of the pandemic that resulted in an increase in account balances, and the change in the market scenario, the Leverage Ratio fell during the year to 2.65% at 31 December 2020, taking into account the increase in capital deriving from the calculation of part of the 2020 profits, not subject to distribution.

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 system is thus the general reference for the policy of 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, Poste Italiane SpA's Board of Directors 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:

¹⁸⁸ 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).

- the **Control and Risk 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 the internal control and risk management system and regarding the approval of financial and non-financial periodic reports;
- 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;
- the **BancoPosta's Risk Management function**, responsible for measuring and controlling risk and duly observing the independence of control functions from management.

The 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;

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:

- Eurozone government bonds 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 and private customer deposits are invested;
- any eventual amounts due from the 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 2021;
- 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 "Cassa 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 for BancoPosta RFC's financial transactions contain rating limits that only permit dealings with investment grade counterparties. The limits referred to above have been established by the "Guidelines on Poste Italiane SpA's financial management"¹⁸⁹ for BancoPosta RFC. Specifically, as regards rating limits, transactions are allowed solely with investment grade counterparties and Eurozone 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 applied¹⁹⁰.

The standardised approach¹⁹¹ 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.

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" method¹⁹², is used for interest rate swaps and forward purchases of government bonds;
- Credit Risk Mitigation (CRM) techniques, the Full Method¹⁹³, are used for repurchase transactions.

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.

¹⁸⁹ On 24 March 2021, in the same meeting for approval of these draft financial statements, Poste Italiane SpA's Board of Directors 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 Audit and Risk Committee.

¹⁹⁰ 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.

¹⁹¹ 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.

¹⁹² 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.

¹⁹³ 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.

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 parameters deriving from agency ratings or 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 start a Point in Time (PIT) and forward-looking valuation has been adopted;
- LGD: use has been made of the Internal Ratings-Based (IRB) Base 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 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.

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 classes¹⁹⁴;
- a judgemental factor to be used only in the presence of sudden changes in the creditworthiness not yet reflected by the rating¹⁹⁵.

¹⁹⁴ 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.

¹⁹⁵ The judgemental factor can summarise significant aspects in determining the significant increase of credit risk, considering such elements as:

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 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 information¹⁹⁶.

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.

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

-
- 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.

¹⁹⁶ In particular, the use of such approach is limited to situations where, actually, the final figures are deemed to be no longer representative of the counterparty's risk.

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.

Changes due to COVID-19

Measurement of expected losses

For the purposes of determining the forward-looking information to be included in the calculation of expected losses on financial instruments pursuant to IFRS 9, considering the effects of the COVID-19 pandemic, the Group, with reference to BancoPosta RFC, deemed it appropriate to continue to use the forecast scenarios, updated during preparation of the Interim Report, to take into account new elements based on the EU Commission's estimates for the year 2020, which led to a change in the PD of Italy and the other Sovereign counterparties compared to what was used in the assessments of the Separate Report at 31 December 2019. With regard to Corporate and Banking counterparties, the methodology used for this purpose is to increase PD in line with the increase in sectoral risk recorded by the rating agencies in the first eleven months of 2020 for each rating level.

With regard to trade receivables, in order to reflect the effects of the Covid-19 pandemic, the following steps were taken:

- for receivables subject to analytical impairment, the level of PD was increased in line with the increase in sectoral risk recorded by the rating agencies in 2020;
- for receivables subject to on a flat-rate basis impairment, on the other hand, in order to calculate expected losses, homogeneous customer clusters representing the composition of the receivable portfolio were identified. Each cluster was associated with different on a flat-rate basis impairment percentages, broken down by past due age bands, which varied on the basis of the increase in risk historically recorded during phases of acute stress.

The amount of expected losses on financial instruments in the RFC is mainly attributable to exposures to the Italian Republic. In the calculation of the ECL, the sensitive parameter is the PD which, in the case of the Italian Republic, is estimated through the application of an internal model dedicated to sovereign counterparties used in macroeconomic variable inputs. The sensitivity of the PD, and therefore of the ECL, to these macroeconomic factors can be assessed by comparing the PD value of the Italian Republic in two forecast scenarios for 2021.

At 31 December 2020, the following sensitivity analysis was performed on financial instruments relating to BancoPosta RFC:

- the application of the model to a scenario characterised by an increase in the Debt/GDP ratio of 4% would result in an increase in the PD of the Italian Republic of 9%, with a negative effect on the fund to cover expected losses of approximately €3 million;
- the application of the model to a scenario characterised by a decrease in the Debt/GDP ratio of 4% would determine a decrease in the PD of the Italian Republic of 19% with a consequent positive effect of approximately €6 million on the fund to cover expected losses.

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 securities;
- 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.

There were no impacts from the COVID-19 pandemic on guarantees and other credit risk mitigation instruments.

At 31 December 2020, 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 hedge credit and counterparty risk are described below:

- Fixed income instruments

Debt instruments 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 €3,000 million at 31 December 2020. 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 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 exposures evaluated individually, to calculate loss provisions, guarantees reduce the amount of the exposure at risk.

At 31 December 2020, unsecured trade receivables minus the relevant loss provisions amount to €1,043 million.

3. Credit-impaired financial assets

BancoPosta RFC holds a single non-performing financial asset, which relates to items illegally taken away but that are now being recovered for €13 million.

Quantitative information

A. Credit quality

A.1 Non-performing and performing credit exposures: balance, impairment, trends and business distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

	(€m)					
Portfolios/Credit quality	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	-	-	-	70	51,958	52,028
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	42,638	42,638
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
Total at 31/12/2020	-	-	-	70	94,596	94,666
Total at 31/12/2019	-	-	-	47	76,544	76,591

A.1.2 Distribution of credit exposure by portfolio and credit quality (gross and net amounts)

Portfolios/Credit quality	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	-	-	52,110	82	52,028	52,028
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	42,656	18	42,638	42,638
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	-	-	-	-	-	-	-	-
Total at 31/12/2020	13	13	-	-	94,766	100	94,666	94,666
Total at 31/12/2019	13	13	-	-	76,669	78	76,591	76,591

(*) amount reported for disclosure purposes

Portfolios/Credit quality	Assets of evidently low credit quality		Other assets	
	Cumulative losses	Net exposure		Net exposure
1. Financial assets held for trading	-	-	-	
2. Hedging derivatives	-	-	78	
Total at 31/12/2020	-	-	78	
Total at 31/12/2019	-	-	73	

A.1.3 Distribution of financial assets by past due categories (carrying amounts)

Portfolios/stages of risk	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	-	-	-	10	50	10	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total at 31/12/2020	-	-	-	10	50	10	-	-	-
Total at 31/12/2019	-	-	-	18	26	3	-	-	-

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: overall impairment losses/recoveries and overall provisions

Causes/stages of risk	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 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					
Opening balance	11	11	-	22	56	-	32	24	13	-	13	-	-	-	-	-	91
Increase in acquired or originated financial assets	5	5	-	10	-	-	-	-	-	-	-	-	-	-	-	-	10
Derecognitions other than write-offs	(1)	(2)	-	(3)	-	-	-	-	-	-	-	-	-	-	-	-	(3)
Net losses/recoveries due to credit risk (+/-)	4	4	-	8	7	-	8	(1)	-	-	-	-	-	-	-	-	15
Contract amendments without termination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	19	18	-	37	63	-	40	23	13	-	13	-	-	-	-	-	113
Recovery of amounts on written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The increase in the provision to cover expected losses takes account of the increased risk caused by the current pandemic.

Stage 2 reflects mainly value adjustments related to trade receivables for which the loss provisions are measured in accordance with the simplified approach.

A.1.6 On- and off-balance-sheet credit exposures to banks: gross and net amounts

(€m)

Types of exposures/Amounts	Gross exposure		Total impairments and total provisions	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. On-balance sheet exposures					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past-due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past-due exposures	X	8	-	8	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	6,336	-	6,336	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	-	6,344	-	6,344	-
B. Off-balance sheet exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	1,281	-	1,281	-
TOTAL B	-	1,281	-	1,281	-
TOTAL A+B	-	7,625	-	7,625	-

(*) 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 agreements¹⁹⁷, securities provided as collateral under counterparty risk mitigation agreements and for Repo financing with Securities Financing Transactions (SFT)¹⁹⁸ margins.

¹⁹⁷ 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.

¹⁹⁸ As defined in the prudential requirements.

A.1.7 On- and off-balance-sheet credit exposures to customers: gross and net amounts

(€m)

Types of exposures/Amounts	Gross exposure		Total impairments and total provisions	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. On-balance sheet exposures					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past-due exposures	13	X	13	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past-due exposures	X	124	62	62	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	88,285	25	88,260	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	13	88,409	100	88,322	-
B. Off-balance sheet exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	415	-	415	-
TOTAL B	-	415	-	415	-
TOTAL A+B	13	88,824	100	88,737	-

(*) 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 existing netting agreements, and to spot purchases of government securities not yet settled (regular way).

A.1.9 On-balance sheet credit exposures to customers: trends in gross non-performing exposures

(€m)

Causes/Categories	Bad loans	Unlikely to pay	Non-performing past-due
A. Opening gross exposure			
- of which: transferred and not derecognised	-	-	13
B. Increases			
B.1 Transfers from performing exposures	-	-	-
B.2 Transfers from acquired or originated impaired financial	-	-	-
B.3 Transfers from other categories of non-performing	-	-	-
B.4 Contract amendments without termination	-	-	-
B.5 Other increases	-	-	-
C. Decreases			
C.1 Transfers to performing exposures	-	-	-
C.2 Write-off	-	-	-
C.3 Collections	-	-	-
C.4 Proceeds on disposal	-	-	-
C.5 Losses on disposal	-	-	-
C.6 Transfers to other categories of non-performing exposures	-	-	-
C.7 Contract amendments without termination	-	-	-
C.8 Other decreases	-	-	-
D. Closing gross exposure			
- of which: transferred and not derecognised	-	-	13

A.1.11 On-balance-sheet non-performing credit exposures to customers: trends in overall impairment losses/recoveries

(€m)

Causes/Categories	Bad loans		Unlikely to pay		Non-performing past-due	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening impairment losses	-	-	-	-	13	-
- of which: transferred and not derecognised	-	-	-	-	-	-
B. Increases	-	-	-	-	-	-
B.1 Impairment losses to acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 Other impairment losses	-	-	-	-	-	-
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5 Contract amendments without termination	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-
C.1 Reversal of impairment losses on valuation	-	-	-	-	-	-
C.2 Reversal of impairment losses on collection	-	-	-	-	-	-
C.3 Proceeds on disposal	-	-	-	-	-	-
C.4 Write-off	-	-	-	-	-	-
C.5 Transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 Contract amendments without termination	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	-	-
D. Total closing impairment losses	-	-	-	-	13	-
- of which: transferred and not derecognised	-	-	-	-	-	-

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given 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)

(€m)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	1,866	4,496	44,591	1	-	-	1,169	52,123
- Stage 1	1,866	4,465	44,109	1	-	-	563	51,004
- Stage 2	-	31	482	-	-	-	593	1,106
- Stage 3	-	-	-	-	-	-	13	13
B. Financial assets measured at fair value through other comprehensive income	-	-	42,656	-	-	-	-	42,656
- Stage 1	-	-	42,656	-	-	-	-	42,656
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
C. Financial assets held for sale	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
Total (A + B + C)	1,866	4,496	87,247	1	-	-	1,169	94,779
of which: purchased or originated impaired financial assets	-	-	-	-	-	-	-	-
D. Commitments to disburse funds and financial guarantees given	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
Total (D)	-	-	-	-	-	-	-	-
Total (A + B + C + D)	1,866	4,496	87,247	1	-	-	1,169	94,779

Stage 2 reflects mainly financial assets represented by trade receivables for which loss provisions are measured with the simplified approach.

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.3.2 Guaranteed on- and off-balance-sheet credit exposures to customers

(€m)

	Collateral (1)						Personal guarantees (2)							Total (1)+(2)	
	Gross exposure	Net exposure	Mortgages	Finance leases	Securities	Other collateral	Credit derivatives				Unsecured loans				
							CLNs	Central counterparties	Banks	Other financial companies	Other entities	Public Administration entities	Banks		Other financial companies
1. Guaranteed on-balance sheet credit exposures:															
1.1 guaranteed in full	364	364	-	-	364	-	-	-	-	-	-	-	-	-	364
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially guaranteed	3,302	3,300	-	-	-	-	-	-	-	-	3,000	-	-	-	3,000
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:															
2.1 guaranteed in full	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Fully guaranteed on-balance sheet credit exposures refer to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32, and are therefore offset in the financial statements by €363 million.

Partly guaranteed on-balance sheet credit exposures refer to fixed-rate securities for a nominal amount of €3,000 million issued by Cassa Depositi e Prestiti and guaranteed by the Italian State.

B. Distribution and concentration of credit exposures

B.1 Distribution of on- and off-balance sheet credit exposures to customers by economic sector

(€m)

Exposures/Counterparties	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
A. On-balance sheet exposures										
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	81,990	43	5,411	2	223	-	917	26	4	29
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
TOTAL A	81,990	43	5,411	2	223	-	917	39	4	29
B. Off-balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	401	-	14	-	-	-	-	-	-	-
TOTAL B	401	-	14	-	-	-	-	-	-	-
TOTAL (A+B) at 31/12/2020	82,391	43	5,425	2	223	-	917	39	4	29
TOTAL (A+B) at 31/12/2019	65,542	26	5,675	2	147	-	680	39	6	24

B.2 Geographical distribution of on- and off-balance sheet credit exposures to customers

(€m)

Exposures/geographic areas	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
A. On-balance sheet exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	13	-	-	-	-	-	-	-	-
A.4 Performing exposures	87,116	100	1,206	-	-	-	-	-	-	-
TOTAL A	87,116	113	1,206	-	-	-	-	-	-	-
B. Off-balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	401	-	14	-	-	-	-	-	-	-
TOTAL B	401	-	14	-	-	-	-	-	-	-
TOTAL (A+B) at 31/12/2020	87,517	113	1,220	-	-	-	-	-	-	-
TOTAL (A+B) at 31/12/2019	71,297	91	606	-	-	-	-	-	-	-

B.2 Geographical distribution of on- and off-balance sheet credit exposures to customers

(€m)

Exposures/geographic areas	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	
A. On-balance sheet exposures									
A.1 Bad loans	-	-	-	-	-	-	-	-	
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	
A.3 Non-performing past-due exposures	-	-	-	-	13	-	-	-	
A.4 Performing exposures	3	10	-	-	4	87,109	56	4	30
TOTAL A	3	10	-	-	17	87,109	56	4	30
B. Off-balance sheet exposures									
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	
B.2 Performing exposures	-	-	-	-	401	-	-	-	
TOTAL B	-	-	-	-	401	-	-	-	
TOTAL (A+B) at 31/12/2020	3	10	-	-	17	87,510	56	4	30
TOTAL (A+B) at 31/12/2019	2	8	1	1	16	71,289	40	5	27

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

(€m)

Exposures/geographic areas	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
A. On-balance sheet exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	908	-	5,436	-	-	-	-	-	-	-
TOTAL A	908	-	5,436	-	-	-	-	-	-	-
B. Off-balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	618	-	288	-	-	-	-	-	-	-
TOTAL B	618	-	288	-	-	-	-	-	-	-
TOTAL (A+B) at 31/12/2020	1,526	-	5,724	-	-	-	-	-	-	-
TOTAL (A+B) at 31/12/2019	1,077	-	4,238	-	-	-	-	-	-	-

B.3 Geographical distribution of on- and off-balance sheet credit exposures to banks

(€m)

Exposures/geographic areas	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
A. On-balance sheet exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	122	-	1	-	785	-	-	-
TOTAL A	122	-	1	-	785	-	-	-
B. Off-balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	618	-	-	-	-	-	-	-
TOTAL B	618	-	-	-	-	-	-	-
TOTAL (A+B) at 31/12/2020	740	-	1	-	785	-	-	-
TOTAL (A+B) at 31/12/2019	544	-	-	-	533	-	-	-

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)	104,192
b) Weighted amount (€m)	9,230
c) Number	20

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 related financial liabilities: carrying amounts

	Financial assets sold recognised in full				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
A. Financial assets held for trading	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	8,883	-	8,883	-	8,406	-	8,406
1. Debt securities	8,883	-	8,883	-	8,406	-	8,406
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	6,366	-	6,366	-	6,305	-	6,305
1. Debt securities	6,366	-	6,366	-	6,305	-	6,305
2. Loans	-	-	-	-	-	-	-
TOTAL at 31/12/2020	15,249	-	15,249	-	14,711	-	14,711
TOTAL at 31/12/2019	12,508	-	12,508	-	12,194	-	12,194

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 2020, 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 EU Regulation 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, management policies 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 duration¹⁹⁹.

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 cards²⁰⁰, 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 – 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 and the revaluation of the asset portfolio in response to adverse market scenarios.

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 Poste Italiane SpA's Board of Directors.

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 Eurozone government bonds or guaranteed by the Italian government and classified as financial assets measured at fair value through other comprehensive income. 2020 witnessed an average decrease in the yields on Italian government securities compared with the previous year and, at 31 December 2020, the spread between ten-year Italian government securities and German bunds is approximately 111 bps, down on the figure for the previous year (160 bps at 31 December 2019).

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 €34 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 or loss for a positive amount of approximately €1.7 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 €2 billion.

¹⁹⁹ Duration is the indicator used to estimate the percentage change in price in response to a shift in market returns.

²⁰⁰ 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 Eurozone government bonds or other securities 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**

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

(€m)

Type/Time-to-maturity	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1. On-balance sheet assets	18,769	7,945	1,000	611	6,630	11,143	48,928	-
1.1 Debt securities	-	7,581	1,000	611	6,630	11,143	48,928	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	7,581	1,000	611	6,630	11,143	48,928	-
1.2 Due from banks	6,342	-	-	-	-	-	-	-
1.3 Due from customers	12,427	364	-	-	-	-	-	-
- current accounts	4	-	-	-	-	-	-	-
- other loans	12,423	364	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	12,423	364	-	-	-	-	-	-
2. On-balance sheet liabilities	70,594	2,740	1,296	3,393	7,282	-	-	-
2.1 Due to customers	69,482	1,531	795	511	2,173	-	-	-
- current accounts	65,881	-	-	-	-	-	-	-
- other deposits	3,601	1,531	795	511	2,173	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	3,601	1,531	795	511	2,173	-	-	-
2.2 Due to banks	1,112	1,209	501	2,882	5,109	-	-	-
- current accounts	720	-	-	-	-	-	-	-
- other deposits	392	1,209	501	2,882	5,109	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	1,513	401	936	-	-	-	-
+ Short positions	-	401	-	-	277	1,625	627	-
3.2 Without underlying securities								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	7,219	-	3,080	19,875	1,775	805	-
+ Short positions	-	2,665	-	685	-	50	29,354	-
4. Other off-balance sheet transaction:								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: US dollar

(€m)								
Type/Time-to-maturity	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1. On-balance sheet assets	1	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
3. Financial derivatives								
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	-	-	-	-	-	-	-	-
4. Other off-balance sheet transaction:								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: Swiss franc

(€m)

Type/Time-to-maturity	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1. On-balance sheet assets	1	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
3. Financial derivatives								
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	-	-	-	-	-	-	-	-
4. Other off-balance sheet transaction:								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: Other currencies

(€m)

Type/Time-to-maturity	Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1. On-balance sheet assets	1	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
3. Financial derivatives								
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	-	-	-	-	-	-	-	-
4. Other off-balance sheet transaction:								
+ 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 2020 had a duration of 5.65 (31 December 2019: 5.30). The sensitivity analysis is shown in the table.

Fair value interest rate risk

(€m)

Analysis date	Nominal value*	Fair value	Change in value		Net interest and other banking income		Equity reserves before taxation	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2020 effects								
Financial assets measured at fair value through other comprehensive income								
Fixed income instruments	33,569	42,638	(1,299)	1,306	-	-	(1,299)	1,306
Assets - Hedging derivatives	330	-	19	(20)	-	-	19	(20)
Liabilities - Hedging derivatives	(2,119)	(54)	162	(179)	-	-	162	(179)
Variability at 31 December 2020	31,780	42,584	(1,118)	1,107	-	-	(1,118)	1,107
2019 effects								
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)
Variability at 31 December 2019	29,666	36,763	(949)	932	-	-	(949)	932

(*) 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 securities for €42,638 million, consisting of fixed income bonds for €17,190 million, floating-rate bonds swapped into fixed income bonds through interest rate swaps of cash flow hedges for €2,257 million, inflation-indexed bonds for €2,656 million and fixed income bonds swapped into variable rate instruments through fair value hedge derivatives for €20,535 million (of which €18,096 million with forward starts);
- In relation to hedge derivatives, forward sales of government securities for a notional amount of €2,449 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 Eurozone government bonds, where such difference, or spread, reflects the perception of markets regarding issuers' creditworthiness.

