



Posti's sustainability report 2019

Welcome to read Posti Group's Sustainability Report 2019



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Towards visionary sustainability

Posti's position as a significant operator in society means that the company must also have the ability and desire to take a leading role with regard to sustainability. Sustainability is a key component of Posti's business strategy.

In this Posti Group Sustainability Report 2019, we discuss Posti's actions in 2019 to promote its sustainability with respect to the climate, employees and other key areas.

Posti's ambitious climate efforts are one great example of this dedication. Last year, we again took many significant steps toward our target of being a zero-emission company by 2030.

Being a pioneer in climate policy has required — and continues to require — Posti to take actions both big and small. This is also what the state as our owner justifiably expects of us. At the same time, we are accumulating competence capital that benefits the company as well as its internal and stakeholders. We are pleased that our actions put us on the front line of supporting Finland's target of being carbon neutral by 2035.

Our progress on the path to being a green pioneer could not be achieved without our committed and highly competent employees, and I want to take this opportunity to thank everyone at Posti for their contribution. Last year was made more challenging by the strike late in the year, but we still accomplished a lot together.

Posti continues to go through a significant transformation. Continuous development of employee practices and looking after our employees is essential to us as we build the future of Posti. We develop and support our personnel in many ways, including supporting managerial work and the provision of training opportunities. The needs of our customers are constantly changing, which also creates requirements for the way we produce our services. One of our key goals is to promote digital thinking throughout the organization and develop tools that help us work efficiently in our changing business environment. We are also strongly and proactively involved in the development of work ability and occupational safety.

A pioneering role does not happen by itself. It is built through actions here and now, today and tomorrow.

I hope you enjoy reading this report!

Turkka Kuusisto
President and CEO



Sustainability

Posti in brief

Posti is the leading postal and logistics service provider in Finland. Our core business includes postal services, parcels and e-commerce as well as logistics solutions. We have the widest network coverage in Finland and we visit about three million households and companies every weekday.

We operate in eight countries. Our net sales in 2019 amounted to **EUR 1,6 billion**. Letter volumes are declining while parcel volumes are breaking records.

The change is clear to see, as during the year, we delivered more parcels and goods than ever before, over 50 million in total.

Posti's business groups are:



Postal Services



Parcel & eCommerce



Logistics Solutions



Itella Russia

The Parcel & eCommerce business and the Logistics Solutions business now account for more than 50% of Posti's net sales.

Over 90 percent of Posti's net sales consist of fully competitive services (corporate letters, publications, parcels and other items). The regulated universal service accounts for only about 7 percent of the net sales. Posti's operations are financed with the service fees paid by customers, the company does not receive state subsidy for its operations.

Net sales
1.6 billion
EUR

Adjusted operating result
39 million
EUR

Personnel
20,500
at the end of year

Parcel growth
+7%
in Finland and Baltics

We visit daily
3 million
customers

Sustainability at Posti

Posti's sustainability is based on the company's strategy, values, commitments and the decision-in-principle of its owner, the state, indicating that state-owned companies should be held as examples of a high standard of corporate social responsibility and sustainability.

At Posti, sustainability is part of day-to-day work, management and risk management. The company's decision-making takes into account not only financial factors, but also the social and environmental impacts of its operations.

Posti is committed to the fundamental principles of the UN Global Compact initiative with regard to labor, the environment, anti-corruption and human rights. In addition, Posti is committed to observing human rights in its own operations and in its subcontractor supply chain in accordance with the UN principles pertaining to businesses and human rights. Posti has also issued **a social sustainability commitment** of its own as part of Finland's national objectives related to the implementation of the UN Agenda 2030. Furthermore, the company is committed to promoting five sustainable development goals as part of the industry cooperation of the International Post Corporation (IPC).

Posti's values and sustainability principles take concrete form in **the Code of Conduct**, which sets out the appropriate procedures for various situations. Posti's subcontractors and suppliers are required to observe the same procedures and principles, and they are documented in more detail in **the Supplier Code of Conduct**, which applies to all suppliers without exception.

The sustainability function is managed within the cross-organizational Operational Excellence unit, which is also

responsible for Posti's environmental management, quality management and occupational safety management as well as strategic network development and training on the use of lean methods. The Operational Excellence unit is under the leadership of the Executive Board member in charge of the Postal Services business group.

Sustainability-related issues are discussed at least twice a year by the Executive Board and the Audit Committee of the Board of Directors.

Indicators and targets of sustainability 2019

Area of corporate responsibility	Indicator	Description	Realized in 2019	Target in 2020
Sustainable business	Adjusted operating result, %*	Operating result as a percentage of net sales. The operating result equals the result reported in the income statement after the deduction of all expenses and depreciation and amortization, but before the deduction of financial items and taxes.	2.5 %	4 %
Responsible service provider	Number of Posti's service points	Posti aims to be the number one service provider for postal and logistics customers. Accessible and reliable services are in the core of Posti's business. The indicator includes the service points maintained by Posti and its partners, parcel points, delivery pickup locations and business service points.	2,206	2,492
Environmental responsibility	Carbon dioxide emissions	The primary goal of Posti's environmental program is to reduce carbon dioxide emissions by 30% by 2020 (compared to 2007; emissions in relation to net sales).	approx. -28 %	-30 %

* Non-IFRS = excluding non-recurring items



The UN Sustainable Development Goals in the postal and logistics industry.

Posti is an active participant in the sustainability efforts of

the International Post Corporation (IPC). As an IPC member, Posti is committed to the promotion of five UN Sustainable Development Goals. In 2019, the members of IPC also agreed on more specific industry-specific focus areas, which they will promote as part of the broader industry sustainability program:



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- Health and safety
- Learning and development



Ensure sustainable consumption and production patterns

- Responsible sourcing



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

- Resource efficiency



Take urgent action to combat climate change and its impacts

- Mitigating climate change



Make cities and human settlements inclusive, safe, resilient and sustainable

- Air quality
- Circular economy

More information on the progress of IPC's environmental and climate efforts is provided in [the IPC Postal Sector Sustainability Report 2019](#).

In a summit held in New York on September 25–27, 2015, UN member states agreed on the UN Sustainable Development Goals and the agenda that will guide sustainable development efforts until 2030. The 2030 Agenda for Sustainable Development aims at eradicating extreme poverty and promoting sustainable development in a manner that balances the environmental, economic and social dimensions.

Sustainability focus areas

Posti's sustainability is divided into four themes: responsible service provider, sustainable business, a pioneer of green logistics, and engaged multi-skilled employees. The figure below describes the content of each area in more detail.

In 2019, Posti started the process of updating its sustainability program by first focusing on issues related to the climate and environment. The company set a new ambitious climate target of zero emissions by 2030. Posti is already a carbon neutral company in Finland thanks to its environmental program and voluntary emissions compensation. Between now and 2030, we will take an active approach to eliminating emissions from our services in collaboration with our customers and partners. As a large service provider, we can work together with customers to create new market-leading practices in areas such as transport efficiency, the use of renewable fuels, energy-efficient vehicles and energy-efficient properties.

As a work community, Posti is equal, non-discriminatory, international and diverse. We respect people of all kinds. Posti's goal is to provide healthy and safe work and a healthy and safe working environment for its employees.

The focus of Posti's financial responsibility is on transparency and profitability, as only a financially sound company can realize its responsibilities in terms of society, personnel, the environment and all stakeholder groups. Posti reports on its tax footprint in accordance with the guidelines issued by its owner, the Finnish state.

The process of updating the sustainability program will continue in 2020.

Areas of corporate responsibility

Responsible service provider

- Ethical business practices in the whole network
- Energy efficient operations
- Responsible restructuring as employer
- Nationwide, secure services

Trustworthy and reliable partner



Sustainable business

- Long-term profitability
- Operational efficiency
- Customer-driven innovations
- Transparent reporting

Renew and grow



Forerunner in green logistics

- Creating value for stakeholders through sustainability, for example through climate-friendly Posti Green services

Creating value for stakeholders



Engaged multi-skilled employees

- Safety and well-being at work
- Performance management
- Competence development
- Diversity and equality

Attract, retain, develop



Achievements and development areas

Achievements

Good progress on climate issues

Posti took several important steps to promote its climate efforts. The company set a new ambitious target of zero emissions by 2030.

Posti's approach to the management of environmental issues was renewed and Posti formed the Green Community, which focuses on topics such as environmental communications, the sharing of good practices and the development of environmental issues throughout the organization.

A trailblazer in sustainable e-commerce

Posti published a survey on the environmental impacts of e-commerce and drafted a guide that helps online retailers reduce their emissions.

Posti opened Box [linkki], a new kind of facility in Helsinki that is focused on e-commerce and is intended for Posti's consumer customers and online retailers. The Box concept is built on sustainable consumption and reducing e-commerce emissions. For example, the customers can use packaging materials left by other customers to be reused or recycled, they can try on products in one of the fitting rooms in Box and if the product does not fit well or otherwise satisfy the customer, they can immediately put it up for sale in a peer-to-peer online marketplace.

Climate Change stamp recognized with an esteemed design award

The Climate Change stamp, designed by Timo Berry, is the first Finnish stamp to receive the internationally esteemed design industry Red Dot award. The stamp won the award in Berlin in November 2019 in the Publishing and Print Media category of the Brands & Communications Design series.

In total, 8,697 entries from 54 different countries were sent in to the various categories of the Red Dot competition. The winners were selected by an international jury of 24 experts. The jury gave recognition to the theme and idea of the Climate Change stamps as well as the quality of the design and technical implementation.

The three stamps in the Climate Change stamp sheet, published in September 2018, depict the effects of climate change that a northern country such as Finland can expect in the future if we allow the climate to continue getting warmer at the current rate. A special feature of the stamps is the heat-reactive ink that changes color when touched. By the mere touch of a finger, people see what we can expect in Finland if the world fails to mitigate the continued warming of the climate.



Development areas

Agreement reached in the postal industry after difficult negotiations

Starting last spring, Posti engaged in negotiations with the Finnish Post and Logistics Union PAU to find solutions that would ensure Posti's competitiveness and jobs in a time characterized by the transformation of the postal industry. The postal industry is going through great changes, and finding a solution was not easy. A negotiated solution and industrial peace was finally achieved in November 2019 following difficult negotiations and a long strike. The fall was a tough period for all of the parties concerned, especially Posti's personnel. The sick leave rate among Posti's personnel in Finland increased slightly, to 6.3% (5.8%). The change from the previous year is partly explained by the calculation boundary being expanded to include the Transval acquisition, but the operational changes during the past year may also be linked to the increase in sick leave in certain regions of Finland.

Achieving Posti's ambitious climate target will take a lot of work

In 2019, Posti updated its strategy for 2020–2022. One of the key targets highlighted in the new strategy is the elimination of fossil emissions from our services by 2030. In spring 2020, work will begin on a more detailed action plan to achieve the target of zero emissions over a period of 10 years. Achieving the target calls for the comprehensive use of low-carbon logistics tools, ranging from vehicle technology to clean fuels and the planning of operations.

Comprehensive transformation support for the personnel

Success and strong performance cannot be achieved without competent and motivated personnel. Posti's transformation requires supervisors to have special skills in change management and the entire personnel to have the ability to adjust to continuous change. In the future, there will be a growing need for multi-skilled employees, and Posti has created a considerable amount of learning and training opportunities to support the development of multiple skills. Strong internal and external communications also play a significant role in the transformation of business.