The value of the portfolio of Italian government bonds 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 spread²⁰¹ has been calculated by applying a shift of +/- 100 bps to the yield curve for Italian government bonds.

The sensitivity analyses are shown below.

Fair value spread risk

Analysis date	Nominal value*	Fair value	Change in value		Net interest and other banking income		Equity reserves before taxation	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
			(€m)					
2020 effects								
Financial assets measured at fair value through other comprehensive income								
Fixed income instruments	33,569	42,638	(4,376)	5,227	-	-	(4,376)	5,227
Assets - Hedging derivatives	330	-	19	(21)	-	-	19	(21)
Liabilities - Hedging derivatives	(2,119)	(54)	170	(187)	-	-	170	(187)
Variability at 31 December 2020	31,780	42,584	(4,187)	5,019	-	-	(4,187)	5,019
2019 effects								
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)
Variability at 31 December 2019	29,666	36,763	(3,388)	3,982	-	-	(3,388)	3,982

(*) 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 2020 amounted to €33,255 million (nominal value of €26,157 million) and have a fair value of €34,760 million, would be reduced in fair value by approximately €4.3 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.

²⁰¹ For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of 26.4 bps and the spread of the BTP compared to the 10-year swap rate of 80.7 bps)

Spread risk - VaR analyses

Analysis date	Risk exposure		SpreadVaR
	Notional	Fair value	
	(€m)		
2020 effects			
Financial assets measured at fair value through other comprehensive income			
Fixed income instruments*	33,569	42,638	231
Variability at 31 December 2020	33,569	42,638	231
2019 effects			
Financial assets measured at fair value through other comprehensive income			
Fixed income instruments*	31,170	36,799	307
Variability at 31 December 2019	31,170	36,799	307

(*) The VAR for fixed-income securities also takes into account 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, taking into account the variability of both risk factors:

	(€m)	
	2020	2019
Average VaR	(552)	(412)
Minimum VaR	(225)	(270)
Maximum VaR	(1,385)	(637)

Taking into account both financial assets measured at fair value through other comprehensive income (including the related hedges outstanding) and forward sales, the combined analysis of spread risk and fair value interest rate risk at 31 December 2020 results in a potential loss of €226 million (VaR at the end of the period). The decrease in VaR at the end of the period, compared to €336 million at 31 December 2019, is due to the decrease in volatility recorded in the markets determined mainly by the actions put in place by the ECB to address the

COVID-19 emergency. During the year, at the start of the pandemic, market volatility was extremely high, so much so that in March a VaR of €1,385 million was recorded.

Cash flow interest rate risk

The sensitivity to cash flow interest rate risk at 31 December 2019 and 31 December 2020 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)					
	Risk exposure	2020		Risk exposure	2019	
		Net interest and other banking income			Net interest and other banking income	
		+100 bps	-100 bps		+100 bps	-100 bps
Cash						
- Deposits with Bank of Italy	3,362	34	(34)	814	8	(8)
Financial assets measured at amortised cost						
Due from banks						
- Collateral guarantees	6,289	63	(63)	4,620	46	(46)
- Deposits	4	-	-	4	-	-
Due from customers						
- Deposits at MEF (<i>PA deposits</i>)	7,340	73	(73)	7,066	71	(71)
- Deposits at MEF (<i>private customer deposits</i>)	1,991	20	(20)	495	5	(5)
- Collateral guarantees	1,205	12	(12)	1,040	10	(10)
- Due from Poste Italiane SpA outside the ring-fence	898	9	(9)	647	6	(6)
- Fixed income instruments	4,070	41	(41)	2,560	26	(26)
Financial assets measured at fair value through other comprehensive income						
- Fixed income instruments	6,029	60	(60)	3,565	36	(36)
Financial liabilities measured at amortised cost						
Due to banks						
- Collateral guarantees	(392)	(4)	4	(112)	(1)	1
- Repurchase agreements	(900)	(9)	9	-	-	-
Total variability	29,896	299	(299)	20,699	207	(207)

Cash flow interest rate risk at 31 December 2020 was primarily due to:

- the placement of Public Administration and private customer deposits with the MEF;
- deposits with the Bank of Italy of temporary excess of liquidity deriving from private customer deposits;
- fixed-rate securities issued by the Italian State swapped in floating-rate bonds through fair value hedge derivatives for a total nominal amount of €10,099 million mainly including: (i) Italian government securities for €5,740 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 €7,494 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 2020 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 €2,143 million and a carrying amount of €2,844 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	Exposure	Change in value		Net interest and other banking income		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
		(€m)					
2020 effects							
Financial assets measured at fair value through profit or loss							
Equity instruments	72	31	(31)	31	(31)	-	-
Financial liabilities held for trading	(20)	(31)	31	(31)	31	-	-
Variability at 31 December 2020	52	-	-	-	-	-	-
2019 effects							
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	-	-
Variability at 31 December 2019	56	2	(2)	2	(2)	-	-

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 and Series A 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 Series C ordinary shares in 2019. The shares' price risk is also monitored through the computation of VaR.

The VaR sensitivity analyses are shown below:

	(€m)	
	2020	2019
Closing VaR	-	-
Average VaR	-	(1)
Minimum VaR	-	-
Maximum VaR	(1)	(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 shares²⁰².

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.

²⁰² 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

Items	Currency					
	US Dollar	Swiss Franc	GB Sterling	Japanese Yen	Tunisian Dinar	Other currencies
A. Financial assets	73	1	-	-	-	1
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	72	-	-	-	-	-
A.3 Due from banks	1	1	-	-	-	1
A.4 Due from customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	8	4	3	-	-	-
C. Financial liabilities	-	-	-	-	-	-
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	-	-	-	-	-	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives						
+ Long positions	51	-	-	-	-	-
+ Short positions	71	-	-	-	-	-
Total assets	132	5	3	-	-	1
Total liabilities	71	-	-	-	-	-
Net position (+/-)	61	5	3	-	-	1

"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	USD position (\$000)	EUR position (\$000)	Change in value		Net interest and other banking income		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2020 effects								
Financial assets measured at fair value through profit or loss								
Equity instruments	89	72	5	(5)	5	(5)	-	-
Liabilities held for trading	(24)	(20)	(1)	1	(1)	1	-	-
Variability at 31 December 2020	65	52	4	(4)	4	(4)	-	-
2019 effects								
Financial assets measured at fair value through profit or loss								
Equity instruments	79	71	3	(3)	3	(3)	-	-
Liabilities held for trading	(17)	(15)	(1)	1	(1)	1	-	-
Variability at 31 December 2019	62	56	2	(2)	2	(2)	-	-

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/Types of derivative	Total at 31/12/2020				Total at 31/12/2019			
	Over the counter			Organised markets	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		
1. Debt securities and interest rates	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and equity indexes	-	51	-	-	51	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	51	-	-	51	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	51	-	-	51	-	-	-

A.2 Trading financial derivatives: gross positive and negative fair value - breakdown by product

Types of derivatives	Total at 31/12/2020				Total at 31/12/2019			
	Over the counter			Organised markets	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		
1. Positive fair value	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Interest rate sw aps	-	-	-	-	-	-	-	-
c) Cross currency sw aps	-	-	-	-	-	-	-	-
d) Equity sw aps	-	-	-	-	-	-	-	-
e) Forw ards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
2. Negative fair value	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Interest rate sw aps	-	-	-	-	-	-	-	-
c) Cross currency sw aps	-	-	-	-	-	-	-	-
d) Equity sw aps	-	-	-	-	-	-	-	-
e) Forw ards	-	(20)	-	-	(15)	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	(20)	-	-	(15)	-	-	-

A.3 OTC trading financial derivatives: notional amounts, gross positive and negative fair value by counterparty

	(€m)			
Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not falling within the scope of netting				
1) Debt securities and interest rates				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
2) Equity instruments and equity indexes				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
3) Currencies and gold				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
4) Commodities				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
5) Other				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
Contracts falling within the scope of netting agreements				
1) Debt securities and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and equity indexes				
- notional amount	-	51	-	-
- positive fair value	-	-	-	-
- negative fair value	-	(20)	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional amounts

	(€m)			
Underlyings/Residual life	1 year or less	1 - 5 years	Over 5 years	Total
A. Financial derivatives on debt securities and interest rates	-	-	-	-
A. Financial derivatives on equity instruments and equity	51	-	-	51
A. Financial derivatives on currencies and gold	-	-	-	-
A. Financial derivatives on commodities	-	-	-	-
A. Other financial derivatives	-	-	-	-
Total at 31/12/2020	51	-	-	51
Total at 31/12/2019	-	51	-	51

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.

A reform of the main interest rate benchmarks known as the "IBOR (InterBank Offered Rate) Reform" is underway globally, involving the replacement of certain interbank rates with alternative risk-free rates. Regulatory bodies in various jurisdictions around the world, have initiated a substitution process and working groups have developed the alternative reference rates as well as guidelines to update the contract models.

Currently, the main benchmark indices for the Eurozone are:

- the Euro Short Term Rate - ESTR (administered by the European Central Bank and published from 2 October 2019) which replaces the Euro OverNight Index Average (EONIA - no longer quoted from 1 January 2022) redefining it as ESTR plus 8.5 bps;
- the EURIBOR (administered by the European Money Market Institute), whose reform process ended in November 2019.

BancoPosta RFC has financial instruments indexed to EURIBOR, which continues to be quoted daily and the related cash flows continue to be exchanged with counterparties as usual. There is therefore no uncertainty regarding this parameter resulting from the IBOR reform at 31 December 2020. These instruments are subject to daily collateralisation remunerated to EONIA which, as mentioned above, will be replaced from next year by ESTR.

Specifically, the RFC holds interest rate swaps designated as fair value hedges with a floating "leg" indexed to EURIBOR and a notional value of €31,034 million.

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.

Moreover, BancoPosta RFC engages in repurchase agreements, in euro government bonds or securities guaranteed by the Italian government, for a variety of purposes, including investing in government securities, meeting liquidity requirements deriving from the funding of current accounts and actively managing treasury positions and deposits as collateral. These transactions are mainly at fixed rates and are therefore exposed to changes in fair value due to fluctuations in interest rates.

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 repurchase agreements held in portfolio.

B. Cash flow hedges

BancoPosta RFC enters into:

- **forward purchases** of government securities, 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 securities 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/fixed rates²⁰³ 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/fixed rate, 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 portfolio securities and fixed-rate repurchase agreements, within the fair value hedge policy;
- inflation-linked bonds and forecast transactions, in connection with cash flow hedge policies.

In particular, in fair value hedges of government securities, 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.

With regard to fair value hedges of repurchase agreements, total hedges are in place, with an immediate start date.

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 test²⁰⁴, using the approaches illustrated in the following notes.

²⁰³ For Repurchase Agreements, hedging is carried out by defining the variable rate component simply indexed to EURIBOR and the fixed rate component that instead incorporates market conditions.

²⁰⁴ 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.

The retrospective effectiveness test is run by utilising the "dollar offset approach through the hypothetical derivative"²⁰⁵. 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 - for government securities only) and differ solely in their spread/fixed rate 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.

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"²⁰⁶ 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 hedging swaps of the repurchase agreements 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 derivative²⁰⁷. 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 contracts²⁰⁸.

²⁰⁵ 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).

²⁰⁶ 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.

²⁰⁷ Calculated by assuming a parallel shift of + / - 100 bps of the yield curves.

²⁰⁸ 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

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 derivative²⁰⁹. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

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.

²⁰⁹ 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

(€m)

Underlyings/Types of derivative	Total at 31/12/2020				Total at 31/12/2019			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties With netting agreements	Without netting agreements		Central counterparties	Without central counterparties With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	35,203	-	-	-	28,864	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	32,754	-	-	-	27,360	-	-
c) Forwards	-	2,449	-	-	-	1,504	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and equity indexes	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	35,203	-	-	-	28,864	-	-

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

(€m)

Types of derivatives	Positive and negative fair value							Change in value used to recognise ineffective portion of hedge		
	Total at 31/12/2020				Total at 31/12/2019				Total at 31/12/2020	Total at 31/12/2019
	Over the counter			Organised markets	Over the counter			Organised markets		
Central counterparties	Without central counterparties With netting agreements	Without netting agreements	Central counterparties		Without central counterparties With netting agreements	Without netting agreements	Central counterparties		Without central counterparties With netting agreements	Without netting agreements
1. Positive fair value	-	-	-	-	-	-	-	-	-	
a) Options	-	-	-	-	-	-	-	-	-	
b) Interest rate swaps	-	78	-	-	-	73	-	17	24	
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	
d) Equity swaps	-	-	-	-	-	-	-	-	-	
e) Forwards	-	-	-	-	-	-	-	-	-	
f) Futures	-	-	-	-	-	-	-	-	-	
g) Other	-	-	-	-	-	-	-	-	-	
Total	-	78	-	-	-	73	-	17	24	
2. Negative fair value	-	-	-	-	-	-	-	-	-	
a) Options	-	-	-	-	-	-	-	-	-	
b) Interest rate swaps	-	(8,189)	-	-	-	(5,516)	-	(3,272)	(3,969)	
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	
d) Equity swaps	-	-	-	-	-	-	-	-	-	
e) Forwards	-	(54)	-	-	-	(36)	-	(54)	(36)	
f) Futures	-	-	-	-	-	-	-	-	-	
g) Other	-	-	-	-	-	-	-	-	-	
Total	-	(8,243)	-	-	-	(5,552)	-	(3,326)	(4,005)	

A.3 OTC hedging financial derivatives: notional amounts, gross positive and negative fair value by counterparty

	(€m)			
Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not falling within the scope of netting				
1) Debt securities and interest rates				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
2) Equity instruments and equity indexes				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
3) Currencies and gold				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
4) Commodities				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
5) Other				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
Contracts falling within the scope of netting agreements				
1) Debt securities and interest rates				
- notional amount	-	28,908	6,295	-
- positive fair value	-	64	14	-
- negative fair value	-	(7,043)	(1,200)	-
2) Equity instruments and equity indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging financial derivatives: notional amounts

	(€m)			
Underlyings/Residual life	1 year or less	1 - 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,649	1,165	31,389	35,203
A.2 Financial derivatives on equity instruments and equity	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 31/12/2020	2,649	1,165	31,389	35,203
Total at 31/12/2019	1,504	465	26,895	28,864

B. Hedging credit derivatives

Nothing to report.

C. Non-derivative hedging instruments

Nothing to report.

D. Hedged instruments

D.1 Fair value hedges

(€m)						
	Micro-hedges: carrying amount	Micro-hedges - net positions: balance sheet value of assets or liabilities (before netting)	Micro-hedges			Micro-hedges: carrying amount
			Cumulative changes in fair value of hedged instrument	Termination of the hedge: residual cumulative changes in fair value	Change in value use to recognise ineffective portion of hedge	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedging:						
1.1 Debt securities and interest rates	20,535	-	3,686	-	1,599	X
1.2 Equity instruments and equity indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost - hedging:						
1.1 Debt securities and interest rates	21,874	-	4,390	-	1,658	X
1.2 Equity instruments and equity indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Total at 31/12/2020	42,409	-	8,076	-	3,257	-
Total at 31/12/2019	32,493	-	5,422	-	3,923	-
B. Liabilities						
2. Financial liabilities measured at amortised cost - hedging:						
1.1 Debt securities and interest rates	901	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total at 31/12/2020	901	-	-	-	-	-
Total at 31/12/2019	-	-	-	-	-	-

D.2 Cash flow hedges and hedges of foreign investments

(€m)			
	Change in value use to recognise ineffective portion of hedge	Hedge reserve	Termination of hedge: residual value of hedge reserve
A. Cash flow hedges			
1. Assets			
1.1 Debt securities and interest rates	50	137	-
1.2 Equity instruments and equity indexes	-	-	-
1.3 Currencies and gold	-	-	-
1.4 Receivables	-	-	-
1.5 Other	-	-	-
2. Liabilities			
1.1 Debt securities and interest rates	-	-	-
1.2 Currencies and gold	-	-	-
1.3 Other	-	-	-
Total (A) at 31/12/2020	50	137	-
Total (A) at 31/12/2019	54	161	-
B. Hedges of foreign investments			
	X	-	-
Total (A + B) at 31/12/2020	50	137	-
Total (A + B) at 31/12/2019	54	161	-

E. Effects of hedging transactions through equity

E.1 Reconciliation of equity components

(€m)

	Cash flow hedge reserve					Hedge reserve of foreign investments				
	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
Opening balance	161	-	-	-	-	-	-	-	-	-
Changes in fair value (effective portion)	(27)	-	-	-	-	-	-	-	-	-
Reclassifications to profit or loss	3	-	-	-	-	-	-	-	-	-
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
Closing balance	137	-	-	-	-	-	-	-	-	-

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 2020 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, from 26 June 2020 BancoPosta RFC may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion.

In terms of BancoPosta RFC's specific operations, liquidity risk regards the investment of current account and prepaid card²¹⁰ deposits in Eurozone government bonds and/or other securities backed by guarantee of the

²¹⁰ 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 Eurozone government bonds or other securities 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.

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 €7.1 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 GMRA).

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 amount²¹¹ 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 bonds 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.

²¹¹ 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.

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.

Currency: Euro

(€m)

Items/Time-to-maturity	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
A. On-balance sheet assets	11,342	7,495	55	300	3,408	163	1,926	6,726	49,290	13
A.1 Government bonds	-	-	4	300	3,074	153	1,893	6,726	46,290	-
A.2 Other debt securities	-	-	-	-	22	10	33	-	3,000	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Due from	11,342	7,495	51	-	312	-	-	-	-	13
- Banks	53	6,289	-	-	-	-	-	-	-	-
- Customers	11,289	1,206	51	-	312	-	-	-	-	13
B. On-balance sheet liabilities	71,369	392	425	449	1,863	1,294	3,388	7,276	-	-
B.1 Deposits and current accounts	66,601	-	-	-	-	-	-	-	-	-
- Banks	720	-	-	-	-	-	-	-	-	-
- Customers	65,881	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	4,768	392	425	449	1,863	1,294	3,388	7,276	-	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of										
- Long positions	-	-	482	346	685	400	936	-	-	-
- Short positions	-	401	-	-	-	-	-	250	1,818	-
C.2 Financial derivatives without exchange of principal										
- Long positions	-	-	-	3	63	6	98	-	-	-
- Short positions	-	-	-	-	93	2	180	-	-	-
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										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: US dollar

(€m)

Items/Time-to-maturity	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
A. On-balance sheet assets	1	-	-	-	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Due from	1	-	-	-	-	-	-	-	-	-
- Banks	1	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B. On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
C. Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of	-	-	-	-	-	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: Swiss franc

(€m)

Items/Time-to-maturity	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
A. On-balance sheet assets	1	-	-	-	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Due from	1	-	-	-	-	-	-	-	-	-
- Banks	1	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B. On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
C. Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of	-	-	-	-	-	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: Other currencies

(€m)

Items/Time-to-maturity	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
A. On-balance sheet assets	1	-	-	-	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIs	-	-	-	-	-	-	-	-	-	-
A.4 Due from	1	-	-	-	-	-	-	-	-	-
- Banks	1	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B. On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
C. Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of	-	-	-	-	-	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of	-	-	-	-	-	-	-	-	-	-
- 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 2020, activities continued to refine the operational risk management framework, with the aim of making the process of recording operational losses more efficient, monitoring, reporting 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 2019.

The activities carried out in 2020 also included assessments of the risk profile associated with the outsourcing of BP RFC and the ex-ante assessments of the risk profile associated with innovation in the BP offering and/or specific project initiatives.

With reference to the impacts of the COVID-19 emergency, it should be noted that no operational losses related to the health emergency were detected. In addition, in order to ensure greater control over operational risks deriving from the new working methods implemented (agile working), in addition to the normal persistence of all security measures already in place, Poste Italiane has undertaken additional initiatives aimed at further mitigating risks (for example, security tools for "Bring Your Own Device" stations; specific monitoring of VPNs with the production of daily/weekly reports; increased controls on VPN access and cyber posture in order to combat possible attacks/threats).

Quantitative information

At 31 December 2020, 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	29
External fraud	44
Employee practices and workplace safety	7
Customers, products and business practices	34
Damage caused by external events	4
Business disruption and system failure	7
Execution, delivery and process management	108
Total at 31 December 2020	233

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 Circular²¹², 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 standards²¹³.