Climate

Climate change

In October 2018, the Intergovernmental Panel on Climate Change (IPCC) published Global Warming of 1.5 °C, a report on the progress of climate change. The message of the report was clear: The increase in the CO₂ concentration of the atmosphere has not leveled off. More ambitious climate policy is needed if the world is to strive to achieve the 1.5 degree target stipulated by the Paris Agreement and reduce the risks associated with the warming of the climate. Actions aimed at the reduction of emissions must be taken quickly, and with long-term commitment, in all areas of society.

As a significant transport and delivery operator, Posti recognizes its responsibility for combating climate change. In 2019, the company further increased the ambition of its climate efforts and set a target of zero-emission operations in Finland by 2030.



The new Zero Carbon 2030 target was presented at Posti's Strategy Day in October 2019. In the photo, participants at the Strategy Day event list their ideas and thoughts on what Posti and its employees could do to promote the achievement of the target.

Target is to reduce emissions by

30%

by the end of 2020

Relative emissions decreased by approx

28%

from 2007

Absolute emissions decreased by

50,000

tCO₂e from 2007

ISO 14 001 covers

70%

of the Group personnel

A pioneer of green logistics

As the largest transport and delivery company in Finland, Posti plays a major role in promoting sustainable logistics.

Posti's environmental management is based on environmental management standards, particularly ISO 14001, as well as legal and official requirements and the UN's Global Compact principles and Sustainable Development Goals (SDGs). **Posti's quality and environmental policy** covers all countries of operation, and its certified management systems cover 70% of the Group's personnel.

In 2019, Posti set a new long-term climate target, with the previous long-term target expiring at the end of 2020. We got very close to achieving our previous target in 2019. The previous target was to reduce emissions relative to net sales by 30%, using 2007 as the baseline. By the end of 2019, we had achieved an approximate 28% reduction in emissions relative to net sales. Our absolute CO₂ emissions decreased by more than 49,900 tCO₂e between 2007 and 2019.

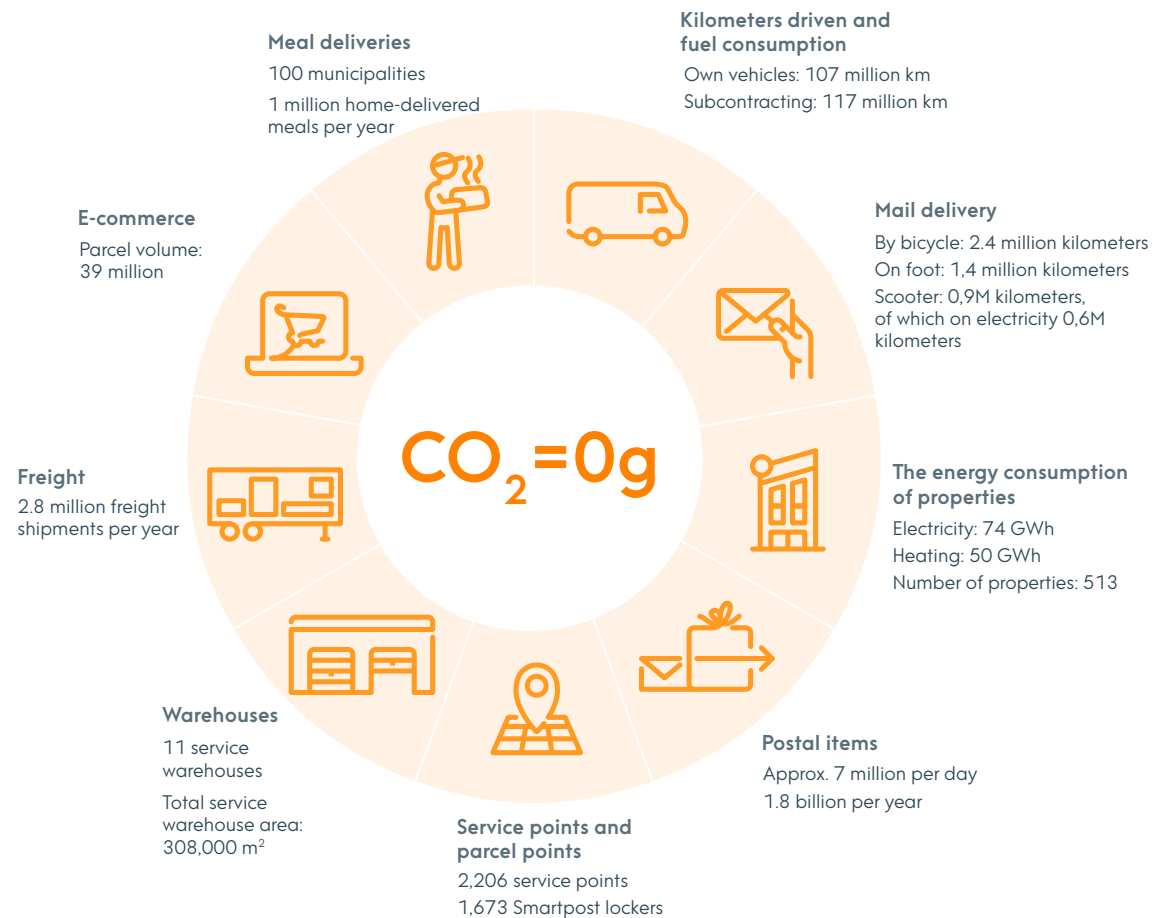
The Group's absolute greenhouse gas emissions amounted to 204,298 (217,448) tCO₂e in 2019. The absolute emissions generated by the Group's operations in Finland amounted to 161,388 (163,445) tCO₂e in 2019. The figures for the comparison year 2018 were adjusted by -5,000 tCO₂e due to a revision of the calculation method. The decrease in emissions is primarily attributable to the increased use of renewable electricity in Posti's Finnish operations and the reduction of the Group's property portfolio in Russia.

Transport and emissions from vehicles represent over 90% of our greenhouse gas emissions in Finland. In order to reach the target set for 2020, we will improve the environmental efficiency of transport operations primarily by planning routes efficiently, ensuring a high utilization rate, combining deliveries and driving in an environmentally responsible manner.



Promoting sustainable packaging is one of the focus areas of the environmental program. In 2019, Posti introduced reusable packaging boxes to customers. The new boxes are designed to withstand at least three uses.

In addition to vehicles, Posti has also focused on buildings in its systematic efforts to improve energy efficiency. Posti is party to the voluntary energy efficiency agreement for properties, which aims to reduce the energy consumption of business premises by 10.5 percent between 2014 and 2025. In 2019, the energy consumption of Posti's properties had been reduced by 25% with regard to electricity and by 35% with regard to heating, using 2010 as the baseline. In 2019, electricity generated with renewable hydropower accounted for 100% of the electricity consumption of the Group's properties in Finland (excluding Transval). The company also has solar power production of its own at its largest logistics center in Vantaa. Other significant measures to reduce energy consumption have included the deployment of LED lighting technology and the development of a virtual energy control system.



Posti set a new ambitious climate target

In 2019, Posti updated its strategy for 2020–2022. One of the key targets highlighted in the new strategy is the elimination of fossil emissions from our services by 2030. During the reporting year, the company also updated its environmental program and management model to promote the achievement of environmental targets. In 2020, the implementation of a more detailed action plan to achieve the zero emission target in ten years will begin.

Posti's services are already carbon neutral to all customers in Finland. This is enabled by Posti's ongoing emission reduction efforts based on the ARRO (avoid, reduce, replace, offset) framework pertaining to emissions and energy consumption. The company offsets the remaining emissions by participating in certified climate projects that support renewable energy production in developing regions.

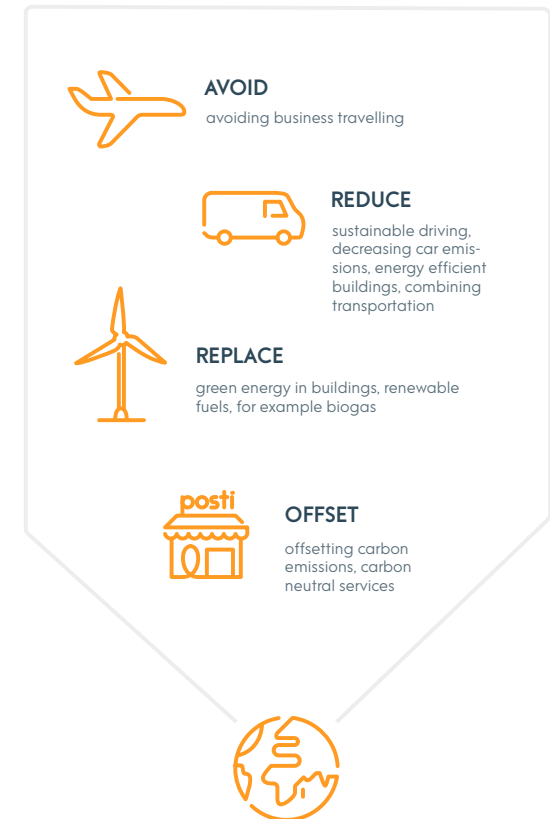
Posti's ambitious target of zero emissions is in line with Finland's target of carbon neutrality by 2035, which is included in the new government program. Traffic plays a significant role in achieving this goal, as it represents approximately one-fifth of Finland's total emissions. Road traffic accounts for the majority of these emissions. Transport and delivery operations represent approximately 40% of the emissions from Finnish road traffic, while private cars represent 55%. Traffic also holds significant emissions reduction potential with regard to the achievement of the

39% emissions reduction target that Finland has given to the EU. Accordingly, Finland has made a commitment to reducing traffic emissions by 50% by 2030.

The goal of carbon-free traffic means that the use of all fossil fuels would be completely eliminated by the target year. The reduction of traffic emissions can be examined on three levels: reducing the kilometers driven; improving the vehicle's energy efficiency; and reducing the carbon content of the fuel and replacing the fuel with renewable energy.

Posti's environmental program lists methods to achieve the zero-emission target on all of these levels: reducing kilometers driven through efficient route planning, improving energy efficiency by replacing vehicles with electric vehicles and new Euro6 class vehicles as well as using renewable and low-emission fuels in the form of liquid renewable diesel and liquefied natural gas and biogas.

In addition to the reduction of emissions, the focus areas of the environmental program include increasing the waste recycling rate, promoting the use of renewable packaging materials, improving the energy efficiency of properties and developing sustainable products and services together with customers.



How to engage employees in climate and environmental efforts on a broad front?

How to engage as many Posti employees as possible in climate and environmental efforts? How much more could Posti do to promote climate efforts if proven ideas were shared throughout the organization? How significant could Posti's more than 20,000 employees be if they incorporated climate efforts into their daily lives both at work and home?

"Posti's new environmental program was put together in 2019. We wanted to get ideas and input for the program from Posti employees across the organisation, but we didn't have an existing procedure for that purpose," says **Jatta Kosonen**, who was appointed as Posti's Head of Quality and Environment during the year.

The idea came to create a community focused on environmental issues. This led to the formation of the Green Community within the Posti organization in 2019. It focuses on topics such as environmental communications, the sharing of good practices and the development of environmental issues across Posti.

The active members of the Green Community include about 40 people from different parts of the organization, including the businesses as well as the support functions. The members of the Green Community meet regularly and they also have access to a digital group workspace.

"Some of the members were assigned to the Green Community because they work on environment-related aspects of Posti's operations. Others have joined the initiative because they have a personal interest in the topic. The goal is for everyone to increase their competence," Jatta explains.

Even though the Green Community is new, Posti has already achieved a lot. One concrete example of how environmental issues have been highlighted in daily life relates to Posti's annual Supplier Day event: Posti's sourcing function organises an annual event for key suppliers and, at this year's event, the discussion was focused on how the packaging of goods can be carried out as sustainably as possible. The volume of parcel traffic is growing continuously due to e-commerce, so it is important to optimize the use of packaging materials.