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 RAF²¹⁴. Compliance with the objective, threshold and limit system established by the RAF influences decisions regarding profit distributions as part of capital management.

²¹² Amended with Update no. 34 of 22 September 2020.

²¹³ 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.

²¹⁴ 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)	
	Amount at 31/12/2020	Amount at 31/12/2019
1. Share capital	-	-
2. Share premium reserve	-	-
3. Reserves	2,353	2,267
- profit	1,142	1,057
a) legal	-	-
b) required by articles of association	-	-
c) treasury shares	-	-
d) other	1,142	1,057
- other	1,211	1,210
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	2,278	1,083
- 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	2,182	970
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	98	115
- 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 gains/(losses) on defined benefit plans	(2)	(2)
- Share of valuation reserves relating to equity accounted investments	-	-
- Special revaluation laws	-	-
7. Profit/(Loss) for the year	629	611
Total	5,260	3,961

"Reserves, other" consists of: i) the initial reserve of €1 billion provided to BancoPosta RFC on its creation, through the attribution of Poste Italiane SpA's retained earnings increased by the €210 million equity injection, resolved by the Extraordinary Shareholders' Meeting of 29 May 2018, through the allocation of Poste Italiane SpA's available reserves; ii) €1 million profit reserves for incentive plans, described in Part I.

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	(€m)			
	Total at 31/12/2020		Total at 31/12/2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2,275	(93)	1,461	(491)
2. Equity instruments	-	-	-	-
3. Loans	-	-	-	-
Total	2,275	(93)	1,461	(491)

B.3 Valuations reserves for financial assets measured at fair value through other comprehensive income: annual changes

	(€m)		
	Debt securities	Equity instruments	Loans
1. Opening balance	970	-	-
2. Increases	1.634	-	-
2.1 Increases in fair value	1.513	-	-
2.2 Losses due to credit risk	8	x	-
2.3 Reclassification to profit or loss of negative reserve for realised losses	113	x	-
2.4 Transfers to other equity (equity instruments)	-	-	-
2.5 Other changes	-	-	-
3. Decreases	(422)	-	-
3.1 Decreases in fair value	(127)	-	-
3.2 Recoveries due to credit risk	(2)	-	-
3.3 Reclassification to profit or loss of positive reserve for realised gains	(293)	x	-
3.4 Transfers to other equity (equity instruments)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	2.182	-	-

B.4 Valuation reserves for defined benefit plans: annual changes

	(€m)	
	Total at 31/12/2020	Total at 31/12/2019
Opening actuarial gains/(losses)	(2)	(2)
Actuarial gains/(losses)	-	-
Taxation of actuarial gains/(losses)	-	-
Closing actuarial gains/(losses)	(2)	(2)

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 funds²¹⁵;
- undistributed earnings, being BancoPosta RFC's profits appropriated on approval of Poste Italiane SpA's financial statements.

²¹⁵ Contributions from non-controlling shareholders to BancoPosta RFC are excluded, as they are not provided for in the special regulations governing the ring-fence.

At 31 December 2020, CET 1 was €2,449 million, of which €50 million from the profit for the 2020 financial year (in compliance with the provisions of article 26 of EU Regulation no. 575/2013) and €47 million including:

- €35 million from the application of the transitional provisions to mitigate the effects of IFRS 9 on financial assets measured at amortised cost²¹⁶;
- €12 million from the application to BancoPosta RFC of the prudential supervisory requirements relating to financial assets measured at fair value through other comprehensive income.

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 - RWA²¹⁷), 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 2020, BancoPosta RFC complies with the prudential requirements, with a CET1 ratio of 17.8%.

For more details, reference is made, as provided for by Bank of Italy Circular no. 262, 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 10.5). The charges are calculated in accordance with specific operating guidelines (Part A, paragraph A.1, Section 4).

²¹⁶ Of which €12 million relating to 2020 and calculated in accordance with the methods set out in EU Regulation 2020/873 ("Quick fix" CRR).

²¹⁷ 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

Related party transactions have been carried out on terms equivalent to those prevailing in arm's length transactions between independent parties.

Impact of related party transactions on the financial position at 31 December 2020

Name	Total at 31/12/2020						
	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	-	902	-	22	-	140	491
Direct subsidiaries							
BancoPosta Fondi SpA SGR	-	17	-	-	-	25	4
CLP ScpA	-	-	-	-	-	-	-
Consorzio PosteMotori	-	10	-	-	-	27	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	-	-
EGI SpA	-	-	-	-	-	1	-
Indabox Srl	-	-	-	-	-	-	-
Poste Air Cargo Srl	-	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	-	-	-	17	-
Poste Tributi ScpA (in liquidation)	-	-	-	-	-	-	-
Poste Vita SpA	-	214	-	-	-	484	7
Postel SpA	-	-	-	-	-	2	-
PostePay SpA	-	220	-	90	-	7,044	354
SDA Express Courier SpA	-	-	-	-	-	4	-
Indirect subsidiaries							
Address Software Srl	-	-	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	1	-
Poste Assicura SpA	-	8	-	-	-	18	-
Poste Welfare Servizi Srl	-	-	-	-	-	14	-
Poste Insurance Broker	-	-	-	-	-	1	-
Related parties external to the Group							
MEF	-	9,376	-	-	-	3,588	-
Cassa Depositi e Prestiti Group	3,302	432	-	-	-	-	-
Enel Group	-	-	-	-	-	-	-
Eni Group	-	-	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	-
Monte dei Paschi Group	-	248	(245)	-	-	773	-
Other related parties external to the Group	-	-	-	-	-	-	1
Provision for doubtful debts due from external related parties	(2)	(6)	-	-	-	-	-
Total	3,300	11,421	(245)	112	-	12,139	857

Impact of related party transactions on the financial position at 31 December 2019

(€m)

Name	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
Direct subsidiaries							
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	-	-	-	225	10
Postel SpA	-	-	-	-	-	7	1
PostePay SpA	-	55	-	53	-	5,218	101
SDA Express Courier SpA	-	-	-	-	-	4	-
Indirect subsidiaries							
Address Software Srl	-	-	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	1	-
Poste Assicura SpA	-	6	-	-	-	8	-
Poste Welfare Servizi Srl	-	-	-	-	-	8	-
Poste Insurance Broker	-	-	-	-	-	1	-
Related parties external to the Group							
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	-
Other related parties external to the Group	-	-	-	-	-	-	-
Provision for doubtful debts due from external related parties	(1)	(5)	-	-	-	-	-
Total	3,946	9,094	(134)	136	-	10,424	565

Impact of related party transactions on profit or loss for the year ended at 31 December 2020

(€m)

Name	FY 2020							
	Interest and similar income	Interest expense and similar charges	Fee income	Fee expenses	Dividends and similar income	Net (losses)/recoveries on impairment	Administrative expenses	Other operating income/(expense)
Poste Italiane SpA	1	-	-	-	-	-	(4,380)	-
Direct subsidiaries								
BancoPosta Fondi SpA SGR	-	-	58	(13)	-	-	-	-
Consorzio PosteMotori	-	-	35	-	-	-	-	-
Poste Vita SpA	1	-	429	-	-	-	-	-
Postel SpA	-	-	-	-	-	-	-	-
PostePay SpA	1	(29)	181	(273)	-	-	-	3
Indirect subsidiaries								
Poste Assicura SpA	-	-	34	-	-	-	-	-
Poste Insurance Broker	-	-	-	-	-	-	-	-
Related parties external to the Group								
MEF	32	(6)	61	-	-	(1)	-	-
Cassa Depositi e Prestiti Group	71	-	1,851	(2)	-	-	-	-
Enel Group	-	-	4	-	-	-	-	-
Eni Group	-	-	2	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	-	-
Monte dei Paschi Group	1	-	-	-	-	-	-	-
InItalia Group	-	-	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	-	(1)
Total	107	(35)	2,655	(288)	-	(1)	(4,381)	3

Impact of related party transactions on profit or loss for the year ended at 31 December 2019

(€m)								
FY 2019								
Name	Interest and similar income	Interest expense and similar charges	Fee income	Fee expenses	Dividends and similar income	Net (losses)/recoveries on impairment	Administrative expenses	Other operating income/(expense)
Poste Italiane SpA	-	(4)	-	-	-	-	(4,476)	-
Direct subsidiaries								
BancoPosta Fondi SpA SGR	-	-	63	-	-	-	(11)	-
Consorzio PosteMotori	-	-	38	-	-	-	-	-
Poste Vita SpA	1	-	432	-	-	-	-	-
Postel SpA	-	-	-	-	-	-	(1)	-
PostePay SpA	1	(22)	192	(317)	-	-	-	(4)
Indirect subsidiaries								
Poste Assicura SpA	-	-	38	-	-	-	-	-
Poste Insurance Broker	-	-	-	-	-	-	-	-
Related parties external to the Group								
MEF	64	(5)	60	-	-	-	1	-
Cassa Depositi e Prestiti Group	74	-	1,799	(1)	-	1	-	-
Enel Group	-	-	4	-	-	-	-	-
Eri Group	-	-	2	-	-	-	-	-
Leonardo Group	-	-	-	-	-	-	-	-
Monte dei Paschi Group	1	-	-	-	-	-	-	-
InVitalia Group	-	-	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	-	-
Total	141	(31)	2,628	(318)	-	1	(4,487)	(4)

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

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan.

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 2020 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 56,165 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 2020 is approximately €0.1 million, whilst the liability recognised in amounts due to staff is approximately €0.9 million, and payments were made for approximately €0.4 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 index²¹⁸.

Vesting of the Rights and 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.

²¹⁸ 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%.

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

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan.

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 2020 was approximately €0.1 million, whilst the specific equity reserve was approximately €0.2 million. The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (non-market based performance conditions).

Second Cycle 2020-2022

The total number of Rights to receive Shares assigned for the First Cycle of the Plan concerns 10 Beneficiaries and was 61,663 units, whose unit fair value at the grant date (12 November 2020) was €3.91. The cost recognised for 2020 is approximately €0.1 million, equivalent to the equity reserve specifically created for this case. The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (non-market based performance conditions).

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 most recent short-term management incentive schemes (MBO 2019 and MBO 2020) provide, 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 and 2020) 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

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan. At 31 December 2020, the number of Phantom Stocks relating to the 2017 and 2018 MBO plans in place was 78,110. During the year, a cost adjustment of approximately €0.1 million was recognised, payments of approximately €0.2 million were made and the liability recognised amounted to approximately €0.6 million.

At 31 December 2020, the number of Rights to receive Shares, deriving from the short-term MBO 2019 and 2020 incentive plans (the latter 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 51,881. During the year, a cost of approximately €0.1 million was recognised and at 31 December 2020, a specific Equity reserve of approximately €0.3 million and a liability of approximately €0.1 million were recognised.

PART L – OPERATING SEGMENTS

The economic flows generated by BancoPosta RFC's operations and the related performance are reported internally on a regular basis to the top management without identifying different 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*.

REPORTS AND ATTESTATIONS

Attestation of the Consolidated Financial Statements of the Poste Italiane Group at 31 December 2020 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 2020 and 31 December 2020.

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 2020:

- 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, 24 March 2021

Chief Executive Officer

Matteo Del Fante

(original signed)

Manager Responsible for Financial Reporting

Alessandro Del Gobbo

(original signed)

(This report has been translated from the original issued in accordance with Italian legislation)

Attestation of the Financial Statements at 31 December 2020 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 2020 and 31 December 2020.

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 2020:

- 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, 24 March 2021

Chief Executive Officer

Matteo Del Fante

(original signed)

Manager Responsible for Financial Reporting

Alessandro Del Gobbo

(original signed)

(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 2020, the Board of Statutory Auditors of Poste Italiane S.p.A. (hereinafter also "Company", "Poste" 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 of Statutory Auditors 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' (also "BoD") 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 of listed companies, drawn up by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (national association of chartered accountants) in April 2018 ("Code of Conduct").

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 (also "Board") 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 PricewaterhouseCoopers S.p.A. (PwC), the Independent Auditor appointed to audit the annual and consolidated financial statements until the approval of the 2019 Financial Statements, and with the new Independent Auditor Deloitte & Touche S.p.A. ("Deloitte" or "Auditor") appointed to audit the annual and consolidated financial statements for the nine-year period 2020-2028.

In compliance with Prime Ministerial Decree (D.P.C.M.) of 8 March 2020, as of 10 March 2020, the meetings of all corporate bodies, including of the Board of Statutory Auditors, were held with all participants connected via audio/video in order to ensure the measures for the counter and containment, throughout the country, of the health emergency from Covid-19.

On 30 January 2020, the Control 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, as well as the principles set out in the Corporate Governance Code for Listed Companies and the Code of Conduct.

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) Supervisory activities during the period of the health emergency from Covid-19.

Since the beginning of 2020 and up to the present date, the Board of Statutory Auditors has been carrying out a series of checks and monitoring activities to assess the effects of the crisis resulting from the Covid-19 health emergency on all sensitive areas and, in particular, workplaces and the impact on the Company's production system, financial structure and statement of profit or loss.

With reference to the production system, taking into account that the Company's activity has never been interrupted, although in some periods it has been severely limited, the Board of Statutory Auditors has supervised the adoption of all the safety measures introduced from time to time by the emergency regulations, carefully checking the procedures and protocols used to safeguard the health of workers and, more generally, of all potential users of the Company's areas and premises. With regard to the organisation of work, the Board of Statutory Auditors verified that the Company promptly resorted to the application of innovative formulas in the organisation of work aimed at protecting the health of workers, and at the same time ensuring the continuity of business and corporate action.

The Board of Statutory Auditors acknowledges that Poste, in managing the Covid-19 pandemic, has implemented a number of initiatives, reorganising the way it provides its services to reflect changes in the current epidemiological situation and the resulting government measures. The Company, at Group level, has intended to guarantee the protection of health and of employees, adopting flexible forms of work (smart working) and providing staff with the tools and equipment (e.g. PPE, plexiglass panels, etc.) needed to carry out their activities safely in cases of activities that are incompatible with the remote working model (such as in the postal and logistics sectors). For all the initiatives implemented by the Group to mitigate the effects of the Covid-19 pandemic, the Board of Statutory Auditors refers to the detailed information provided by the Company in its Report on Operations.

The Board of Statutory Auditors monitored on an ongoing basis the economic and financial effects of the pandemic, also from a prospective standpoint, in order

to identify any critical issues that could have a negative impact on the Company's financial position and the remedial measures implemented by the Company to address the crisis.

In light of attention notice no. 1/21 issued on 16 February 2021 by Consob, the Board notes that it has carried out its supervisory activities in line with the instructions provided by the Authority. In particular, information flows with the Management Body responsible for preparing the draft financial statements were strengthened and effective and timely communication with the Independent Auditor was promoted, in order to mutually exchange useful information for the performance of their respective tasks, also pursuant to art. 150, paragraph 3, of the Consolidated Law on Finance.

In 2020, the Board of Statutory Auditors met with the corresponding Control Bodies of the Subsidiaries for the mutual exchange of information on the administration and control systems and on the general performance of the business, pursuant to art. 151 of the Consolidated Law on Finance.

The Board of Statutory Auditors also reviewed the assessments made by the Company regarding the existence of the going concern assumption and the adequacy of the Internal Control System, as well as the risks related to the difficulty of performing on-site audits due to the restrictions connected with the Covid-19 pandemic.

B) 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 during meetings and from the responsible functions, 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.

Disclosure regarding these transactions is provided in the Report on Operations, to which reference should be made.

The Board of Statutory Auditors monitored that the meetings were conducted in accordance with the By-laws and the laws and regulations that govern the operation of meetings; based on the information provided during the meetings of the Board of Directors, there is no evidence that the Directors engaged in transactions involving potential conflicts 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 285/2013 (Part III, Chapter 11), with reference to transactions between BancoPosta and Poste'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 all meetings of the Related and Connected Parties Committee (“CP Committee”). Moreover, the Directors have provided disclosure on intra-group and related party transactions in the Report on Operations and the notes to the separate and consolidated financial statements.

Following the issuance of the new Consob Regulation approved by resolution no. 21624 of 10 December 2020, the Company started the preparatory and preliminary activities for updating the Guideline for the management of transactions with related and connected parties. The new Guideline will need to be approved by 30 June 2021 as the new Consob regulations will take effect from 1 July 2021.

In perspective, also in view of the provisions of the new Consob regulation, the Board of Statutory Auditors has suggested strengthening the documentation supporting the occurrence of the conditions for exclusion in the case of “excluded transactions” and the system of ex post controls to verify correspondence between related party transactions reported in an annex to the financial statements and transactions brought to the attention of the CP Committee.

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 23 March 2021, 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. In addition, the Manager responsible for financial reporting represented that the activities for the attestation of the 2020 Annual Financial Statements were not materially impacted by the health emergency and were carried out consistently with the Governance 262 model. In particular, the activities concerned all the significant processes of the companies that make up the Large Portion: Poste Italiane, Poste Vita, Poste Assicura, SDA Express Courier, PostePay, BancoPosta Fondi SGR and Postel; the latter Company re-entered the scope of the Manager responsible for financial reporting in the second half of 2020.

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 the 262 model. The exceptions noted in the second half of 2020, which are not numerically significant, are mostly due to some different operating methods in carrying out controls linked to the health emergency, as well as the recent introduction of the new accounting system.

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 2,490), all of which are certified. The

certifications showed positive results for 99% with regard to design and 95% with regard to operation (4% was n.a.). Independent monitoring carried out by Internal Control, which allowed 100% coverage of the planned Process Key Controls or PKC (1,107), revealed a positive outcome for 91% of the tests completed. The monitoring of the Action Plans showed that 91% of the planned initiatives were actually implemented.

The various project initiatives completed during 2020 include:

- the definition of the evolutions of the 262 Model (process approach, Internal Control System - SCI assessment) for harmonisation with Integrated Compliance and for the transition to the GRC-Archer platform, in order to facilitate coordination with compliance specialists, as well as to include SCIIF in integrated reporting;
- the identification of synergies between the 262 and tax models - through the identification of SCIIF controls that also guarantee coverage of tax risks - in order to enable the coordination of the mapping and assessment phases of controls and make verification activities more efficient;
- the completion of the adoption of the centralised model that envisages the figure of the Manager responsible for financial reporting in the Parent Company and the subsidiary, Poste Vita, in order to standardise the 262 organisational governance structure.

In terms of planning the 2021 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 and the organisational changes that have taken place. Finally, envisaged are the updating of the self-assessment SCIIF Guideline, the transition of the attestation process to the GRC-Archer Group platform, the application of the SCIIF methodology for the harmonisation of the 262 Model to the Integrated Compliance process, also in relation to the synergies expected with the Tax Risk Model, as well as the roll out of the new organisational model.

The Board of Statutory Auditors analysed the methodological framework and the audit plan adopted by the new 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, 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 no. 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 no. 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, Deloitte & Touche 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 2020 to 2028.

The Independent Auditor issued its reports on the separate and consolidated financial statements for the year ended 31 December 2020, prepared pursuant to art. 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) 537/2014, on 1 April 2021. 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 2020 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 2020 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 2020 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 (estimate of the recoverable amount of the "Mail, Parcels and Distribution" segment, Measurement of the mathematical provisions), 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 aspects were the subject of detailed analysis and updating during the periodic meetings that the Board of Statutory Auditors held with the Independent Auditor, including that of the investee Poste Vita S.p.A. and the Administration, Finance and Control Function (also “AFC”).

In addition to the above issues, the Board of Statutory Auditors requested further information from the AFC Function, the Manager responsible for financial reporting, the Legal Function and the Independent Auditor concerning (i) provision for personnel leaving incentives, (ii) estimates of the provisions for risks and charges and the nature and risks associated with contingent liabilities in relation to legal disputes, (iii) provisions deriving from the Covid-19 health emergency, (iv) financial and non-financial disclosures on the Covid-19 emergency (focus on ESMA's Priorities analysis), (v) impairment test on trade receivables, financial instruments and investments held in Anima Holding S.p.A. and FSIA S.p.A., (vi) review of useful lives of assets and residual value, (vii) tax assets-Aid to Economic Growth (ACE) and Patent Box, (viii) amounts due from the MEF and the Public Administration (ix) operating losses on interest-bearing postal certificates, (x) accounting treatment of items associated with BancoPosta RFC relating to current postal accounts, provisions for savings books risks, provisions for certificates risks (2001/2004 issues) and savings books transitory accounts and certificates (prior to 2005), (xi) measurement of unlisted financial instruments (xii) Progetto Recapito Postale Italia transaction to acquire the Nexive Group.

In this regard, at the request of the Board of Statutory Auditors, the AFC Function and the Manager responsible for financial reporting discussed in an articulated manner, 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 cases above has been analysed in detail and fully shared by the Independent Auditor.