"In the Supplier Day event we challenged both customers as well as suppliers to think about how to deliver products as sustainably as possible. What do sustainable packaging solutions look like? We had a lively discussion about the challenges related to the optimization of packaging materials, reuse, recycling, the circular economy and transport," Kosonen says.

According to Kosonen, in its early stages, the Green Community has already facilitated the sharing of information and brought people together from across the organization. Going forward, the goals include increasing environmental information and the analysis of environmental indicators as well as developing Posti's operations accordingly.



Commitment to environmental targets has been engaged among Posti employees in various ways. When the new zero carbon target was introduced at Posti's Strategy Day event, everyone was asked to list ideas and thoughts on what Posti and its employees could do to promote the achievement of the target. The participants wrote their ideas on a piece of paper shaped like the leaf of a tree. The various ideas were then put together to form thick foliage.

The environmental impacts of e-commerce

E-commerce plays an important role in Posti's strategy. We wanted to better understand the impact of e-commerce on the climate and what we can do about it. To this end, we conducted an assessment of the environmental impacts of e-commerce together with Gaia Consulting Oy, a sustainable business consultancy.

The assessment indicated that most of the emissions produced over a product's lifecycle are generated during production. Regardless of whether the consumer buys the product from an online store or a physical store, the transport route of products from the country of origin to Finland is essentially the same. The impact of consumption on sustainability does not depend on how the products are bought.

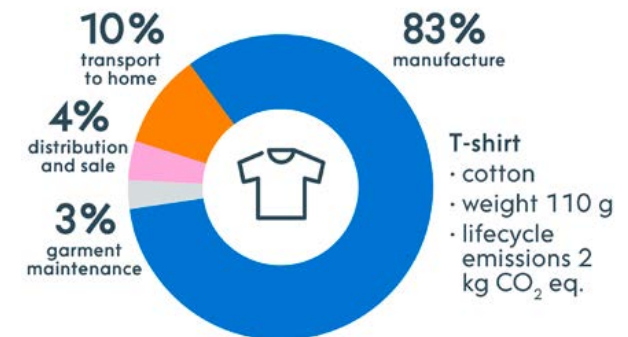
Most of the environmental impact of consumer products is already determined during the design phase. Over 80 percent of the emissions produced during the lifecycle of products such as clothes are generated by the production of raw materials and the product itself. The total share of transport, retail and use is less than 20 percent. The route of products from the country of origin to Finland is also essentially the same, regardless of whether the consumer buys the product from an online store or a physical store.







The last mile of the product, meaning the journey from Posti's distribution-fulfillment center to the consumer, has a surprisingly strong effect on the overall emissions from the product's transport.

The factor that affects Posti's last-mile emissions the most is delivery efficiency, meaning the number of items the driver is able to deliver during the working day. Other factors that affect last-mile emissions are vehicle type and delivery distance.

Posti strives to reduce emissions by, for example, improving the loading rate of vehicles, bringing more parcel lockers close to consumers and offering Posti's warehouses as intermediate storage solutions for online stores. Posti created a guide for online stores on how they can reduce their emissions.

The lifecycle emissions of a T-shirt



	Martha Mother	Hugo Hipster	Eugenia Engineer
DELIVERY TYPE	 pickup point	 Posti Parcel Locker	 home delivery
LAST-MILE TRANSPORT METHOD	 by their own car	 by bike	 by Posti van
ESTIMATED DELIVERY EFFICIENCY IN THE DESTINATION AREA	40 parcels/h	60 parcels/h	6 parcels/h
POSTI'S LAST MILE	86 g	120 g	196g
CONSUMER'S LAST MILE	241 g	0 g	0 g
	327 g	120 g	196 g

Unnecessary returns and excessive packaging cause problems

From the consumer's perspective, e-commerce makes life easier in many ways. Broad assortments, product availability, the convenience of ordering and, often, attractive prices are examples of the positive aspects of online stores.

The negative aspects include increased product returns due to the ease of making impulsive purchases as well as excessive packaging and plastic use. While Finns on average return a smaller share of online purchases than consumers in other countries, all unnecessary orders and returns increase the emissions of e-commerce and the consumption of packaging materials. The amount of returns varies substantially between product categories. While as much as half of all clothing bought online may end up being returned, only 1–2% of electronics products are returned.

It is recommended that consumers buy second-hand and route parcels to points along everyday routes

The example below describes the buying habits of three imaginary consumers who make a lot of purchases from online stores: Martha Mother, Hugo Hipster and Eugenia Engineer. The example presents a calculation of the emissions caused by the delivery and pickup of the parcels they order.

The examples reveal how small and seemingly insignificant actions can influence one's carbon footprint. Consumers are advised to favor low-emission means of transport for picking up parcels or pick up their parcels when doing their grocery



shopping, for example. Emissions can be significantly reduced by routing deliveries to destinations along one's commute using the Oma Posti application.

Increasing consumer awareness, recycling and sustainable product assortments play a key role

Increasing awareness is one effective solution to the sustainability problems of e-commerce. Consumers can be guided to make more climate-friendly choices by giving them information on the environmental impacts of their actions. It is also easier for online stores than brick-and-mortar stores to inform consumers about the environmental impacts of manufacturing, and online stores also give consumers access to a broad selection of sustainable products regardless of where they live.

The online retail environment also enables greater openness with regard to packaging. Online stores can offer more information on different packaging alternatives and they can easily conduct tests to determine whether consumers are prepared to pay a slightly higher price for more eco-friendly packaging.

Peer-to-peer e-commerce can significantly extend the lifecycle of a product. When consumers buy used products using platforms such as Tori.fi or recycling groups on Facebook, no emissions are generated by the production of new products or the disposal of used ones.

Concrete tips for consumers and online retailers to reduce emissions:

- Shop judiciously
- Choose eco-friendly packaging of the correct size
- Take advantage of climate-friendly transport options and have the parcel delivered along your daily route
- Favor domestic products and try to determine the emission impacts of the products you buy
- Make use of peer-to-peer online marketplaces to keep products in use
- Avoid unnecessary returns

More information on how consumers, online retailers and Posti can reduce emissions: <https://my.posti.fi/en/sustainable-ecommerce-posti>

Box by Posti brings e-commerce to Helsinki's city center



Box is a new space between home and the online retailer, where sustainable values are strongly present.

In November, Posti opened new premises focused on e-commerce for Posti's consumer customers and online retailers on Keskuskatu in Helsinki. This new initiative by Posti is aimed at stronger growth in e-commerce. The new premises are equipped with fitting rooms, a giant parcel locker and a digital kiosk. Box by Posti is also a physical store for online retailers and a testing space for Posti's new digital services.

Posti has been part of people's daily life for centuries. But daily life has changed, and this is also reflected in Posti's core business. Letter volumes continue to decline, while the number of parcels ordered online keeps growing. At the same time, the growth in parcel traffic creates a burden on the environment. This is a challenge that Posti aims to solve by investing in the sustainability of its business. Box by Posti is a great example of this, as the environmental perspective has been an important part of the development of the Box concept.

"The new space on Keskuskatu is an accurate illustration of the historically quick change of e-commerce and Posti. The growth of B2C and C2C e-commerce means that more than 80 percent of our customers use our service points to pick up

or send parcels. This is why we need to change. Box by Posti is our response to the growth of e-commerce and to the new consumer habits of the Finnish people. Box by Posti is a great example of Posti's renewal. We are shedding our skin and rethinking our role between our customers: between online retailers and consumers and also between consumers in C2C commerce," says Posti's Head of Customer Experience and Channels **Kaisa Ilola**.

In Finland, households receive around 10 parcels per year. In Central Europe, however, the figure is twice as high and, in the US, it is three times as high. As the e-commerce sector grows, the volume of parcels is also expected to increase. The new premises on Keskuskatu are part of this trend. Many traditional retailers are also accumulating a growing share of their net sales from e-commerce.

You emphasise sustainability when you talk about Box by Posti. Isn't sustainability incompatible with e-commerce, with people ordering parcels from sellers far away?

We don't believe it is incompatible. Quite the opposite. Contrary to popular belief, emissions from e-commerce transport do not significantly differ from those generated by other types of retail.

Consumers can influence things by making sustainable purchasing decisions and choosing the right delivery type. Regardless of whether the consumer buys the product from an online store or a physical store, the transport route of products from the country of origin to Finland is essentially the same.

Why are there fitting rooms at Box by Posti?

The buying habits of Finnish consumers are changing: physical stores are disappearing while online stores are growing. People are buying more and more clothes, in particular, from online retailers and via C2C channels.

Products are primarily transported to Finland in the same way, regardless of whether the consumer buys the product from an online store or brick-and-mortar store. Goods are transported from the country of manufacture to Finland by truck or ship, for instance, often via intermediate stops.

Unnecessary returns increase emissions from e-commerce as well as the consumption of packaging material. Online stores can reduce the number of returns by giving enough information about their products and offering services such as virtual fitting rooms.

Finns return a smaller share of online purchases than consumers in other countries. The share of returns strongly

depends on the product group. For example, up to 50% of clothing is returned, whereas the share of returns for electronics is only 1–2%.

We provide fitting rooms and the opportunity to return products at Box by Posti, which makes it easy to return clothing that does not fit. This reduces emissions.

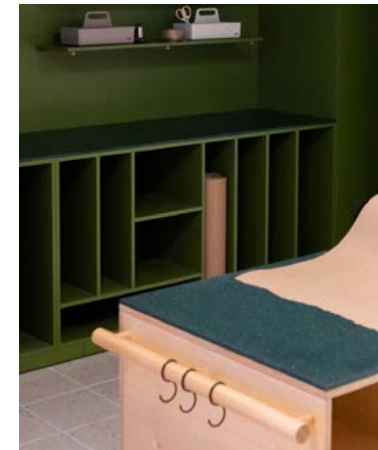
Why is Box by Posti located in the city center?

Consumers can significantly influence their climate impact. From the climate perspective, it makes sense to favor low-emission means of transport for picking up parcels or pick up parcels when going grocery shopping, for example.

This is why Box by Posti is in the city center, on the pedestrian street, close to the routes that people take on a daily basis. Any customer of Posti can have their order delivered to Box by Posti and pick it up, for instance, on their way to work or when they go shopping in the city center. The purpose of Box by Posti is to make it as easy as possible to pick up and send items bought and sold online by providing these premises in the city center, where people commute and go shopping. This enables a significant reduction in emissions.

Why is space provided in Box by Posti for opening parcels and packaging items in boxes?

The most important reason is that this makes it easier for people to use the services but, again, the environmental perspective is also involved. New boxes were designed for the Box by Posti concept. They are made from an eco-friendly and durable material. They can be used over and over again. There is also previously used packaging always available at Box by Posti. Sustainability in packaging also means that we help consumers reduce the amount of packaging waste they generate by encouraging our customers to reuse packaging materials.



C2C e-commerce puts the circular economy into action in daily life

There are usable goods worth billions of euros just lying in people's closets in Finland. The goal of the circular economy is to conserve natural resources by making efficient and sustainable use of materials. C2C e-commerce is an effective way of circulating goods between consumers, which is why Posti wants to play an active role in promoting responsible C2C e-commerce alongside traditional linear e-commerce.

In November 2019, Posti and Tori joined forces to introduce the Tori parcel, a C2C e-commerce service that makes it easy to purchase the transport of a customer parcel via the Tori website.

"The distance between the seller and buyer has been an obstacle to the growth of C2C e-commerce. Tori parcel helps C2C e-commerce grow from a local market to a national market. Posti's extensive network of parcel lockers makes it convenient for sellers to send goods to customers anywhere in Finland," says Marketplace Director Timo Huhtamäki from Tori.