Among the above issues, given the greater importance of the effect on the income statement, the Board of Statutory Auditors consulted the Independent Auditors and discussed in detail the accounting treatment and related presentation in the

financial statements of i) the *review of* the residual useful lives and residual value of assets and ii) the processing of BancoPosta's accounting items.

With particular reference to the review of the residual useful lives and residual value of the Group's assets, noting that Deloitte confirmed the correctness of the accounting approach adopted by the Company, during the year, the Board of Statutory Auditors asked the Company to carry out in-depth studies and additional verifications with regard to the performance of "on site" expert work by an external Advisor, to support the work carried out by the Advisor appointed and suggested including in the relevant administrative and accounting process additional systematic periodic audits to identify any significant changes in the estimated residual useful life and residual value of fixed assets. Information about the impact of this review on the income statement (about €120 million less depreciation) is provided in the notes.

With regard to the treatment of items relating to BancoPosta RFC, the Board of Statutory Auditors has been informed of the analysis and processing of a number of separate accounting items that have had a significant positive impact on the result for the year.

The financial statements also contain 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 for major disputes, and it requested to be periodically and promptly updated on the evolution thereof.

Impairment testing of the MP&D CGU took account of IAS 36 - Impairment of Assets and best market practice. Reference was also made to the provisions of IAS 36 when determining the scope of the MP&D CGU and to the methods used to control and monitor Poste Italiane's operating and financial performance, in order to support the decision-making activities of the Company's management. The radical transformation of the MP&D CGU in recent years, also deriving from the transformation of the Subsidiaries SDA Express Courier and Poste Air Cargo into operational companies, the acquisition of Sennder Italia and MLK Deliveries,

and the centralisation of the main personnel functions at the Parent Company, has led to a revision of the methodological approach used to carry out the impairment tests. This was done also with the support of an external advisor, in order to ensure that the methodological approach followed was consistent with the reference standards, with current practice and with as represented to the market. The Discounted Cash Flow (DCF) method was used to determine the enterprise value, using financial projections derived from the 2021-2024 Sustain & Innovate Business Plan. The Board of Statutory Auditors obtained specific confirmation from the Independent Auditor that they agreed with the overall impairment procedure, and specifically with the following profiles: i) methods of composition of the cash generating units and in particular with regard to the scope of composition of the Mail Parcel & Distribution CGU with particular reference to the provisions of accounting standard IAS 36 ii) reasonableness of the assumptions underlying the long-term plan; iii) methods for establishing the cash flows of the 2021/2024 long-term plan; iv) discount rates for cash flows; v) growth rate of the flow relating to the terminal value. The figures in the 2021-2024 Plan were used excluding the effects of the Nexive and Sengi acquisitions (which became effective after 31/12/2020, the reporting date) without including additional alternative and improved strategic actions. In view of the synergies expected from the above transactions, this approach - which is consistent with the stricter interpretation of IAS 36 - constitutes, in the opinion of the Independent Auditor, a cautionary factor in the procedure adopted by the Company. The impairment test showed that the Enterprise Value was higher than the carrying amount, making impairment unnecessary. The method used to perform the impairment test was analysed and assessed by an independent expert, who issued an opinion stating that, while there were some areas that needed improvement, the method used to perform the impairment test "*is consistent overall with IAS 36*". The Board of Statutory Auditors recommended that the Board of Directors periodically monitor this area of the financial statements, as well as examine and evaluate in greater detail the points raised in the opinion issued by the independent expert on the impairment method with a view to further refinement thereof.

The impairment test was submitted for approval to the Board of Directors at its meeting on 24 March 2021, in compliance with Attention notice no. 1/21 issued by Consob on 16 February 2021 in which the Authority reiterated that, when preparing the 2020 financial statements, issuers must consider the provisions of the ESMA's document on "European common enforcement priorities for 2020 annual financial reports" dated 28 October 2020. In light of the consequences of the Covid-19 pandemic, it highlights the subject areas of particular importance for the purposes of preparing the financial statements: *"application of IAS 36 - Impairment of Assets, in relation to the methods for determining the recoverable amount of goodwill and of intangible and tangible assets that may be impacted by a deterioration in the economic outlook"*.

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.

On 1 April 2021, the Independent Auditor also 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 2020 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

The Board of Statutory Auditors, having taken note of Legislative Decree 254/2016 on the disclosure of non-financial information and the implementing Regulation issued by CONSOB with Resolution no. 20267 of 18 January 2018, supervised, in the exercise of its function, compliance with the provisions contained therein with regard to the preparation of the Non-Financial Statement (hereinafter, also "NFS") as part of the Draft Integrated Report 2020, approved by the BoD on 24 March 2021.

Through a specific meeting with both the 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.

With regard to the effects deriving from the Covid-19 emergency, both current and prospective, information is provided in the report on operations on the impacts on the Group's economic performance, including through a comparison with the final figures for the period of comparison, in line with the recommendations of ESMA (Public Statement 32-63-972 of 20 May 2020 recalled by Consob on 16 July 2020 and Public statement ESMA 32-63-1041 of 28 October 2020 "European common enforcement priorities for 2020 annual financial reports") and CONSOB (Attention notice no. 1/21 of 16 February 2021).

A new 2021/2024 business plan was adopted in February 2021, which is, of course, based on a number of assumptions that will have to be realised, including the signing of an agreement with Cassa Depositi e Prestiti regarding the collection of postal savings. The Board of Statutory Auditors recommends that the Board of Directors systematically check the implementation of the plan on a quarterly basis, as it has always done in the past, both from an operational point of view and in terms of the effects on financial reporting and, in particular, for the impairment test of the Mail, Parcels and Distribution CGU.

5. and 6. Information on any complaints presented pursuant to art. 2408 of the Italian Civil Code and petitions

During 2020, the Board received four complaints pursuant to art. 2408 of the Italian Civil Code:

- i. Complaint of 27 February 2020, by means of which shareholder Tommaso Marino reported the allegedly unlawful entrusting of treasury and cash management services to Poste by public administrations operating in small municipalities. In the complaint, Mr Marino refers to an article in the newspaper "Italia Oggi" of 9 April 2019 concerning the intervention of the Italian Competition Authority (AGCM) on the issue of direct entrustment to

Poste of the services in question. In particular, the shareholder asked the Board of Statutory Auditors *"to ascertain how and whether management has resolved the issue, as well as what stage it has reached and how much the sanctions imposed on the Group to date amount to"*. The Board of Statutory Auditors carried out its preliminary investigation, acquiring an in-depth note prepared by the CA/Institutional Relations Function on the facts that were the subject of the complaint and thoroughly assessing the legal aspects of the matter. Having ascertained that Poste's actions were correct, in accordance with current legislation, and that the complaint did not contain any elements that might damage shareholders' interests, the Board of Statutory Auditors decided that the reprehensible fact was invalid.

- ii. Complaint of 24 August 2020, by means of which shareholder Marco Bava complained about the failure to adequately respond to question 7 submitted before the General Meeting of Poste Shareholders on 15 May 2020, pursuant to article 127-ter of Legislative Decree no. 58 of 24 February 1998. In particular, the shareholder *"urged that the possibility of giving newsagents the right to manage postal services on a decentralised basis and with extended opening hours be carefully examined"* and invited the Board of Statutory Auditors to report on this request at the next General Meeting. The Board of Statutory Auditors began its investigation and, having verified that the reported event did not include reprehensible events but concerned management actions that fall within the evaluations of merit of the Board of Directors, and having ascertained that the Company provided an adequate, detailed and exhaustive reply to the question posed by the shareholder prior to the General Meeting of 15 May 2020, concluded the investigation, ascertaining the invalidity of the objective requirement, i.e., the reprehensible fact.
- iii. Complaint of 16 September 2020, by means of which shareholder Tommaso Marino asked the Board *"to ascertain the truth of the allegations made by the Antitrust Authority, which claims that Poste Italiane has failed to comply with its obligations regarding mail delivery"*, reporting to the General Meeting and referring to an extract from the AGCM press release of 15 September 2020.

The Board of Statutory Auditors began its investigation by acquiring the extract from the minutes of the Poste Board of Directors' meeting of 24 September 2020 regarding the information provided by the Company's Joint General Manager on the investigative proceedings initiated by the Italian Competition Authority against Poste, which ended with the imposition of a fine, and on the commitments and activities implemented by Poste. Subsequently, the Board of Statutory Auditors examined the appeal to the Lazio Regional Administrative Court filed by the Company to annul the above sanction measure, in which the Company contested all the objections raised by the Authority. At the end of the investigation and the assessments of competence, after an extensive and in-depth analysis, the Board of Statutory Auditors found that the AGCM objections related to non-generalised phenomena on the national territory and, in any case, not attributable to management irregularities attributable to the Company's Directors or management. With regard to the alleged misleading nature of Poste's advertising messages, during the legal proceedings, the Company provided evidence that it had informed customers of the free nature of the service, which was correctly advertised. The Board of Statutory Auditors thus concluded its investigation without finding any reprehensible facts, while reserving the right to monitor the progress of the litigation and its outcome.

- iv. Complaint of 17 September 2020, by means of which shareholder Tommaso Marino claimed "*Allegedly unlawful municipal treasury service at the Municipality of Cosenza by Poste.*" The Board began its preliminary investigation and, noting that the complaint related to a ruling by the Court of Cosenza on 11 April 2017 that was unfavourable to Poste, regarding the treasury activities of the Municipality of Cosenza, acquired a detailed note prepared by the CA/Legal Affairs Function regarding the facts that were the subject of the complaint, which showed that Poste, whilst not acting as treasurer of the Municipality of Cosenza, was obliged to hold and safeguard the sums owed to the local authority (by virtue of a current account relationship) as a result of a decision by the enforcement judge, and that the Company's approach was marked by prudence, in view of its role as

"custodian" of the sums and the penalties provided for in the event of breach of the obligations incumbent on the custodian. The Board of Statutory Auditors, having acknowledged the evaluations expressed by the CA/Legal Affairs Function and finding that the unfavourable ruling has been appealed by the Company, concluded the investigation, not finding any reprehensible facts, although it reserves the right to monitor the progress of the dispute, currently pending before the Court of Appeal.

Briefly, in response to the four 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 General Meeting.

In addition, during the year and up to the current date, the Board of Statutory Auditors has received a report/complaint from a third party, as a result of which it launched its own investigation, asking the Company to carry out the necessary inquiries with the relevant functions in order to obtain clarification on the matter indicated in the report/complaint.

The reported fact was handled and resolved in time by the relevant corporate functions and, as a result of the checks carried out, no irregularities to be reported to the General Meeting were identified.

On 16 September 2020, the Board of Statutory Auditors then approved the "Procedure for reporting complaints to the Board of Statutory Auditors pursuant to art. 2408 of the Italian Civil Code", which governs, in accordance with legal requirements and the principles set out in the Code of Conduct, the procedures for receiving, handling and concluding the handling of complaints submitted to Poste Italiane SpA's Board of Statutory Auditors by shareholders pursuant to art. 2408 of the Italian Civil Code.

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, letter a) of Regulation (EU) 537/2014 and paragraph 17, letter a) of ISA Italia 260, which confirms compliance with the ethical principles required by articles 9 and 9-bis of Legislative Decree 39/2010, not having identified situations that could compromise the Independent Auditor's independence in the period from 1 January 2020 until the date of issue of the declaration (1 April 2021).

Annexed 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, Deloitte, and companies within its network for the year under review.

In view of:

- ✓ the independence declaration issued by Deloitte & Touche S.p.A. pursuant to art. 6, paragraph 2, letter a) of Regulation (EU) 537/2014 and paragraph 17 of ISA Italia 260 and the transparency report prepared by it 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 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 the Independent Auditor", approved by the Board of Directors on 15 March 2017, the Board of Statutory Auditors has, during 2020 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:

Engagement	Amount
Appointment to carry out the role of validator to monitor the "Undertaking Specific Parameters" data of the insurance company Poste Assicura for the years 2020 and 2021	€90,000 (plus reimbursements for out-of-pocket and administrative expenses for a maximum of 5% of the fees and VAT)
Cash project support "Sector actions in the field of multi-bank counting rooms" for the years 2020 and 2021	€50,000 (plus reimbursements for out-of-pocket and administrative expenses for a maximum of 5% of the fees and VAT)

With the support of the AFC 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 any case, based on the Guideline "Assignment of engagements to the Poste Italiane Group's Independent Auditor", approved by Poste's Board of Directors on 15 March 2017, unless reasons of opportunity related to the specific professional content and the effectiveness requirements of the assignment to be assigned require it, it is not normally permitted to assign professional engagements other than the statutory

audit or other than voluntary or related audit services to the Principal Auditor or to entities belonging to the Network of said Auditor.

9. Disclosure of opinions issued pursuant to the law during the year.

Pursuant to article 2389, paragraph 3 of the Italian Civil Code, the Board of Statutory Auditors, during the 2020 financial year, issued its opinion on the proposed remuneration to be paid to the Chairwoman of the Board of Directors and the Chief Executive Officer, and its opinion on the proposed remuneration to be paid to the Directors participating in Board Committees, issued on 16 December and 9 June 2020, respectively.

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 83 meetings. The Board met on 37 occasions as the Board of Statutory Auditors (including 12 held jointly with the Control and Risk Committee, formerly Control, Risk and Sustainability Committee), with the meetings having an average duration of approximately 3 hours and 17 minutes. We attended all Board of Directors' meetings and all those of Board Committees. Specifically, the Board of Statutory Auditors attended 15 Board of Directors' meetings, 12 meetings of the Control and Risk Committee (all held jointly with the Board of Statutory Auditors), 5 meetings of the Sustainability Committee, 7 meetings of the Appointments and Corporate Governance Committee, 11 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 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. On this occasion it emerged how Poste's organisational structure is evolving towards a "Platform Company" model, capable of accommodating a diversified and modifiable range of services as it is based on open architectures, digital innovation and agile working models that make the most of available technologies. 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, also in light of positive proof provided during the management of the epidemiological emergency due to the spread of Covid-19.

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 Report on Corporate Governance and the Ownership Structure on the Internal Control and Risk Management System.

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 2020, during a specific meeting; it also acknowledged, during March 2021, a summary of the "Group Report on Assessment of the adequacy of the 2020 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". In making this assessment, the Internal Control Function, in addition to integrating the results of the activities carried out by the control functions involved on the basis of their respective Audit Plans or at the request of top management, considered the general context, which was inevitably affected by the effects of the emergency and its impact on the Group's SCIGR, the organisational interventions and the developments that took place.

The strengthening of the SCIGR, achieved over the last few years through organisational and procedural initiatives, has enabled the control system to deal with the risks that have emerged since the early months of 2020 due to the health emergency generated by Covid-19, through high capacity for readjustment to the new context, as evidenced by the rapid deployment of multiple interventions aimed at ensuring business continuity, while strictly complying with rules and regulations, including the following: (i) establishment, on 21 February, of the Strategic Crisis Committee for the management of the Coronavirus risk, chaired by the CEO and the Joint General Manager; (ii) updating, between February and May, of the Risk Assessment Documents (DVR) for each Production Unit following the identification and assessment of the Coronavirus risk, as provided for by art. 271 of Legislative Decree no. 81/08; (iii) publication, between March and May, of instructions and operating procedures needed to counter the epidemiological emergency caused by the spread of Covid-19, as well as guidelines concerning corporate safety for smart working.

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 some areas for which there is a need or opportunity for strengthening.

In particular, due to the health emergency and the consequent need to enable, in a short period of time, the Group's personnel to work remotely using smart working tools, the "Information Technology Management" area was affected by projects to strengthen the controls necessary to ensure the security and efficiency of operations also in this context. Irrespective of these projects, the IT audits carried out in 2020 showed that the Internal Control System ("SCI") was evaluated less positively than in the previous year, although in the area of full

adequacy; this was due to the presence of critical issues relating, for the most part, to shortcomings in the implementation of controls to protect the integrity and confidentiality of information and the availability of IT assets, despite the fact that these controls were already provided for at procedural level. These critical issues, which are present across the board with respect to the platforms audited, have led to the definition of a series of short and long-term Action Plans aimed at implementing procedural controls. In this context, the project to extend the certification environment to allow all the planned developments to go into production has been particularly important.

Moreover, with regard to the area of logistics processes, the SCI of which in 2019 was not yet fully adequate and characterised by a high degree of instability linked to the evolution of operational controls, the continuous auditing activities carried out in 2020 on the entire supply chain, from acceptance to delivery, and the follow-ups focused on the Action Plans resulting from previous audits, have on the whole found a sector affected by continuous evolution of the design of the control system, the effect of the implementation of strengthening interventions. On the whole, this dynamic has led to a progressive adequacy of specific areas of the control system, even if there are still actions to strengthen it.

The Board of Statutory Auditors, following the meetings held with the Supervisory Bodies of the most important Group Companies and on the basis of the results that emerged - which confirmed the physiological downsizing of the risk areas present in the Subsidiaries as a result of some reviews of the Group's organisational structure and, in particular, following the centralisation of purchases at the Parent Company - appreciated the implementation of the Board's recommendation to carry out transversal audits, involving/including a number of Group companies, such as the audit of the procurement process conducted in 2020, which also examined the centralisation of activities and revealed an overall high level of consolidation, with room for improvement for certain Subsidiaries (SDA Express Courier and Poste Air Cargo).

The interventions carried out at the Subsidiaries revealed areas of inadequacy, highlighted by the competent internal control function of the Board of Directors

for (i) Postel, with reference to the management of BancoPosta's Central Archive, where areas of concern regarding the structure of controls persist, given that the objective of full digitalisation has not yet been achieved, and (ii) Consorzio Logistica e Pacchi, with reference to business and governance processes, for which there are areas of inadequacy, with the need to clarify, by integrating the procedural structure, the manner in which the Consortium intends to carry out its role in relations with Consortium members, in accordance with the mandate granted to it under the by-laws.

The Corporate Affairs (CA) Function has always played an important role in guiding, controlling and coordinating the corporate structure. By coordinating and integrating its skills, this function ensures the unified management of the Poste Group's legal, corporate and corporate governance issues and guarantees efficiency, economies of scale, quality and effective support for the various business functions. In addition, as part of the gradual strengthening of unified and integrated governance, during 2020, the Group's Corporate Affairs function was brought together with the corporate secretarial services of all the Group's companies, excluding the Poste Vita Group.

The Board of Statutory Auditors acknowledges that the Company, through the Corporate Affairs (CA) Function, has consolidated the strengthening of both the Internal Control System and the role of Poste in providing guidance, coordination and control, also through a number of important initiatives highlighted below.

In 2020, in order to ensure that the SCIGR is strengthened as an enabling factor for the consolidation of processes, which are based on the principles of integrity, transparency, legality, sustainability and value creation, the Company has committed to the development and ongoing improvement of the Governance and Risk Management Model, to ensure that it is aligned with the principles defined by the new Corporate Governance Code, international regulatory standards, and the objectives of integrity and full traceability of activities that represent the Group's key principles; in addition, as part of the activities aimed at developing governance structures, Poste has defined an integrated process at Group level that makes it possible to strengthen or create operational synergies between the

various specialist structures and to ensure unified governance, thanks, in part, to a clear definition of the roles and responsibilities of the players involved.