Peer-to-peer e-commerce extends the lifecycle of products

Consumption in accordance with the principle of the circular economy is continuing to grow in popularity. According to a survey commissioned by Tori in October 2019, 76 percent of Finns believe that, in a few years' time, they will buy more second-hand products than now. Smooth C2C e-commerce services make it easy to give a new lease of life to products you no longer need. "When a consumer buys second-hand products on Tori, it reduces the need to manufacture new products and prevents the emissions that would arise from importing the product. Product lifecycles are extended when fully serviceable products remain in use," Huhtamäki explains.

The key reasons for choosing C2C e-commerce include saving money and wanting to expand product lifecycles. Sellers are mainly motivated by wanting to get rid of items that they no longer need, avoiding throwing things away and wanting to participate in recycling.



As many as 76% of Finns believe they will buy more second-hand goods in the future.



CASE

There is natural demand for the Tori parcel service

Tori is Finland's most popular C2C e-commerce platform. In 2018, Tori had more than 2.4 monthly users, who traded goods for a total of EUR 626 million. "The Tori parcel opens up a larger market for buyers and sellers, and we expect to see strong growth. Based on the first few months, there is clearly natural demand for a service such as the Tori parcel," Huhtamäki points out.

According to Huhtamäki, the easily accessible Posti parcel lockers are a good fit with the logistics of C2C e-commerce. "We currently have about three million transactions per year. I think it is possible that, in the medium term, Tori parcels and Posti's parcel lockers could be used to facilitate about a million transactions."

The younger the age group, the more emphasis is placed on the eco-friendly aspects of C2C trade. Among Tori customers under the age of 40, about 75 percent highlighted the environmentally friendly aspects of C2C trade in the recent survey. The younger generation also has a more favorable attitude toward buying second-hand goods in general.

We need to put the goods balance to work

Timo Huhtamäki highlights the concept "goods balance", the size of which is difficult to estimate. "It is clear that there are usable goods worth billions of euros just lying in our closets. The national economy benefits when completely usable goods are kept moving by C2C trade. At the same time, the need for newly manufactured products is reduced and consumption becomes more sustainable from an environmental standpoint."

"The total value of the consumer goods trade in Finland is approximately 20 billion euros, and C2C e-commerce accounts for about 500 million euros — or just over two percent — of this total. If we can increase the share of C2C e-commerce by a couple of percentage points, the share of total consumption represented by recycled goods will increase, significantly reducing the carbon footprint of consumers."

More potential buyers for sellers, a more sustainable selection for buyers

Posti's comprehensive network of parcel lockers brings C2C e-commerce delivery points close to consumers throughout Finland. "The parcel lockers help sellers reach a larger base of potential buyers, while buyers gain access to a broader selection to choose from," says **Timo Korander**, Head of Consumer Services, Digital Commerce at Posti.

According to Korander, the creation of the Tori parcel was enabled by good cooperation between Tori and Posti. "The guiding principle was that the use of the service should be as easy as possible. Our service designers listened to the customers' needs and wishes throughout the process. The user interface was developed with the help of mock-up illustrations, among other things."

Posti wants to play an active role in promoting responsible C2C e-commerce alongside traditional linear e-commerce. "C2C commerce is growing at a rate of about 20 percent per year, so we are obviously interested in it as a business. From Posti's perspective, C2C e-commerce logistics is a natural continuation from similar solutions offered in B2C e-commerce," Korander explains.

Packaging materials can be reused

Just as in B2C e-commerce, packaging is an important aspect of C2C e-commerce. Korander recommends that customers should recycle packaging materials. "It is estimated that Finns receive four parcels for each parcel they send. This means that you naturally accumulate packaging materials at home, which you can reuse when sending goods.

People can also buy packaging supplies from Posti's service points for items of all types. "There are also reusable boxes with a tape-like strip that can be fastened and opened several times," says Product Manager **Mikko Lindevall** from Mercamer Oy, which supplies packaging materials to Posti.



Posti wants to play an active role in promoting responsible C2C e-commerce alongside traditional linear e-commerce.

What is Posti doing to reduce transport emissions?

Approximately 90 percent of Posti's CO₂ emissions in Finland arise from transport and vehicle emissions. As a leading transport and service company, Posti plays an important role in the development and implementation of energy-efficient and sustainable transport solutions. The majority of the emissions caused by Posti's transport operations arise from the use of fossil fuels, such as gasoline and diesel, in heavy goods traffic. Posti has engaged in long-term development efforts for several years to reduce transport emissions.

"Our goal is to reduce the environmental impacts of transport, especially through route planning, loading rates, combining deliveries, the fleet, alternative fuels and driving in an environmentally responsible manner," says **Jatta Kosonen**, Head of Quality and Environment at Posti.

All of Posti's delivery and transport services in Finland are Posti Green services that are carbon neutral for customers. They do not generate any CO₂ emissions for customers because Posti compensates the remaining emissions by investing in certified climate projects. In Posti's transport fleet, the Posti Green concept is visible in the form of "Climate-friendly transport" markings on the vehicles.

Optimizing transport is the first priority

Posti must develop and optimize its transport operations in a constantly changing business environment. Letter volumes are declining, parcel volumes are rising and the volumes of goods traffic fluctuate while increasingly strict environmental and efficiency-related requirements are introduced.

"We work very hard to optimize our transport operations. We have several different projects under way at all times to reduce kilometers driven, change routes, combine flows of goods and test new and better transport alternatives. We have even changed the content of our services to achieve greater efficiency in transport," Kosonen adds.

The fleet and fuels play important roles

In goods traffic, Posti uses heavy vehicles that run on alternative fuels. Posti has six LNG trucks and one truck powered by ethanol diesel in its fleet. According to a lifecycle analysis of fuels, the use of LNG reduces greenhouse gas emissions by as much as 24% in comparison to fossil diesel. RED95 ethanol diesel produced from Finnish waste reduces the fossil-based CO₂ emissions of heavy traffic by as much as 90 percent.