Also during 2020, multiple interventions were implemented aimed at strengthening and continuing to evolve the SCIGR; in particular, we highlight:

- updating of the SCIGR Guidelines, in order to bring them into line with the main leading practices in this area (in particular, the changes introduced by the new Corporate Governance Code), the Company's new organisational structure, as well as the initiatives undertaken in the ESG area, in line with regulatory and corporate governance requirements and the Supervisory Provisions that apply to BancoPosta's activities;
- various initiatives in the ESG area, including the definition of the Group's ESG Strategic Plan and the process of reinforcing the principles of integrity, transparency and legality, including through the adoption of a Competition and Consumer Protection Compliance Programme, as well as admission to the Collaborative Compliance regime pursuant to Legislative Decree no.128/2015; in this context, the Company proceeded with the voluntary adoption of a new Guideline on Antitrust Compliance and appointed the Head of the Regulatory Affairs Function and Relations with the Authorities within CA as the Head of the "Competition and consumer protection compliance programme" for the related implementation and monitoring, as provided for in the Guideline;
- development and definition of the Integrated Compliance process based on the model designed during 2019;
- establishment of the Sustainability Committee with the task of assisting the Board of Directors with pursuing sustainable success. The Committee provides input during assessments and decisions relating to ESG issues, and strives to continually integrate national and international best practices into the company's sustainability strategy;
- assignment to the Head of the CA Function, of the position of Joint General Manager with the responsibility of supporting the CEO and GM in the general and transversal corporate supervision, playing a role of guidance and cohesion of the corporate structure, and, in particular, guaranteeing the unified

governance of issues associated with the SCIGR and supporting top management in the effective implementation and management of Risk Management and Integrated Compliance processes at group level, with reference to all types of risks;

- inclusion of the Group's Sustainable Development, Risk and Compliance Function within CA (formerly CA/GRG) which constitutes, through Group's Risk Management and Group's Integrated Compliance, the single point of reference for the governance and management of all risks from a Group perspective;
- due to the admission to the Collaborative Compliance regime, granted to the Company, the role of Tax Manager has been created, assigned to the Head of the AFC/Tax Function, who will ensure, among other things, the preparation of the Annual Report;
- continuation 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;
- continuation of the process of streamlining and standardising ICT processes at Group level, which envisages centralisation of the IT systems of the various Group companies, in line with the business model adopted, based on strong integration of assets, processes, resources and controls; in this context, the following transactions were completed in 2020: (i) the sale of the ICT business units of Poste Vita, Poste Assicura and Poste Welfare Servizi to Poste (to the Digital Experience Function within the DTO); (ii) the sale of the ICT business unit of PostePay, dedicated to telecommunications services and Electronic Postman, to Poste;
- establishment of the new Digital, Technology & Operations Function ("DTO") with the aim of (i) creating an ecosystem of innovative product and service solutions and (ii) simplifying the value chain by moving in the direction of the Platform Company model. The Information Systems, Chief Operating Office and Customer Experience Transformation Functions were brought together

within DTO and, during the year, also the IT resources applied to the IT support activities and processes carried out at territorial level by the Post Office Network and PCL functions;

- conclusion of the process of centralising purchasing activities of a negotiation nature carried out in the territory;
- completion 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;
- launch of major organisational initiatives to centralise Human Resources and Organisation processes in order to ensure unified governance, with the RUO Functions of Postel, SDA, Poste Air Cargo and EGI brought together within the Parent Company's RUO function.

In addition, the Board of Directors has implemented various organisational initiatives designed to strengthen the Internal Control System:

- on 10 June 2020 and 27 January 2021, it approved the update to the Poste's Organisational Model pursuant to Legislative Decree 231/2001 ("OM231");
- on 27 January 2021, it approved updates to the (i) Guideline on the Application of Legislative Decree 231/2001 in the Poste Italiane Group and (ii) Guideline on the System for Reporting Violations ("Whistleblowing");
- on 16 February 2021, it approved the update of the SCIGR Guideline;
- on 24 March 2021, it approved the amendment to the Financial Management Guideline for Poste Italiane.
- update of the Internal Regulations of Board Committees in order to align the content and wording thereof with the Corporate Governance Code;
- on 24 September 2020, it approved the Crisis Management Models for the Group, Business Continuity Management applicable to all Group services and Incident Management for the management of incidents of any nature at Group level;
- on 24 September 2020, it approved the Guideline on Competition and Consumer Protection Compliance;

- in May 2020, the Sustainability Committee was set up within the Board of Directors, with the task of assisting it in pursuing sustainable success in relation to ESG factors, through the continuous integration of national and international best practices relating to sustainability in corporate strategies;
- formalisation of a monitoring process, on the progress of the Action Plans, by the Technical Secretariat of the Chief Executive Officer and General Manager.

In light of the centralisation of procurement, which reached a high level of consolidation in 2020, the CA/Purchasing Function is now the Poste Group's centre of excellence and is responsible for the unified and integrated management of the Group's purchasing processes. In this regard, the procedural framework has been formalised for the execution and management of passive contracts entered into by the Poste Italiane Group, with the introduction of two new positions: (i) the Manager responsible for the execution and management of the contracts and, if appointed, the Execution Manager, as well as Assistants thereof, in the case of contracts subject to the Code and (ii) the Contract Manager and, if appointed, the Operational Managers thereof in the case of excluded contracts.

In the course of the various meetings held with the Board of Statutory Auditors, the Head of the Group CA/Anti-Money Laundering Function clarified the controls that support the qualitative and quantitative adequacy of the Group Anti-Money Laundering Function and reported on the consolidation of the organisational structure of the anti-money laundering structures at central and territorial level. With reference to the "Plan of Activities of the Group Anti-Money Laundering Function year 2019", at 31 December 2020, 29% of the interventions identified in the 2019 Annual Report had been completed. The rescheduling of those not completed, all of which are IT-related (7), to which the Board of Statutory Auditors draws the attention of the Board of Directors is mainly due to the activation of initiatives for the management of the Covid-19 health emergency and the complexity of the IT implementations to be carried out. In any case, the re-planned interventions concern the efficiency of the oversights, which are in any case guaranteed by existing procedures that already comply with current regulations.

In particular, the Board of Statutory Auditors acknowledges that the "Procedure for the prevention of money laundering and terrorist financing" was published in 2020, pursuant to art. 7, paragraph 1, letter a) of Legislative Decree no. 231/07, and the Operating Instructions of the Group Anti-Money Laundering Function were approved.

The results of the consolidated assessment conducted for 2020 by the Group's Anti-Money Laundering Function, 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 Obligated Entity (BancoPosta, PostePay, BancoPosta Fondi SGR and Poste Vita).

The Board of Statutory Auditors acknowledged, at the Group Anti-Money Laundering level, that the volume of "initiative reports" submitted in 2020 by the network of Post Offices ("POs"), is substantially in line with 2019 with a slight decrease attributable to the strengthened verification oversights on the operations of the POs (higher risk customers, cash), as well as lower branch operations due to the impacts of the health emergency from Covid-19. The Board acknowledged that in 2020, the Suspicious Transaction Reports (also "SOS") sent to the Financial Intelligence Unit (UIF) amounted to 24,933 (an increase of 15% compared to 2019), of which 162 SOS of financing of terrorism (+42% compared to 2019) and 127,872 initiative reports of the POs. The average time to submit reports to the UIF was about 18 days, compared to an average of 28 days in the reference category. In addition, training of the target population continued. Furthermore, there were 89.6 thousand requests for judicial assessments (+9% from 2019). The anti-money laundering objections notified in 2020 by the Ministry of Economy and Finance (also "MEF") mainly concern violations of article 51 of Legislative Decree no. 231/2007 for omitted/delayed communication to the MEF - violations on cheque negotiation - mainly related to the new cheque dematerialisation process (CIT procedure) and to a lesser extent concern violations of article 35 of Legislative Decree no. 231/2007 (no Suspicious Transaction Reports) and are attributable to a single context. With reference to

this data, during a special meeting, the Board also received an analysis of the historical trend, accompanied by a benchmark for the period.

On the subject of risk management, the Board of Statutory Auditors acknowledges that the Company, in line with the indications of the Corporate Governance Code, has defined its risk propensity for 2021, in such a way as to guarantee the compatibility of the risks assumed with the strategic objectives identified in the Business Plan and the Budget, highlighting that, on this occasion, the assessment was carried out paying particular attention to the context, also in consideration of the current health emergency situation.

The Strategic Risk Assessment confirmed that the top risks included those related to quality provided, customer satisfaction and IT security. The Risk Appetite Framework (RAF) 2021 has been supplemented with four indicators, with respective thresholds, associated with the risk of adverse changes in the macroeconomic scenario, regarding Dividend, Economic Performance and Liquidity, which also summarise the performance of the most significant financial and insurance risks affecting BancoPosta, Poste Vita and PostePay. The qualitative and quantitative indicators identified with regard to the aforementioned risks have been approved by the Board of Directors and will be monitored on a quarterly basis together with the treatment actions deemed appropriate to contain the exposure within the established level. In 2020, 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.

For the purposes of strengthening the Governance oversight and the continuous evolution of the Group's SCIGR, the Group's CA/Group Risk Management ("GRG") Function developed and defined the Group Integrated Compliance process based on the model designed during 2019 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. The main implementations carried out in 2020 as part of the Group Integrated Compliance include the introduction of the Legal Inventory, the Compliance Dashboard and Compliance Monitoring on Disciplinary Measures.

Regarding risk management, the Board of Statutory Auditors acknowledges that a Risk Management model has been implemented 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 envisaged Group's Sustainable Development, Risk and Compliance Function, as part of the CA Function, will guarantee these objectives, mainly through the definition of an integrated risk management process involving all SCIGR players in a coordinated manner. In this last regard, in 2020, the aforementioned Group GRC - RSA Archer integrated platform supporting the Integrated Risk Management process was subject to evolutionary implementations and migration of new risk areas (tax, physical security, integrated compliance, privacy, IT security, corruption) thus becoming the tool for maximum integration of the Group Risk Management process, capable of ensuring the sharing of risk analysis methodologies between all specialist functions operating at the 2nd level of control, improving communication with Top Management and Corporate Bodies and between control functions, as well as minimising the risk of missing or redundant information.

With reference to risk management, the Board of Statutory Auditors reiterates the recommendation that the Strategic Supervisory Board should periodically monitor above all financial risk, also on a forward-looking, multi-year basis, periodically updating the assessment of such risks and verifying investment and hedging policies via periodic investigation by the competent 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 2020 financial year. During the course of the meetings, it became clear that the Group's oversight of 231 issues had been consolidated, including through functional coordination by the relevant departments, with the goal of standardising the general approach in line with the 231 model. In the first part of 2020, following the update of the 231 Risk Assessment and Gap Analysis, the Company launched a project for an extensive update of Poste Italiane's OM 231, which led to approval of the new OM 231 in June 2020.

As part of the update of the cited OM 231, the main changes made to the General Section include the following:

- Poste Italiane's SCIGR has been supplemented with new references to the "Integrated Compliance Process" and the "Competition and Consumer Protection Compliance Programme" implemented within the company;
- in the paragraph relating to "Reporting violations (Whistleblowing)", the issue of information flows between the Whistleblowing Committee and the Supervisory Board has been revised, also with a view to increasing the focus of the role of the Supervisory Board in this matter.

As far as the Special Part is concerned, on the other hand, the updating/integration of the crimes in relations with the Public Administration (also "PA"), computer crimes and tax crimes and the inclusion of smuggling crimes should be noted.

In monitoring the relevant risk areas, the Supervisory Board verified that the Company maintained a high level of attention and control over the management of the Covid-19 health emergency within the Company; in this context, the Supervisory Board acquired the results of the audit conducted by the Internal Control Function, which showed a positive assessment of the prevention issues, noting the availability of support and prevention tools and management, information and training instructions. With regard to the adoption of the OM 231 within the Group, in October 2020, the Subsidiaries completed the updating of their OM 231 on the basis of the changes introduced following the updating of Poste's OM 231 (June 2020), whilst analyses are underway to verify the appropriateness of adopting the OM 231 at newly acquired companies such as

Sennder Italia S.r.l. and MLK Deliveries S.p.A. In the second half of 2020, a project was launched to further adapt Poste's OM 231 with a view to incorporating further regulatory amendments, which concluded with the approval, on 27 January 2021, of the new Poste's OM 231, which replaced the one approved on 10 June 2020.

In this context, the dedicated IT system (GRC-RSA Archer) - already mentioned above - was progressively updated on the basis of the evidence emerging from the monitoring of the 231 Risk Assessment and Gap Analysis activities; at the end of 2020, 387 231 risks had been identified, in addition to a further 99 risks relating to the specific area of Occupational Health and Safety and Environmental Protection. In addition, about 800 control tools that are relevant for the purposes of OM 231, such as Policies, Guidelines, Procedures, etc., identified by the corporate functions to monitor the risks identified during the Risk Assessment process, have been included and enhanced in the system.

It should also be noted that on 27 January 2021, the Board of Directors approved the new version of the Group's 231 Guideline, in order to bring certain provisions of the Guideline into line with the latest developments in the Poste's 231 Model. In addition, with reference to the criteria for identifying the Supervisory Boards of Group companies, the Guideline provides that, of the three members, at least two must be external to the Company, thus introducing the possibility that all three members may be external.

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 the BancoPosta's Internal Control as well as the Internal Auditing Functions;
- ✓ 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 the 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 Auditing 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 and Risk Committee, the Sustainability Committee and the Related and Connected Parties Committee; (iv) examining the results of activities carried out by Poste Italiane's Internal Control Function and by BancoPosta's Internal Auditing Function; (v) examining the proposed Audit Plan for 2021, 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 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.

Further to the findings of the previous year, following the reinforcement of the internal control and risk management system, the Board of Statutory Auditors reports that the Company, as in the previous year, has carried out a number of additional important activities to analyse and process a number of BancoPosta's past accounting entries with significant positive effects on the statement of profit or loss. In order to strengthen the processes for identifying these accounting items of BancoPosta, initiatives have been adopted that have led to the progressive implementation of controls in the governance and management of operational and procedural as well as technological risks, thanks to the increasing automation of processes, the integration between management and accounting systems, and the dematerialisation of contracts and transactions. The activities also concerned the accuracy and timeliness of the processing of "BancoPosta's suspended items", i.e. movements not immediately attributable to specific technical forms that may represent credit or debit situations for Poste Italiane (including service postal current accounts, items to be cleared, overdrawn current accounts).

The Board also notes the Attestations, dated 24 March 2021, of the separate and the consolidated financial statements for the year ended 31 December 2020 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 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.

In 2020, the Board verified, 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 “Guideline for Management and Publication of Confidential Information, and Maintenance and Updating of the Related Registers”, approved by the Board of Directors on 22 June 2017, revised on 2 October 2018 and last updated on 30 July 2020.

This Guideline and the “Internal Dealing Guideline”, also approved by the Board of Directors on 22 June 2017, revised on 2 October 2018 and updated on 30 July 2020 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, as well as the indications contained in the Consob Guidelines on the subject.

The CA/Corporate Affairs Function revised the aforementioned Guidelines on the basis of the latest regulatory developments and best practices in the sector and, in this context, the main new element was the adoption of the Relevant Information List ("RIL"), which represents an additional protection tool with respect to the Insider Register.

In addition, the Board of Statutory Auditors met periodically with the Boards of Statutory Auditors of the Group's main Subsidiaries in order to verify the correct implementation of instructions issued by the Parent Company.

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 no. 58/1998.

The Board of Statutory Auditors has promoted effective and timely communication with the Independent Auditor, for the purpose of the mutual exchange of information useful for the performance of their respective duties, pursuant to art. 150, paragraph 3, of Legislative Decree no. 58/1998 (Consolidated Law on Finance) and in line with Attention Notice no. 1 issued by CONSOB on 16 February 2021. The Independent Auditor did not find any acts or facts considered reprehensible or irregularities that required the formulation of specific reports pursuant to art. 155, paragraph 2, of Legislative Decree no. 58/1998 (Consolidated Law on Finance).

On 1 April 2021, the Independent Auditor issued the Additional Report pursuant to article 11 of Regulation (EU) 537/2014, of which the annual confirmation of independence is an integral part. The Auditor has not deemed it necessary to issue any letter of suggestions to the Company's management on the understanding that certain points for improvement are contained in the Report pursuant to article 11 of EU Regulation 537/2014. With regard to these points, the Board of Statutory Auditors recommends that the Directors evaluate them with a view to their

subsequent implementation. The 2020 Audit Plan was illustrated by the Independent Auditor to the Board at a specific meeting.

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 estimate of the recoverable amount of the "Mail, Parcels and Distribution" business segment (ii) the valuation of the mathematical provisions.

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, as well as the key issues of the 2020 financial statements, with the Company's management in specific meetings.

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 37 of its own

meetings during the year, but also ensured its participation in all the meetings of the Board of Directors and Board Committees, in addition to general meetings of shareholders, for a total of 83 meetings. Considering the significant number of meetings, the Board expressed the opinion that a different organisation and planning of the Board Committees would allow improving the added value that non-executive Directors can bring to the debate. Specifically, given the opportunity to use digital platforms for remote meetings, which eliminates travel time, and given the participation of the Board of Statutory Auditors in all Committees, the spacing and/or splitting of the Committees among themselves and between the Committees and the Board of Directors would allow full access to the time required to review documents and the time needed to supplement documents or review the information received. In the same way, in the opinion of the Board of Statutory Auditors, it would be useful to implement some digital solutions to support the meetings and increase the information provided to the Board of Directors by some of the Board Committees, including a brief summary of the analyses performed or of the remarks that emerged during the preliminary investigation, especially when the debate of some items on the Committee's agenda was particularly in-depth.

- ✓ The Board positively acknowledged the update in December 2020 of the "Guideline on the application criteria and procedure for assessing the independence of Poste Italiane S.p.A.'s Directors (pursuant to article 2, Recommendation 7, of the Corporate Governance Code)", aligned in content with the new recommendations on independence set forth in the Corporate Governance Code published by Borsa Italiana S.p.A.'s Corporate Governance Committee in January 2020. In this regard, it should be noted that the updating of the document in question was carried out in the context of the broader adherence, as resolved by the Company's Board of Directors in December 2020, to the aforementioned new Corporate Governance Code; on this occasion, in addition to updating the aforementioned Guideline, the remaining documents that embody the Company's and the

Group's corporate governance structure (Board of Directors' regulations, regulations of the Board Committees, etc.) were also aligned with the recommendations of the aforementioned new Corporate Governance Code.

- ✓ 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. The Board of Statutory Auditors, considering the activities in progress for updating the Guideline concerning related party transactions, also given the provisions of the new Consob regulation, which will come into force from 1 July 2021, as indicated above, has suggested strengthening the documentation supporting the occurrence of the conditions for exclusion in the case of "excluded transactions" and the system of ex post controls to verify correspondence between related party transactions reported in an annex to the financial statements and transactions brought to the attention of the CP Committee.
- ✓ 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 the Borsa Italiana S.p.A.'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, acknowledged the contents of the "Remuneration Report" prepared by the Directors. Section I of the Report, which is submitted for express approval by the 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 met with the Independent Auditors for the activities falling within its competence, as well as with the relevant Remuneration Committee.

- ✓ The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of the Directors both in June 2020, after the appointment of the members of the Board of Directors by the General Meeting of 15 May 2020, and in February 2021. The post-appointment assessment was carried out on the basis of (i) the self-declarations issued by each newly appointed Director and (ii) the historical Chamber of Commerce records ("person files") and, in this regard, the Board of Statutory Auditors recommended that, in the future, also upon first appointment, the information systems concerning the issuance of purchase orders, as set forth in the Guideline, be queried. The assessment carried out in February 2021 was conducted in accordance with the provisions of the Guideline on the "Application criteria and procedure for assessing the independence of Poste Italiane S.p.A.'s Directors (pursuant to art. 2, Recommendation 7 of the Corporate Governance Code), on the basis of (i) information attested by the Directors, (ii) the person file of each Director, containing evidence of current and past positions held, and (iii) information obtained directly from the Company, with reference to any existing economic/financial relations and/or relationships between Poste's Group companies, the Directors and any of their related parties, in accordance with the independence requirements of art. 2, Recommendation 7 of the new 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 "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 the Consolidated Law on Finance and the Corporate Governance Code. The process also took into account the outcome of checks conducted by the Company with regard to any

outstanding economic or financial transactions and/or relationships with Poste Italiane's Group Companies.

Pursuant to the Corporate Governance Code, the Board of Statutory Auditors was also consulted by the Control and Risk Committee in 2020 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 2020;
- assessment of the correct use of accounting standards and their consistency for the purposes of preparation of the consolidated financial statements;
- Group Risk Appetite Framework for 2021;
- updating of the Guideline for defining and monitoring the Poste Italiane Group's Risk Appetite Framework;
- appointment by the Board of Directors - effective 30 July 2020 - of a new Group Manager of Suspicious Transaction Reports;
- impairment test on the CGU Mail Parcel & Distribution.

18. Self-assessment process for the Supervisory Body

Lastly, in compliance with the Bank of Italy's Supervisory Provisions and the rule Q.1.1. "Self-Assessment of the Board of Statutory Auditors" included in May 2019 in the Code of Conduct, as well as in line with article 25.1 of the Company's By-laws and the "Regulation on the self-assessment process of the Poste Italiane S.p.A.'s Board of Statutory Auditors", approved by the same Board on 30 January 2020, in January, February and March 2021, the Board of Statutory Auditors carried out a self-assessment of its adequacy in terms of powers, functioning and composition, with reference to the 2020 financial year. Unlike last year, the Self-Assessment process was conducted without the aid of an external consultant.

The results of the replies to the questionnaires confirm, also for the second year of its mandate, a fully positive Self-Assessment of the Board of Statutory Auditors, in terms of qualitative-quantitative profiles and effective functioning,

thanks to clear operational balances and coherence in the methods of dialogue/interaction between members that, in some cases, offer recommendations for further improvements.

The Self-Assessment process provides a very positive overall picture of the Board in terms of adequacy of composition, independence, functioning, exercise of powers, internal climate, role of the Chair of the Board, minutes, support of the competent secretariat. In addition, a fully positive assessment has emerged regarding the detail of supervisory activities, expressly referred to for the purposes of the Self-Assessment pursuant to Bank of Italy Circular no. 285/2013. As in the past, it has emerged that the remuneration envisaged for the Board of Statutory Auditors does not appear to be fully consistent with the numerous commitments and responsibilities arising from the position.

Moreover, the joint assessment of the members of the Board of Statutory Auditors has revealed a very positive picture of relations between the Board of Statutory Auditors and BancoPosta's main control functions (compliance, risk management, internal control, internal auditing), as well as those with the Head of Anti-Money Laundering, the Manager responsible for financial reporting, the Independent Auditor and the Supervisory Board.

The results of the self-assessment conducted are submitted to the Board of Directors, which acknowledges them in the Corporate Governance Report.

C) 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 Regulation, the Board of Statutory Auditors examined the specific issues regarding BancoPosta RFC separately, reporting the results in the minutes of its 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 regard to BancoPosta RFC, the Board of Statutory Auditors oversaw the transaction regarding the removal of the restriction on the allocation of BancoPosta RFC regarding assets, goods and legal relations constituting the "Debit Business", approved by Poste's Board of Directors on 27 January 2021, which will be submitted for final approval by the extraordinary General Meeting, after obtaining all the authorisations required by the regulations, and which is aimed at also making the debit cards linked to the BancoPosta's account a PostePay product.

With reference to the IMEL RFC (Istituto di Moneta Elettronica) of PostePay, 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 the Subsidiary, 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 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.

In line with the objectives of the Poste Group's Plan and as part of the process of centralising Information Technology (IT) within the Parent Company, on 28 September 2020, the deed was signed for the sale of the PostePay's Information Systems business unit to the Parent Company, with effect from 1 October 2020.

In particular, PostePay sold a business unit to Poste, including ICT services relating to telecommunications activities and the Electronic Postman platform, and signed a service contract for the outsourcing of ICT services relating to telecommunications activities. The business unit involved in the transaction comprises 43 resources, hardware and software assets and related contracts. The aim of this centralisation is to ensure stricter levels of security and service quality, in line with the requirements of current legislation, by reinforcing operational and security controls and achieving expected savings in terms of costs and investments to the benefit of PostePay and customers.

The Board has also been informed by PostePay's Supervisory Body that, despite the Covid-19 epidemic, all centralisation measures have been implemented in line with planning.

With regard to outsourced activities, the Board of Statutory Auditors acknowledged the renewal of the Service Agreement for payment products issued by BancoPosta to PostePay, which expired on 31 December 2019. The Agreement defines the IMEL's operating procedures, KPIs and responsibilities, including financial responsibility, in relation to the correct performance of activities, as well as the related fees, and has a duration of three years.

The Board was informed of the letter received from the Bank of Italy on 31 December 2019 regarding the request for further investigation following the communication sent by Poste regarding the operational incidents impacting BancoPosta's and PostePay's mobile apps.

The Board examined the Audit Report of BancoPosta's Internal Auditing Function, containing an analysis of the causes of the incidents, an indication of the corrective measures identified and the related completion time frames, which was sent to the Supervisory Authority on 31 March 2020.

Also on the subject of operational incidents, the Board of Statutory Auditors continuously monitored those that occurred in 2020, urging the Company to prioritise preventive measures to avoid the occurrence of such events. Recently, the Board, at a joint meeting with the Control and Risk Committee in March 2021, discussed the issue of IT operational incidents and noted that approximately 70 communications of anomalies/disruptions were analysed in 2020. Most of them

required coordination by the Financial Services Operational Continuity Committee ("CCOSF") and the Assessment Team to properly classify the incident and manage its impact on customers. The Board of Statutory Auditors noted that, in compliance with the requirements of the Supervisory Authority, 7 incidents were classified as serious. However, only one, which occurred on 15 December 2020 - causing 570 minutes of inefficiency due to the unavailability of the BP's and PP's App Digital Channels and related web - was reported to the Bank of Italy. The other 6 incidents, although important, had no major impact on production and only marginal impact on customers. The Company has initiated many interventions in this area and the main interventions carried out during 2020 include: (i) the continuation of work on the Group's BCM project and the release of the related implementation procedures, (ii) the updating of all Business Impact Analyses (in "end-to-end" mode) in relation to all relevant processes, (iii) the possibility of adopting a secondary recovery site by 2021 if the current recovery site is not available, (iv) the continuation of the adaptation of the technological infrastructure to support the continuity of financial services and the inclusion of additional applications in the Disaster Recovery area; and (vi) the updating of the Emergency Operating Procedures ("POE"). Finally, with reference to the "Data Center Transformation" Programme, the implementation of all the project initiatives related to the Programme is almost complete.

1. Observations on BancoPosta's financial reporting process.

Based on the information received from the Manager responsible, 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 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 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 uses a specific dedicated 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 February 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 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;

In this regard, the Board of Statutory Auditors notes that, with effect from 2020, the Auditor has been engaged to issue a "limited opinion" of BancoPosta RFC's Separate Report at 31 December 2020 - consisting of the balance sheet, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year ended on said date and the notes (the "BancoPosta's Report"), annexed to the Company's financial statements in accordance with the provisions of section 8 of the BancoPosta RFC Regulation - in order to check the consistency of the data contained in the Report with as reported in the Company's financial statements for the year ended 31 December 2020.

BancoPosta's Report has been prepared in application of the International Financial Reporting Standards adopted by the European Union and 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.

In view of the content and purpose of the engagement, the Auditor carried out a limited review of BancoPosta's Report in accordance with ISAE 3000 revised Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised") and planned and performed procedures to obtain a limited level of assurance that BancoPosta's Report does not contain material misstatements. On 1 April 2021, Deloitte issued an unqualified audit report on BancoPosta's Report.

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.

2. Supervisory activities of BancoPosta's Supervisory body 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 had observed that the adequacy of this remuneration be subject to further analysis by the Human Resources Department ("RUO"), also after benchmarking with similar entities. In this regard, during a meeting with the Head of the RUO Function held in April 2021, the Board received the document "Benchmark remuneration of BancoPosta's Control Functions" aimed at providing an analysis of the remuneration of BancoPosta's Control Functions and their competitive positioning, by individual remuneration component, with respect to the selected Peer-Group of Italian banks and insurance companies. At the end of the meeting, the Board of Statutory Auditors acknowledged that BancoPosta's Control Functions are generally below the market median for all the remuneration levels in the packages analysed, as well as the initiatives that the Company intends to implement to enhance BancoPosta's Control Functions, in line with the market median.

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. As part of 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, supervised by the external consultant appointed by the Company to prepare an analysis document of the new 2021-2022 Operating Guidelines.

With regard to control activities contracted out to Poste Italiane's 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. In addition, during a meeting with the Head of BancoPosta in April 2021, the Board of Statutory Auditors carried out an in-depth examination of the relationship between business and profitability between BancoPosta and Poste Italiane S.p.A. in relation to the various areas (business, operations, reputation, etc.). At the end of the meeting, the Board of Statutory Auditors acknowledged the management roles of the activities assigned by BancoPosta to other Poste Italiane's Functions via the Operating Guidelines, and the controls designed to mitigate the operating risks deriving from these assignments, and deemed the entire set of Operating Guidelines to be adequate. In particular, the Board was informed of the strengthening of the Operating Guidelines structure for the two-year period 2021-22 through (i) the extension to all assignments of the tool of the Operational Management Committees, (ii) the revisiting of the benchmarks for measuring the performance of each KPI (escalation process), (iii) the evolution of the algorithm for calculating the penalties of the main Guidelines and (iv) the significant increase in the number of KPIs. In addition, the Board of Statutory Auditors, based on the indications of the Human Resources and Organisation

Function (RUO), noted the maintenance in 2019 and 2020 of the summary performance indicators linked to the performance of the KPIs of the Guidelines within the Management Incentive Scheme (MBO), as well as the Risk Attribution procedure, defined and formalised by the competent BancoPosta's Function, adopted in the event of operational losses generated by the negative event implemented by the responsible function entrusted with the task.

With reference to the "Outsourcing Project" to the Customer to Business Interaction ("CBI") Consortium of activities relating to access to BancoPosta's payment accounts by Third Party Providers, pursuant to the PSD2 Directive and presented in April 2019, the Board, during the year, noted that the major release called "Global Consent" has been implemented on the CBI Globe platform, which will allow, once the adoption of the solution by the interfaces of individual members is complete, access to AIS ("Account Information Service") functionalities through a single "Strong Customer Authentication" (SCA) process by the customer.

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 2020 the programme defined following the Bankit 2017 inspection had reached a state of progress of 97% and that there remain to be completed the verification activities of some interventions related to: (i) the Data Center Transformation (DCT), planned to coincide with the first available test session related to BCM in May 2021, (ii) the closure of the action, also within the DCT, related to the automatic alignment of configurations between the production and Disaster Recovery areas, planned for May 2021, (iii) the roll-out of the Data

Governance Model by the end of 2021 and (iv) the completion of the technological renewal plan for the elimination of obsolescence in the financial services infrastructure, the conclusion of which is planned for May 2022. The Board acknowledged that on 5 May 2020, a communication from the Bank of Italy was received containing the results of the transparency audits it carried out from 23 May to 19 July 2019 at 24 Post Offices and headquarters, which concerned, among other things: the organisational structure of BancoPosta, the Group and the territorial network, the management of relations with external partners, and the management of payment not approved. In response to the feedback of the Bank of Italy, the Company has prepared a plan, shared with PostePay containing the corrective measures to be put in place with an indication of the implementation methods and timing, which was communicated to the Bank of Italy on 3 July 2020 and reported, starting from June 2020, in the quarterly Tableau de Bord of the Compliance Function.

The Board of Statutory Auditors noted that according to the Plan, the work is scheduled to be completed by April 2021.

During the various meetings, the Board monitored the audit launched by CONSOB on 16 January 2020 and concluded on 23 October 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 acknowledged that the action plan monitored in the Compliance Function's Tableau de Bord has been supplemented to implement specific areas of improvement that emerged during the Consob audit and that the Company is awaiting the final feedback from the Authority. With reference to the requests received by the Authority, the Board was informed that, in July 2020, Consob formally submitted a request relating to the audits carried out on the criteria for valuing *transaction reporting*, to which Poste responded on 24 August 2020, planning to carry out a recovery activity in the last quarter of 2020.

In December 2020, Consob also launched an investigation into the actions taken by Poste in the area of *Environmental, Social, Governance* (ESG), i.e., all those activities linked to "sustainable" investment; Poste provided feedback on this assessment on 15 February 2021.

On 2 March 2021, the Board of Statutory Auditors received a report on the start of targeted inspections by IVASS, pursuant to art. 189 of Legislative Decree 209/2005, on anti-money laundering at Poste Vita and at Poste Italiane in its capacity as insurance intermediary and *outsourcer* of the Anti-Money Laundering function, and subsequently, during a meeting, was informed of the development of the audit by the Head of the Group's CA/Anti-Money Laundering function.

Finally, the Board of Statutory Auditors has noted a communication from the Bank of Italy dated 31 March 2021 sent to Poste Italiane and PostePay regarding further areas for improvement in certain aspects of IT risk management, in respect of which the Company is in the process of defining its response with the related action plan.

With reference to the granting of the mandate to manage the liquidity held in BancoPosta's current accounts to BancoPosta Fondi SGR ("BP Fondi SGR"), which took place on 1 January 2019, the Board of Statutory Auditors, during a meeting with the Subsidiary's Supervisory Body held in 2020, was informed that the system of controls of the AMC was, on the whole, adequate and gradually being consolidated, in line with the developments that have affected and are affecting the Subsidiary. The Board of Statutory Auditors also acknowledged that the effects of the Covid-19 health emergency on the AMC were monitored, which impacted not only the organisational area, but also the following: (i) *business continuity* operations, (ii) financial market trends and (iii) funding trends. With particular reference to the operational impact in the area of *business continuity*, the monitoring concerned the provision of IT tools for managers who, in *smart working* mode, must be able to continue to operate on the markets in a timely manner, *real time* operations being of fundamental importance in this context. In this regard, assurances have been given that there will be no impact on *business continuity*, thanks to the Poste IT infrastructure.

Other significant aspects are represented by (i) the anti-money laundering regulatory compliance activities carried out with the Group Anti-Money Laundering Function and (ii) the assessments on corporate *governance* following the new Regulations issued by the Bank of Italy in December 2019 which provides, for intermediaries, new requirements in terms of organisation and corporate governance, as well as specific *policies* on personnel remuneration and incentives.

The Board of Statutory Auditors has recommended in the area of IT measures, to

- i) make an additional effort to speed up the completion of IT remediation plans;
- ii) complete the plan for IT measures in the area of anti-money laundering in order to make up for the delay generated by the Covid-19 emergency.

The Board of Statutory Auditors, as part of the ongoing dialogue with the Head of the Internal Control Function acknowledged that the audits carried out during 2020, also taking into account the various strengthening initiatives adopted during the year in terms of *business*, organisation and control, have confirmed an assessment of the overall adequacy of the AMC control system, which is progressively being consolidated.

These audits mainly concerned the areas relating to the management of investment services, the management of Anti-Money Laundering Compliance, the management of *Information Technology* and the management of succession requests for AMC products.

The Board has also been informed of all significant events that have affected the *governance* and control system of the AMC and among these, in particular, that on 26 February 2020, an ordinary audit by the Bank of Italy was started, aimed at verifying the correct compliance, within the AMC, with the regulations in the last two years that was then interrupted, due to the constraints induced by the ongoing health emergency, on 22 May 2020 without issuing an audit report. The audit team communicated that the overall assessment was favourable; some areas for improvement were also communicated for which the AMC has prepared an Action Plan, the implementation of which is periodically monitored. In addition, in July and November 2020, the AMC outsourced to the relevant departments of

Poste the processes of (i) purchasing goods and services and (ii) managing customer succession requests.

➤ *Observations concerning BancoPosta's internal control system.*

The system of internal controls of BancoPosta is based on:

- Control Bodies and Functions, involving, each for their respective competencies, the Board of Directors, the Control and Risk Committee, the 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 2020 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:

- Update of the Poste Italiane Group's "Guidelines for the definition and monitoring of the Risk Appetite Framework of the Poste Italiane Group" Guidelines for the definition of the Risk Appetite Framework ("RAF") and assessment of Major Transactions";
- Update of the "Financial Management Guideline of Poste Italiane";
- Update of the "BancoPosta Organisational and Operating Regulations";
- Update of the "Regulations governing the process of entrusting and outsourcing BancoPosta RFC" and the "Product Governance Guidelines for investment, insurance and banking products"; Update of the "Guidelines on Remuneration and Incentive Policies for BancoPosta RFC";
- Update of the "Guideline for the Identification of BancoPosta RFC Material Risk Takers";
- Update of the "ICT Strategy Paper" - "Vision 2022 IT Strategy";
- "ICT Strategic Guidance Document" - Digital, Technology & Operation;

- approval of the Group Crisis Management and Business Continuity Policy: "Group Event and Incident Management Guidelines" and "Group Crisis Management and Business Continuity Guidelines";
- update of the "Guidelines for the Governance and Management of Interest Rate Risk in the Banking Book - BancoPosta RFC";
- ICT Organisational Model - Poste Italiane;
- Summary Report on ICT Adequacy and Costs - BancoPosta - Year 2019;
- Fair Value Policy Guidelines - General Principles;
- Competition and Consumer Protection Compliance Guidelines;
- Distance Selling Guideline with telephone recording.

❖ *Adequacy of Control Functions and Activity Plans*

The Board of Statutory Auditors received periodic information from BancoPosta control functions and periodically reviewed the quarterly *Tableau de Bord*, and carried out an in-depth analysis of the results of the overall verification activities carried out in 2020.

➤ The Board of Statutory Auditors met periodically and on a systematic basis with the internal control function BancoPosta "**Internal Auditing**", which carried out 23 audits during 2020, compared with the 22 planned in the annual Audit Plan, in addition to the audits assigned to the Internal Auditing department and those relating to administrative and accounting processes pursuant to Law 262/05. The Internal Auditing department of BancoPosta, on the basis of the activities carried out in the *business* and support areas, has confirmed, in summary, that in 2020 the Internal Control System is overall adequate and reliable, with some areas for improvement identified.

In particular, this summary shows that the process of strengthening the organisational structure and *governance* of BancoPosta RFC continued during 2020, and the following are noted:

- establishment of the new Digital, Technology & Operations Function with the aim of creating innovative product and service solutions to maximise customer satisfaction while responding quickly and effectively to business needs;

- development of a model for the management of business and PA customers, by assigning commercial responsibility to the specialist sales force belonging to the Business and Public Administration Function;
- strengthening of the composition of the "Products" and "Financial Investments" sections of the Financial Services and Insurance Committee ("SFA");
- establishment of the Post Offices Network Committee with the aim of ensuring utmost integration on issues related to the evolution of the Post Offices plan with a view to enhancing territorial capillarity and optimising commercial presence;
- strengthening of corporate governance policies by means of approval by the Board of Directors of new *Product Governance* Guidelines for investment, insurance and banking products, the Regulations governing the process of entrusting and outsourcing BancoPosta RFC, the Competition and Consumer Protection Compliance Guidelines, the Guidelines for the application of Legislative Decree 231/2001 within the Poste Italiane Group, the Group's *Whistleblowing* Guidelines, the Group's Crisis Management and Business Continuity Guidelines and important documents regarding the governance of information systems;
- completion of the process of centralising HR units in the Human Resources and Organisation Function, which becomes the Group's single point of reference;
- adoption, as of March 2020, of a new "smart working" work model, activated as part of the initiatives taken by the Company to ensure the prevention and containment of the spread of Covid-19.

The Board of Statutory Auditors also noted that, with regard to the activities entrusted, the Operating Guidelines, which expired on 31 December 2020, were updated during the year. At the time of renewal, for the two-year period 2021-2022, the observations received from the Supervisory Authority and the recommendations that emerged as a result of the audit activities, some of which will be completed in 2021, were incorporated.

In 2020, work continued on (i) consolidating oversight and monitoring of assigned and outsourced functions, with particular regard to the *service* contract with PostePay, and (ii) strengthening the flow of information between BancoPosta, the outsourced functions and Group companies.

The Board of Statutory Auditors has noted that the audit activities carried out by the Internal Auditing function on the basis of the "2020 Audit Plan", approved by the Board of Directors on 5 March 2020, were promptly carried out and completed in compliance with the above Plan. In addition, the Board, in its meeting with the Head of Internal Auditing, reviewed the Annual 2021 and Multi-Year 2021-2023 Audit Plan at a special meeting that was subsequently approved by the Board on 16 February 2021.

As previously illustrated, the Board of Statutory Auditors has been informed of (i) the corrective action taken by BancoPosta following the Bank of Italy's 2017 audit, (ii) the Consob Plan of Action on Investment Services, prepared following the audits carried out by Consob from January to October 2020, on the state of compliance with MiFID2 regulations.

The Board of Statutory Auditors was also updated on IT/IT security activities, on the sales channels (remote and door-to-door offerings), on the mobile channel (BancoPosta and PostePay mobile apps), and on actions taken to reinforce *online* fraud and illicit events in the sales network, which have resulted in a reduction in said phenomena. During 2020, the Board was also informed of the territorial audits carried out at the Post Offices, which had overall positive results: this outcome, which is also the result of the numerous initiatives implemented by the Company as part of the Digitalisation Project, will, in any event, be verified during 2021 with further actions aimed at monitoring this *trend* over the long term, given, among other things, the special nature of the year 2020. The Board of Statutory Auditors has also taken note of the results of the audits carried out on the territorial sales network, which have been assigned to the Poste Italiane Internal Internal Auditing function on the basis of specific Operating Guidelines. These audits have revealed an overall positive system of controls, with positive or adequate assessments for 98% of sales structures (Post Offices and Mobile

Consultant Specialists), 100% of territorial branches and anti-money laundering units and 60% of Contact Centers.

Finally, during meetings with the BancoPosta Internal Auditing department, the Board of Statutory Auditors took note of the updated regulatory framework regarding the *governance* mechanisms for BancoPosta RFC (BancoPosta Organisational and Operating Regulations, and Poste Italiane Financial Management Guidelines) and the further update, still in progress of the Regulations governing the process of entrusting and outsourcing BancoPosta RFC, and that from 1 January 2021, the *Trading on Line* - TOL service was discontinued and the *online trading* service and platform provided by Banca Sella was made available to customers, at 30 September activated for the BancoPosta On Line (BPOL) service and holders of an active deposit, on the basis of a contract entered into with Poste Italiane.

- With regard to **anti-money laundering** oversight, the Board of Statutory Auditors, taking into account that in 2018, the Company adopted a centralised model for the coordination, control and management of risk and the related obligations for the prevention of money laundering and the financing of terrorism at Group level, recalls that at BancoPosta, the model adopted to oversee the risk of money laundering provides for an Anti-Money Laundering Manager in the *Risk Management* area and the existence of an independent oversight unit that carried out the following activities in 2020:
- support to the Group Anti-Money Laundering Function in the analysis of higher risk situations for the preparation of new mitigation measures;
 - reporting of outsourced activities through the monitoring of KPIs;
 - integration of the second level control plan on operations considered to be at higher risk;
 - support to business functions during the launch of new products; in particular, during 2020, preparatory activities were carried out for the launch of new products in response to income support initiatives undertaken during the year such as: redundancy payments, loans to businesses guaranteed by the State, Ecobonus Project;

- drafting of Anti-Money Laundering Operating Protocols (POA) as part of the distribution agreements for products of partner companies subject to anti-money laundering regulations;
- monitoring and updating *due diligence* on foreign financial intermediaries with dealings with BancoPosta;
- participation in working groups engaged in the feasibility study for the implementation of specific anti-money laundering controls on products/services considered to be at higher risk (banknotes, money orders and cash).

In addition, in 2020, BancoPosta published (i) the AML/CFT Procedure and the BancoPosta Operating Manual, and (ii) updated the Anti-Money Laundering Operating Guidelines, incorporating new and specific KPIs in the areas of Due diligence, the S.A.R.A. flow and objective communications, and finally judicial assessments. The BancoPosta Anti-Money Laundering Procedure is expected to be published in 2021, with the aim of regulating anti-money laundering and anti-terrorism processes and defining in detail the responsibilities, tasks and operating procedures for managing the risk of money laundering, while at the same time incorporating the decisions contained in the BancoPosta Anti-Money Laundering Guidelines.

Lastly, in 2021, activities related to second-level controls are expected to be consolidated and collaboration on the preparation of specific controls in the area of cash and money orders is expected.

At the beginning of 2021, the Risk Management function carried out a self-assessment of the AML/CFT risk for BancoPosta for 2020, to be presented to the Board of Directors as part of the Anti-Money Laundering Annual Report, and this time, in line with the previous year, a "Low" residual risk value emerged. It is noted 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 operations, the vulnerability of the BancoPosta 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 acknowledged that the volume of "initiative

reports" submitted in 2020 by the network of Post Offices ("POs"), is substantially in line with 2019 with a slight decrease attributable to the strengthened verification oversights on the operations of the Post Offices (higher risk customers, cash), as well as lower branch operations due to the impacts of the health emergency from Covid-19. In addition, in the "Anti Money Laundering" ("AML") area, on 24 July 2020, the audit initiated by the Financial Intelligence Unit on 5 December 2019 with respect to BancoPosta and PostePay, relating to the management of risks associated with operations with virtual currencies and digital *assets*, was concluded: the UIF highlighted some areas for improvement in the arrangements preordained for active collaboration. In this regard, the Board noted the areas for improvement and the fact that actions will be taken to implement the suggestions made, through the preparation of a Corrective and Adaptation Initiatives Plan.

With regard to the risk of money laundering, the BancoPosta Internal Internal Auditing function confirmed the consolidation, in 2020, of the organisational model for the unified management of the risk of money laundering and the funding of terrorism at Group level, thanks to specific Guidelines/Contracts for the outsourcing of these activities to the Group's Anti-Money Laundering function within CA. On the basis of the results of the audit activity and taking into account the project actions already activated by the Group Anti-Money Laundering Committee, the Internal Auditing function reports an overall adequate level of oversight of the control system, with points of attention mainly relating to the need to strengthen the architecture of the *ex-ante* control model on financial transactions in high-risk third countries and on *online* channel transactions, as well as the monitoring of PEP customers. The audits carried out on the 3 local Anti-Money Laundering Units, as part of BancoPosta's Internal Audit Plan, also revealed an overall positive control system.

With regard to the Group Anti-Money Laundering Platform (ATAT), audits on the reliability and security of the IT control systems governing the ARAT platform, which supports the anti-money laundering and anti-terrorism management processes, were generally adequate, although there were some areas for improvement.

➤ Turning to the activities of the BancoPosta **Compliance** Function, at the March 2021 meeting, the Board of Statutory Auditors was informed of the summary of the results of the activities carried out in 2020 by the BancoPosta Compliance Function, with the results that emerged, the weaknesses identified and the corrective actions planned in 2021 to remove them. The 2020 Business Plan ("Plan"), which originally consisted of 67 actions, was supplemented during the year by additional interventions: (i) 10 on Investment Services following Consob audit; (ii) 9 on Insurance Brokerage following the joint IVASS-Bank of Italy letter; (iii) 6 on Banking Services in response to Bank of Italy audit findings; (iv) 2 on the Information System for maturity breakdown; (v) 6 on Privacy following Internal Control audit. The Plan therefore saw the integration of 33 interventions during the year, of which 24 fall within the 2020 *baseline*, while 4 interventions were suspended due to the reformulation of the budget following the Covid-19 emergency. At 31 December 2020, 78 out of 89 interventions had been carried out, achieving 88% coverage of the Plan.

The Board of Statutory Auditors was also informed of the 2021 Activities Plan, which envisages 67 interventions, mainly focused oriented: (i) in the area of Investment Services, to the development of ESG issues (product range, evolution of the profiling questionnaire and adequacy model); (ii) to the strengthening of governance processes for *outsourcing*, (iii) to fraud prevention and monitoring, (iv) to the modular and auto offering, (v) in the area of Banking Services and Postal Savings, to the completion of the Action Plan resulting from the Bank of Italy 2019 audit and (vi) in the area of BCM and Information System, to the security of the *cloud* solutions adopted.

The Compliance department gave an overall positive assessment of the activities carried out in 2020, also taking into account the special situation resulting from the Covid-19 health emergency.

It should be noted that the results that emerged following the audits and actions carried out in 2020 were reported in the Function's Tableau de Bord on a timely basis and did not reveal any critical issues that needed to be highlighted to the Board of Directors and Statutory Auditors separately from the aforementioned document.

In addition, in line with the objectives of the "Deliver 2022" Business Plan, during 2020, the Compliance department took part in activities designed to strengthen the *governance* structure between BancoPosta, the Private Market and Group companies, and the development of service models and supporting partnerships. In order to ensure adequate management of situations of dissatisfaction or potential conflict with its customers, the Compliance Function continued to verify the adequacy and effectiveness of the process for handling complaints and appeals submitted to the Financial Banking Arbitrator ("ABF") and the Securities and Financial Ombudsman ("ACF"). The activities carried out concerned various areas (banking services, postal savings services, investment services and insurance brokerage services) and the results of the second-level controls in 2020 showed that complaints and the related outcome were correctly analysed and assessed and that the complaints management process had improved, although some areas for improvement remained.

The Board, in recalling that the supervisory body had recommended implementation, in 2020, 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 Investment Services area: (i) interventions were completed related to the development of the functionalities of the advisory platform (strengthening of existing oversights, strengthening of specific aspects of the product governance process and consolidation of the governance model and management of communications with the network); (ii) oversights of the customer profiling process were strengthened; (iii) ESMA platform made fully operational and (iv) additional actions were completed that emerged during the

- in-depth analyses carried out and shared with the Authority (Supervisory Board reports, product governance, adequacy models, commercial policies and additional training);
- in the Insurance Brokerage area, in compliance with the provisions of the IDD Directive: (i) the offer in the insurance field was enriched (offer of modular protection and Car civil liability policies), (ii) the evolution was started of digital processes (telephone proposition of protection products) and (iii) the specific aspects were addressed that emerged from regulatory in-depth analysis;
 - in the Banking Services and Postal Savings area: (i) the oversights were strengthened of the correctness and completeness of customer documentation; (ii) the creation was completed of the *Statement of Fees* document in implementation of the *Payment Account Directive*; (iii) consolidation and further strengthening of the oversights of the complaints management process and, in particular, the integration, in the disputes application, of the information of the related complaint was completed; (iv) issuance, on 22 December 2020, of the "Commercial and Group Incentive Systems" procedure and finally (v) conclusion of the initiatives envisaged in the Bank of Italy's Plan of Actions, related to the 2019 audit in the area of Transparency;
 - in the Payment Services area, the transition was completed to the adoption of Strong Customer Authentication ("SCA") in card transactions on third-party sites (*e-commerce*), the adaptation of which had been extended to 31 December by the Bank of Italy, and IT, procedural and control measures were implemented in relation to open communication standards, as provided for by the PSD2 Directive, or the implementation of business solutions (products and services) from an AISP and PISP perspective, and the fraud monitoring process was strengthened;
 - in the area of transversal regulations, a series of initiatives were carried out to consolidate the Company's regulatory framework and in particular: (i) the evolution of *governance*, ICT operating processes and information assets enabling the adoption of *cloud computing* was carried out; (ii) the strengthening of *outsourcing* governance processes was carried out, and (iii) the integration

of the Privacy Organisational Model for the management of processing was carried out.

In 2020, in line with the entry into force of the obligation deriving from the PSD2 directive, the activities were completed for the introduction, from 14 September, of the SCA solution (a) “primary” for transactions carried out through Poste Italiane websites and apps and (b) “secondary” for card transactions on e-commerce channels. At the same time, from January 2020, fraud prevention and monitoring activities relating to the operation of Poste payment cards on third-party circuits (*“not-on-us”*) were outsourced to SIA S.p.A. and, in 2021, the project phases linked to monitoring and fraud prevention systems will be completed through the *roll out* of the new platform.

With reference to *Business Continuity Management* (“BCM”), in 2020, the Board verified the timely implementation of the interventions of the Activity Plan defined following the 2017 Bank of Italy audit on operational and IT risk management. The Board, which had noted that the Plan would continue into 2020 as a result of the rescheduling of four of the *Data Center Transformation* site interventions, was informed that three of the four rescheduled interventions were completed in 2020 and that the last intervention would be completed by the year 2022. Among the most important interventions carried out during 2020 are: (i) the extension of *Disaster Recovery* (“DR”) solutions to *mobile* applications; (ii) the implementation of DR architecture in *active-active* mode for all *digital* services with allocation in the Rome Hub and Turin Hub; and (iii) studies and test designs to ensure that BancoPosta is able to carry out, in collaboration with DTO, checks on the DR environment of *mobile/app*, *cloud* and *active-active* and *active-standby* solutions. In general, the Compliance Function assessed the level of adequacy of the business continuity procedural arrangements as adequate overall, pointing out that the activities planned in 2021 represent a natural continuation of the actions concluded in the 2020 plan, aimed at ensuring the operational resilience of financial services. In addition, on 24 September 2020, the Board of Directors approved the “Group Event and Incident Management Guideline” and the “Group Crisis Management and Business Continuity Guideline”.

In 2020, 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.

The Board noted that, in the area of Cyber Risk, there was a rapid and general evolution of "cyber" threats in 2020, a year characterised by the pandemic emergency from Covid-19, which made the technologies present on computer systems more vulnerable. For these reasons the "Summary report on the IT risk situation for 2020 - BancoPosta perimeter", prepared by the CA/TA/Information Security function, BancoPosta *servicer* for IT risk analysis activities under the related agreement signed with the CA function, introduced a new indicator for assessing IT risk compared with the last version examined by the Board of Directors in April 2020.

In summary, with respect to the 20 areas of BancoPosta analysed, the updated analysis showed actual risk in line with the risk appetite threshold for 17 areas and exceedance of the threshold for 3 areas (Treasury, Management of Security Measures on Cash and Securities and Financing): these were analysed for the first time in 2019 and the Treatment Plan, launched during 2020, is still in progress. For these areas, the propensity threshold is expected to be reached by the end of 2021.

The areas of attention identified through "Cyber Risk" checks are the subject of a specific Plan that supplements the one resulting from the Cyber Risk Analysis. The issue of IT risk was illustrated by the Head of the Information Security function as part of Corporate Protection at a specific meeting held in March 2021, during which the Board of Statutory Auditors acknowledged that the results from the viewpoint of the risk profile are adequate and in line with the risk thresholds defined for BancoPosta under the RAF, although there are some peculiarities regarding the digital world and Apps that have specific characteristics relating to the development model, together with a higher frequency of updates, and consequently have return plans that need to be constantly monitored.

➤ Lastly, the Board of Statutory Auditors met on several occasions the **Risk Management** function, which reported periodically on the monitoring and development of BancoPosta significant risks. In keeping with the Group's new money laundering risk management model, as already mentioned above, from 2018, the Head of Risk Management has assumed the role of BancoPosta Head of Anti-money Laundering, and within the Risk Management function, the BancoPosta Anti-money Laundering function was established.

The Board of Statutory Auditors has taken note of the activities carried out by the *Risk Management* function during 2020 and the actions planned for the year 2021. In particular, in 2020, due to the epidemiological emergency from Covid-19 and the government measures issued ad hoc, starting from the *lockdown* started in March, in line with company directives, the Risk Management activities were also carried out with a massive recourse to *smart working*, maintaining the service in terms of effectiveness and efficiency.

The Board of Statutory Auditors, in agreement with the relative function of BancoPosta, assessed the performance of the RAF indicators during 2020, on a quarterly basis through the *Tableau de Bord* of the BancoPosta *Risk Management* function.

This Supervisory Body also verified the levels of materiality of the risks for BancoPosta with particular regard to risks of high relevance:

- (i) to "financial leverage", which is structurally higher than that of a bank due to the composition of BancoPosta assets; the *Leverage Ratio*, which had been brought back to the target value of 3% set in the 2020 RAF by setting aside €85 million in profits generated in 2019, resumed a downward *trend* during 2020, due to the extraordinary and unexpected growth in funding volumes resulting from the pandemic. At the end of the year, the ratio stood at 2.6%, the limit set in the RAF, and will be raised to 3% during 2021, via a programme to strengthen BancoPosta capital by €300 million, to be implemented in 2021, via: a) a provision of €50 million of the profits generated in 2020, when the annual financial statements are approved; b) further contributions of €250 million from Poste, also in ways that are innovative with respect to those followed to date. This adjustment of equity

should reduce the relevance of this risk category for 2021 and, in the expected scenario, also over the Plan horizon;

- (ii) to the "cost of operational risks", which is the most significant category in terms of capital requirements and absorption of the "*Second Pillar*". The losses recorded in the statement of profit or loss for the year are significantly lower than in 2019 (the ratio to net interest and other banking income has fallen from 96 to 20 basis points) and the capital absorbed is also significantly lower;
- (iii) to the "interest rate risk", the exposure of which, in terms of economic value, has remained at relatively contained levels (on average less than 15% of own funds), especially thanks to the considerable increase in funding in all its components and to the low level of interest rates. Despite this, IRRBB risk continues to be classified among the most relevant risks since, following the implementation of the relevant EBA Guidelines, the new measurement model, in use as of 31 December 2019, results in a higher and more volatile level of capital absorption;
- (iv) to the "*spread* risk", which is not relevant for capital requirements, but for unrealised gains. The second half of 2020 was characterised by the reduction in Italian government bond yields and the BTP-Bund *spread* (111 points at the end of the year), which increased the implicit gains in the portfolio recognised in the financial statements at *fair value* (HTCS).

Medium risks include:

- credit/counterparty risk: this is expected to increase further in 2020, in relation to the higher capital absorption determined by the increase in *collateral* paid to counterparties against the negative *mark-to-market* of hedging derivatives, which in turn is attributable to the fall in *risk free* interest rates;
- reputational risk: this is mainly related to the issue of disputes with customers over returns on certain series of Interest-bearing Postal Certificates (BFP), and in particular those in the 21st - 30th year of the Q/P series, in relation to the numerous unfavourable decisions by the ABF, while the issue of real estate funds has been closed thanks to protection initiatives. In this regard,

the relevant company functions, having also consulted the Control and Risk Committee, in light of the favourable case law of the Court of Cassation, decided to confirm the defence approach;

- regulatory risk: following the implementation of the EBA Guidelines on interest rate risk, the new rules established by the CRDV are expected to come into force in 2021, including, with regard to BancoPosta operations, changes in the calculation of exposure to counterparty risk, financial leverage and NSFR. The structural exposure of BancoPosta to changes in the prudential rules governing government securities also remains. Lastly, it should be noted that in-depth studies and developments will be carried out with regard to ESG issues, consistent with the evolution of the regulatory context.

Among the risks of lesser importance this year are (i) *business* risk (due to the balanced mix of revenues and mainly variable costs), (ii) the risk of involvement in money laundering or terrorist financing (in line with the results of the self-assessment), and (iii) liquidity risk (due to stable *funding* as it is mainly *retail* and extremely liquid assets).

At 31 December 2020, all the metrics of the RAF, compared to the target, threshold and limit values set for the 2020 financial year, were in line with the objectives set in the RAF, with the exception of the *Leverage Ratio*, which stood at the limit level of 2.6% (before the aforementioned provision for profits of €50 million) and the *sensitivity* of net interest income (NII) to movements in interest rates, which stood at 16.9%, above the *tolerance* threshold of 15% but within the limit of 19%.

As already anticipated for the rebalancing of the *Leverage Ratio* to the target level of 3%, at the meeting of 18 March 2021, the Board of Directors approved a capital strengthening programme.

At 31 December 2020, indicators of capital adequacy show a high *capital ratio* (CET1 of 17.8%, up compared to 17.5% in Q3) and equity, which are more than double the Pillar 2 free capital requirement of 52%, against risks quantified in terms of capital.

In this regard, it should be noted that in 2020 the exposure to interest rate risk is gradually being reduced in terms of economic value, representing 8.1% of BancoPosta's equity at the end of 2020, a level that is widely compatible with the RAF target.

The *budget* planned for 2020 in relation to the programme of interventions defined downstream of the Bank of Italy's audit on operational and IT risks in 2017, amounting to €4.85 million, has been fully utilised, and its implementation has now reached 97%.

From the disclosures, there was a significant reduction in 2020, compared to 2019, in losses from operational risks (€53.5 million in 2020 compared to €88.3 million in 2019), mainly due to (i) a decrease in internal and external fraud; (ii) a decrease in losses of 82.7% arising from disputes with customers relating to returns on BFP and non-compliance with the Transparency of Investment Services/MiFID regulations.

In particular, with regard to BFP in the "21st-30th year" category (Q/P series), in respect of which the Company, not agreeing with the unfavourable approach taken by the ABF, has decided not to proceed with repayment from March 2020, the Board has taken note of the Company's position, pending verification of the orientation that will be consolidated at the Ordinary Judicial Authority, which is currently more favourable to Poste (favourable to Poste around 43% of decisions from 2017 to 31 December 2020, a percentage that rises to around 52% if the Courts and Courts of Appeal are taken into account, excluding Justices of the Peace).

In addition, as mentioned, operating losses have fallen as a result of certain areas of concern, such as real estate funds, where customer protection initiatives have been completed with high adhesion rates. In this regard, the undersigned Body has been informed that, for this reason, the residual amounts of provisions made in previous years were released in 2020.

The Board of Statutory Auditors constantly checked and monitored the effects of the Covid-19 emergency in terms of current and prospective risk, also for the purpose of assessing the impact on the RAF indicators.

The BancoPosta Risk Management function, as part of the 2021 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* (RAF) in accordance with the strategic objectives and guidelines at Group level.

The proposed Risk Appetite Framework for the year 2021:

- assumes an increase in BancoPosta's equity of €300 million, to be achieved in the course of 2021 through ordinary measures - starting with a €50 million allocation to reserves of a portion of the profits generated by BancoPosta in 2020 - and further capital injections by Poste, including through innovative solutions currently being studied and to be discussed with the Bank of Italy;
- confirms, with regard to interest rate risk in terms of economic value, a level of exposure that is structurally higher than the average for banks, for which the regulations establish attention thresholds (*supervisory outlier test*) of 15% and 20%, due to the profound differences in business models, and therefore in the *capital allocation* between the various risk categories, but expresses the objective of maintaining exposure within 20% as *risk appetite*;
- shows, for interest rate risk in terms of net interest income, an increase in the *triggers* consistent with the characteristics of the investment portfolio, about half of which is covered by *fair value hedge* derivatives, which in reality reflects the opportunity to increase income in the most likely scenario of an increase in interest rates; confirms the objective of maintaining the *Leverage Ratio* at or above 3% over the plan period, in order to maintain an ample "buffer" of capital in excess of Pillar 2 absorption against residual regulatory risk; the target level of 3% coincides with the regulatory minimum for banks, due to differences in *business* models that make this level less relevant as a minimum reference threshold for BancoPosta, whilst the new *risk tolerance* threshold has been set at 2.7% and the *risk capacity* at 2.5%;
- adjusts the triggers for the *funding gap* (the portion of the securities portfolio structurally financed through repurchase agreements), in line with the new version of the Financial Management Guidelines, approved by the Board of Directors on 24 March 2021, in order to make alternative *funding* levers

possible in the event of a sudden (and unexpected) fall in current account funding volumes, after the sharp rise thereof recorded in 2020.

Finally, the Board has been informed of the results of the ICAAP-ILAAP/2020 Report prepared by the Risk Management Function and the Report of BancoPosta's Internal Auditing on the ICAAP/ILAAP 2020 process, presented to the Board of Directors in April 2021.

The outcomes of the 2020 ICAAP process show that:

- the Minimum Capital Requirements were easily met both at the end of 2020 and in the 2021-2022 forecasts: the CET 1 Ratio is well above the minimum limit of 10.5% and above the RAF risk tolerance threshold of 15%, both in expected and stressed conditions;
- BancoPosta RFC is adequate to cover the absorption of all relevant risks, calculated for operational and interest rate risks using internal models, ensuring a free capital buffer of more than 40%, well above the RAF risk tolerance threshold of 19%, even under stress conditions;
- the leverage ratio, which amounted to 2.7% as at 31 December 2020 following the allocation of profits of €50 million, upon completion of the capital strengthening programme (a further €250 million), is estimated to reach 3.1% at the end of 2021, and then remain stable in 2022, with expected levels consistent with the objective of maintaining the indicator at least at 3%. Even in the event of stress, the indicator is expected to remain at levels compatible with the 3% target. In light of the analyses conducted, it is clear that, following the significant strengthening of its equity over the years through the allocation of profits and further contributions from Poste, and taking account of the capital increase of €300 million approved in March 2021, BancoPosta's capital adequacy is commensurate with the risks assumed, measured both on a current and forward-looking basis, and also taking account of potential adverse effects deriving from stress scenarios, which are considered severe but plausible.

The results of the ILAAP 2020 process confirm that BancoPosta's liquidity is robust and broadly consistent with requirements under expected and adverse scenarios; in particular, it should be noted that:

- a high level of minimum liquidity reserves, mainly represented by a portfolio of government securities that can be considered as first line reserves (Counterbalancing Capacity);
- liquidity Coverage Ratio (short term) and Net Stable Funding Ratio (structural) indicators well above the regulatory minimums of 100%. In particular, the LCR and NSFR, even in adverse scenarios, remain at levels greater than 3 times the regulatory minimums;
- on the basis of ILAAP stress tests, the thresholds of the Early Warning Indicator (EWI) - a management metric similar to the regulatory LCR - were updated in line with the RAF for the activation of remediation plans set out in the Contingency Funding and Recovery Plan.

The Report of BancoPosta's Internal Auditing Function on ICAAP and ILAAP processes for 2020 showed that the ICAAP and ILAAP processes were solid, effective and complete in proportion to the nature, size and complexity of BancoPosta's activities. As noted in previous years, BancoPosta's risk management system is characterised by strong integration between ICAAP and ILAAP, the RAF and the planning and budgeting processes. The forward-looking analyses conducted by BancoPosta's Risk Management have revealed the sustainability of the RAF capital and earnings indicators over the plan period (2021-2024). With regard to the Financial Leverage, the Company has authorised capital strengthening actions to ensure that the benchmark level identified by the regulators is reached throughout the duration of the plan.

During 2020, the new model for estimating interest rate risk in the banking book (IRRBB), consistent with the regulatory requirements for intermediaries of greater size and high complexity, became fully operational.

The audits confirmed complete and up-to-date Risk Guidelines.

Intraday liquidity risk monitoring tools have yet to be completed, the implementation of which is part of a broader project to upgrade the bank payment system at European level (initially planned for the end of 2021, but postponed by the authorities to the end of 2022 also due to the health emergency). To further mitigate this risk, the committed liquidity line with Cassa Depositi e Prestiti has been renewed and is available in case of need.

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.

19. and 20. Final considerations on the audit procedures performed and an indication of any proposals to be presented to the General Meeting pursuant to art. 153, paragraph 2 of Legislative Decree no. 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 and the consolidated financial statements of the Poste Group for the year ended 31 December 2020, as well as the proposal for allocation of the profit for the year, including the dividend distribution by the Board of Directors.

Rome, 22 April 2021

for the Board of Statutory Auditors

Chairman

Mauro Lonardo

(original signed)

(This report has been translated from the original issued in accordance with Italian legislation)

Deloitte.

Deloitte & Touche S.p.A.
Via della Camilluccia, 589/A
00135 Roma
Italia

Tel: +39 06 367481
Fax: +39 06 36749282
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Poste Italiane S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of the Poste Italiane Group (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, 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 accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian 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 our report. We are independent of Poste Italiane S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. 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 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 I.v.

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Estimate of the recoverable amount of the "Mail, Parcels and Distribution" business segment

Description of the key audit matter The Group's assets are partially allocated to the "Cash Generating Unit" ("CGU"), represented by the "Mail, Parcels and Distribution" business segment characterized by the persistence of negative economic results and the decline of the postal market in which the Poste Italiane Group operates, further aggravated by the current macroeconomic scenario and the effects of the COVID-19 health emergency.

In compliance with accounting policy IAS 36 "Impairment of assets", based on the economic forecasts of the Group Business Plan "2024 Sustain & Innovate" for the period 2021 - 2024 (the "Business Plan"), approved by the Board of Directors on March 18, 2021, the "Mail, Parcels and Distribution" CGU was subject to impairment test by comparing the carrying amount of its assets with the recoverable amount of the CGU to ensure that the book value is justifiable ("impairment test"). In particular, the recoverable amount was determined by estimating the "value in use" of the CGU, representative of the estimate of the future cash flows expected from the use of the assets included in the CGU, including, in particular, the properties used as post offices and mechanization and sorting centers, as part of the ordinary company production process and taking into account the obligation to fulfill the Universal Postal Service and the economic conditions envisaged for the services rendered to BancoPosta's ring-fenced capital. These flows were discounted at an appropriate rate.

The impairment test carried out by the Company confirmed the recoverability of the value of the Group's assets attributed to the CGU.

In the Appendix to Chapter 8 "Proposed shareholder resolutions and other information" of the Report on Operations and in Notes 2.3 "Summary of significant accounting policies and measurement criteria - Impairment of assets", 2.5 "Use of estimates", paragraphs "Impairment tests of goodwill, cash generating units and equity investments" and "Mail, Parcels and Distribution CGU", and 4.4 "Operating Segments" disclosure on the aspects described above is provided.

Considering the relevance of the amount of the carrying amount of the Group's assets allocated to the CGU "Mail, Parcels and Distribution", the subjectivity of the estimates related to the determination of the cash flows expected of the CGU, taking into account also the uncertainties related to the current macroeconomic environment characterized by, among other things, the pandemic events, and the key variables of the impairment model, we considered the determination of the recoverable amount of the business segment "Mail, Parcels and Distribution", a key audit matter of the Group's consolidated financial statements as at December 31, 2020.

Audit procedures performed The main procedures carried out as part of our audit work, also with the support of Deloitte network experts, have included the following:

- identification and verification of key controls carried out by the Company over the impairment testing process;
- obtaining an understanding of the methods and assumptions adopted by the Company to carry out the impairment test;
- verification of the consistency of the methodological approach adopted by the Company, with particular reference to the identification of the CGU and the determination of its recoverable amount, with respect to the requirements of the accounting policy IAS 36 "Impairment of Assets";
- analysis of the reasonableness, also by obtaining information from the Company, of the principal assumptions adopted to estimate future cash flows expected by the CGU, also taking into account the uncertainties related to the current macroeconomic environment characterised, among other things, by the health emergency related to the pandemic COVID-19, and the key variables used in the valuation model adopted for the impairment test;
- 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 2021 – 2024 in the Business Plan;
- review of the sensitivity analysis prepared by the Company;
- verification of the completeness and compliance of the disclosures provided by the Company in the consolidated financial statements with respect to the requirements of the IAS 36 "Impairment of assets".

Valuation of mathematical provisions

Description of the key audit matter

As at December 31, 2020, the Group recorded in the consolidated financial statements in the item "Technical provisions for insurance business", mathematical provisions for a total amount of Euro 129.8 billion, equal to approximately 48% of the Group's total liabilities and equity.

The determination of technical provisions for insurance business is based on complex subjective assessments and estimates linked to the historical experience and on assumptions which are from time to time considered reasonable and realistic based on the relevant circumstances which, with regard to the current period, are also affected by the uncertainty related to the current context characterized by the health emergency connected to the pandemic COVID-19.

The application of these estimates and assumptions influences the values indicated in the financial statements and in the disclosure provided.

In Notes 2.3 "Summary of significant accounting policies and measurement criteria - Insurance contracts", 2.5 "Use of estimates", paragraph "Technical provisions for insurance business", B5 "Total Consolidated liabilities and equity - Technical provisions for insurance business" and C4 "Consolidated statement of profit or loss - Revenue from insurance services after changes in technical provisions and other claim expenses", disclosure on the aspects described above is provided.

In consideration of the significance of the amount of the mathematical provisions recorded in the consolidated financial statements, the existence of the discretionary component inherent in the estimation nature related to the assumptions and hypotheses of a technical nature, actuarial, demographic, financial, as well as on the projections of future cash flows deriving from the insurance contracts entered and effective at the end of the year, we considered the process of evaluating the mathematical provisions a key audit matter of the Group's consolidated financial statements as at December 31, 2020.

<p>Audit procedures performed</p>	<p>The main procedures carried out as part of our audit work, also with the support of Deloitte network experts, have included the following:</p> <ul style="list-style-type: none"> • understanding of the process of evaluation of the mathematical provisions which included the knowledge of general and underwriting strategies and any possible changes in the legal and regulatory framework of the sector; • recognition and test of the relevant controls performed by the Group on the process of preparing financial information in the area of mathematical provisions; • performing procedures on the completeness and appropriateness of the portfolios and the key data used; • reading and analyzing the Actuarial reports prepared by the competent corporate departments; • verification of the evaluation of the mathematical provisions through the application of simplified methods (so-called "recurring accounting method") in order to assess the reasonableness of the provision determined by the Management; • recalculating, on a sample basis, the value of the mathematical provision as at December 31 2020, using the calculation formulas contained in the technical documentation and analyzing the compliance of the calculation with the corporate procedures and the applicable legislation;
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- analysis of the reasonableness of the methods and of the main technical and evolutionary hypotheses on which the estimates of the additional reserves included in the mathematical provisions were based, in accordance with the provisions of the applicable regulation;
- obtaining and analysing the documentation prepared by the Group Management for the purpose of verifying the adequacy of the technical provisions recorded in the Group's consolidated financial statements (the so-called Liability Adequacy Test);
- verification of the completeness and adequacy of the information provided by the Group in accordance with the provisions of the applicable regulation.

Other matters

The consolidated financial statements of Poste Italiane Group for the period ended as at December 31, 2019 were audited by other auditors, who expressed an unqualified opinion on those consolidated financial statements on March 25, 2020.

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 and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the parent company Poste Italiane S.p.A. or the termination of the operations or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established 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 auditor's 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 these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's 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.
- Evaluate 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.
- Obtain 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.

We communicate 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate 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 determine 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 describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Poste Italiane S.p.A. has appointed us on May 28, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the 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 role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98**

The Directors of Poste Italiane S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of the Poste Italiane Group as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Poste Italiane Group as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Poste Italiane Group as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Poste Italiane S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

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Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Rome, Italy
April 1, 2021

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Deloitte & Touche S.p.A.
Via della Camilla, 589/A
00135 Roma
Italia

Tel: +39 06 367491
Fax: +39 06 36749282
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Poste Italiane S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Poste Italiane S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2020, statement of profit or loss, statement of comprehensive income, statement of changes in equity and the 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 accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian 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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. 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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Estimate of the recoverable amount of the "Mail, Parcels and Distribution" business segment

Description of the key audit matter	<p>The Company's assets are partially allocated to the "Cash Generating Unit" ("CGU"), represented by the "Mail, Parcels and Distribution" business segment characterized by the persistence of negative economic results and the decline of the postal market in which the Company operates, further aggravated by the current macroeconomic scenario and the effects of the COVID-19 health emergency.</p> <p>In compliance with accounting policy IAS 36 "Impairment of assets", based on the economic forecasts of the Group Business Plan "2024 Sustain & Innovate" for the period 2021 - 2024 (the "Business Plan"), approved by the Board of Directors on March 18, 2021, the "Mail, Parcels and Distribution" CGU was subject to impairment test by comparing the carrying amount of its assets with the recoverable amount of the CGU to ensure that the book value is justifiable ("impairment test"). In particular, the recoverable amount was determined by estimating the "value in use" of the CGU, representative of the estimate of the future cash flows expected from the use of the assets included in the CGU, including, in particular, the properties used as post offices and mechanization and sorting centers, as part of the ordinary company production process and taking into account the obligation to fulfill the Universal Postal Service and the economic conditions envisaged for the services rendered to BancoPosta's ring-fenced capital. These flows were discounted at an appropriate rate.</p> <p>The impairment test carried out by the Company confirmed the recoverability of the value of the assets attributed to the CGU.</p> <p>In the Appendix to Chapter 8 "Proposed shareholder resolutions and other information" of the Report on Operations and in Notes 2.3 "Summary of significant accounting policies and measurement criteria - Impairment of assets", 2.5 "Use of estimates", paragraphs "Impairment tests of goodwill, cash generating units and equity investments" and "Mail, Parcels and Distribution CGU", and 4.4 "Operating Segments" disclosure on the aspects described above is provided.</p> <p>Considering the relevance of the amount of the carrying amount of the Company's assets allocated to the CGU "Mail, Parcels and Distribution", the subjectivity of the estimates related to the determination of the cash flows expected of the CGU, taking into account also the uncertainties related to the current macroeconomic environment characterized by, among other things, the pandemic events, and the key variables of the impairment model, we considered the determination of the recoverable amount of the business segment "Mail, Parcels and Distribution", a key audit matter of the financial statements as at December 31, 2020.</p>
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Audit procedures performed	The main procedures carried out as part of our audit work, also with the support of Deloitte network experts, have included the following:
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- identification and verification of key controls carried out by the Company over the impairment testing process;
- obtaining an understanding of the methods and assumptions adopted by the Company to carry out the impairment test;
- verification of the consistency of the methodological approach adopted by the Company, with particular reference to the identification of the CGU and the determination of its recoverable amount, with respect to the requirements of the accounting policy IAS 36 "Impairment of Assets";
- analysis of the reasonableness, also by obtaining information from the Company, of the principal assumptions adopted to estimate future cash flows expected by the CGU, also taking into account the uncertainties related to the current macroeconomic environment characterised, among other things, by the health emergency related to the pandemic COVID-19, and the key variables used in the valuation model adopted for the impairment test;
- 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 2021 – 2024 in the Business Plan;
- review of the sensitivity analysis prepared by the Company;
- verification of the completeness and compliance of the disclosures provided by the Company in the financial statements with respect to the requirements of the IAS 36 "Impairment of assets".

Other Matters

The financial statements of Poste Italiane S.p.A. for the period ended as at December 31, 2019 were audited by other auditors, who expressed an unqualified opinion on those financial statements on March 25, 2020.

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 and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to

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enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the operations or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established 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 auditor's 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 these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;
- Obtain 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of management's 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;
- Evaluate 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 communicate 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate 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 determine 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 describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Poste Italiane S.p.A. has appointed us on May 28, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the 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 role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Poste Italiane S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Poste Italiane S.p.A. as at December 31, 2020, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Poste Italiane S.p.A. as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Poste Italiane S.p.A. as at December 31, 2020 and are prepared in accordance with the law.

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With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Company and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Rome, Italy
April 1, 2021

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Deloitte & Touche S.p.A.
Via della Camilluccia, 589/A
00135 Roma
Italia

Tel: +39 06 367481
Fax: +39 06 36749282
www.deloitte.it

**INDEPENDENT AUDITOR'S REPORT
ON THE CONSISTENCY OF THE DATA CONTAINED IN THE SEPARATE REPORT OF BANCOPOSTA'S RING-
FENCED CAPITAL WITH THOSE REPORTED IN THE COMPANY'S FINANCIAL STATEMENTS**

To the Board of Directors of
Poste Italiane S.p.A.

As entity in charge of the statutory audit of the accounts of Poste Italiane S.p.A. (the "Company"), we have undertaken a limited assurance engagement of the accompanying separate report of BancoPosta's Ring-fenced Capital - RFC, which comprise the statement of financial position as at December 31, 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements ("Separate Report"), attached to the Company's financial statements in accordance with the provisions of Section 8 of BancoPosta's RFC Regulation, in order to verify the consistency between the data contained in the Separate Report and those reported in the Company's financial statements at December 31, 2020.

Directors' Responsibility

The Directors of Poste Italiane S.p.A. are responsible for the preparation of the Separate Report in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/2015 and the provisions of art. 2447-septies paragraph 2 of the Italian Civil Code. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Separate Report that is free from material misstatements, whether due to fraud or error.

Independence and quality control policies

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

Our responsibility is to express a conclusion on the Separate Report based on the procedures performed. We conducted our engagement in accordance with *International Standards on Assurance Engagements - Assurance Engagements other than Audits or Reviews of Historical Information* ("ISAE 3000 revised") issued by International Auditing and Assurance Standards Board for limited assurance engagements. This standard requires that we plan and perform the review to obtain limited assurance as to whether the Separate Report is free of material misstatements.

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The procedures performed have been based on our professional judgment and have included inquiries primarily of persons responsible for the preparation of the Separate Report, analysis of documents, recalculations, comparisons, reconciliations with the accounting records and other procedures to obtain supporting evidence.

In accordance with the above criteria, we have performed the necessary procedures in order to achieve the objectives of the mandate pointed out in the first paragraph. In detail, we have performed the following procedures:

- understanding, through interviews with the Management, of the criteria adopted by the Company for the preparation of the Separate Report and verification of their consistency with the provisions of the Bank of Italy Circular no. 262 of 22 December 2005 and the provisions of art. 2447-septies paragraph 2 of the Civil Code;
- obtaining the reconciliation arranged by the Company between the data reported in the Company's financial statements and the data reported in the Separate Report;
- understanding of the methodology used by the Company for sharing common costs;
- verification that the data included in the Separate Report comply with the accounting records and the criteria adopted by the Company for the preparation of the Separate Report;
- verification that the data included in the Separate Report are consistent with the reconciliation prepared by the Company and with the methodology applied for sharing common costs;
- verification of the application of the accounting policies described by the Directors in the notes to the financial statements of the Separate Report;
- obtaining the representation letter, signed by the legal representative of the Company, with reference to the correctness and completeness of the information contained in the Separate Report and those provided to us for the purpose of carrying out our statutory audit.

The procedures performed are less in extent than for a reasonable assurance engagement conducted in accordance with *ISAE 3000 revised* and, consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the data contained in the Separate Report are not consistent, in all material respects, with those reported in the Company's financial statements for the year ended December 31, 2020.



Other Matters

The Company presented data for the year ended December 31, 2019 for comparative purposes only. Our conclusions on the Separate Report as at December 31, 2020 do not extend to such data.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Rome, Italy
April 1, 2021

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Deloitte & Touche S.p.A.
Via delle Camillucce, 589/A
00135 Roma
Italia

Tel: +39 06 367491
Fax: +39 06 36749282
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND
ART. 5 OF CONSOB REGULATION N. 20267/2018

To the Board of Directors of
Poste Italiane S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (the "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Poste Italiane S.p.A. and its subsidiaries (hereinafter the "Poste Italiane Group" or the "Group") as of December 31, 2020 prepared on the basis of art. 4 of the Decree, included in the specific section of the Report on Operations and approved by the Board of Directors on March 24, 2021 (hereinafter the "NFS").

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 articles 3 and 4 of the Decree and "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative (the "GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by Law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

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Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the *"International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (the *"ISAE 3000 Revised"*), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Poste Italiane Group;
4. understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;

- policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
- main risks, generated or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report;

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Poste Italiane S.p.A. and with the personnel of SDA Express Courier S.p.A. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, to the policies applied and to the main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data;
- for the following companies, Poste Italiane S.p.A. and SDA Express Courier S.p.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the 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 as of December 31, 2020 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and GRI Standards.

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Other matters

The NFS for the years ended December 31, 2018 and December 31, 2019, whose data are presented for comparative purposes, have been subject to a limited assurance engagement by other auditors that respectively, on April 17, 2019 and March 25, 2020, expressed an unmodified conclusion.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Rome, April 1, 2021

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