Posti's use of HCT combinations reduces the total distance driven by 930 kilometers per day and more than 230,000 kilometers per year.

Posti also transports freight for its customers in 19 giant HCT (High Capacity Transport) trucks. An HCT truck has approximately 30% more transport capacity compared to regular combination vehicles. Posti's use of HCT combinations reduces the total distance driven by 930 kilometers per day and more than 230,000 kilometers per year. This corresponds to driving around the world six times.

"We transport the same amount of goods with three HCT combination vehicles as with four regular combination vehicles. This enables significant reductions in kilometers driven and, consequently, lower CO₂ emissions. Using one larger unit also saves the road network compared to using several normal-sized transport units."

Posti's light transport fleet includes 280 electric freight scooters, 31 biogas cars and 7 electric vans.

Economical driving is good for the environment

According to Kosonen, economical and environmentally responsible driving can reduce fuel consumption by approximately 10–15 percent. All of Posti's delivery and transport vehicles in Finland feature driving style monitoring equipment that lets the driver see the effect their driving style has on fuel consumption and the reduction of emissions. Posti's transport partners also play an important role in reducing emissions, as more than half of the emissions from Posti's heavy goods traffic arise from kilometers driven by members of the partner network.

"It is crucial for us to engage our transport partners in the emission reduction effort to achieve our goals. This can only be accomplished through close cooperation."

Posti wants do its part in mitigating climate change. Posti also wants to help its customers reduce their environmental impact through the use of Posti's services.

Daily route planning reduces kilometers driven and emissions

As part of our strategy efforts at Posti, we have analyzed a wide range of potential solutions for reducing transport emissions during the strategy period 2020–2022. In addition to our plans for vehicles powered by alternative fuels, we have also focused on short-term measures.

The daily route planning operating model that started as part of the Hämeenlinna terminal pilot in summer 2019 is one of our most significant steps in this area. Daily route planning has subsequently been rolled out in production at nearly all of Posti's freight terminals in less than a year.

The model makes proactive use of the data received in the freight terminal's ordering system, which makes it possible to create the next day's delivery plans the previous night. In practice, the drive arrangers plan the next day's delivery routes based on the advance information and allocate the required resources to them. The aim is to optimize the driving kilometers with the fullest possible loads and the most optimal work processes. Daily route planning also enables quick responses to daily changes in volume.

"Route planning is not a one-off renewal measure. It is something that happens every day and it includes not only the optimization of routes and loads but also daily management aimed at continuous improvement. We are reducing the emissions generated by our vehicles and comprehensively increasing the efficiency of our operations," says Development Manager **Samuli Hyrkäs** from Posti's Freight Services.

According to Wikström, Posti also focuses on economical driving by monitoring the driving styles and vehicle use of Posti's own drivers. In practice, this involves monitoring vehicle utilization rates, fill rates, idling, fuel consumption as well as data on acceleration and braking, for instance.



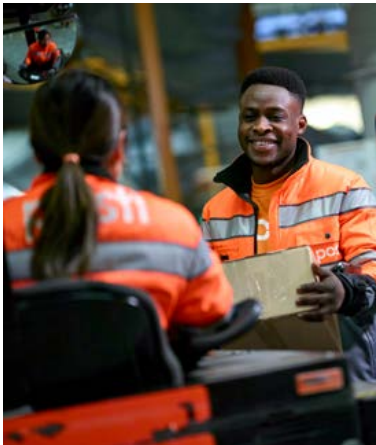
Collaboration to reach results

"A large proportion of Posti's freight transport operations is handled by Posti's transport subcontracting network, which consists of many different transport companies. Achieving the emissions targets for Posti's transport operations requires that the partner network has the ability to meet the environmental targets set by Posti. We will revise the cooperation model of our transport network this year and, in the future, we will focus increasingly on selected strategic partnerships. In practice, Posti's transport partners must meet Posti's environmental standards with respect to the emission classifications of their vehicles, for example," adds **Antti Wikström**, Vice President, Freight Services.



People

People



Posti is one of the largest employers in Finland. As a work community, Posti is equal, international and diverse. We respect people of all kinds.

Posti's business is changing faster than ever before. Posti is continuously updating its operating models to respond to future challenges. Putting the changes into action will take a lot of work as well as the right attitude and approach.

Posti's goal is to provide a healthy and safe working environment for employees and to promote the personnel's well-being at work. Skilled and motivated personnel are an essential starting point for success and good results. The need to respond to customer needs and the changes in the business environment creates a lot of learning opportunities.

Posti continuously develops the competence of its personnel in new services and their ability to address the opportunities of digitalizing business.

Work ability and well-being at work are supported by diverse wellness services. Professional development is supported by providing employees with opportunities for on-the-job learning, support for self-motivated study and access to a range of training courses. At the supervisor and expert level, special focus is placed on supporting change management.

Number of employees
at the end of 2019

20,500

Employees
in

8

different countries

New permanent
employment in Group

1,750

Summer jobs
in Finland

2,300

Seasonal assistants in
Finland

2,800

Operating models and ways of working must adapt to changing business needs

Rapid changes in Posti's business environment are reflected in Posti's business strategy, the organization of work and the tasks and job descriptions of Posti's employees. We want to promote digital thinking throughout the organisation.

The increasing digitality of our world creates new competence requirements.

New technology leads to higher requirements for employee competencies in most companies, and Posti is no exception. "The employees need to have a strong capacity for learning and the ability to work in a more digital environment. This calls for healthy curiosity. It is important to encourage people to learn and support them in seeing the opportunities presented by new technology," says **Hanna Reijonen**, Posti's Senior Vice President, Human Resources.

Posti's business is rapidly shifting from print to digital. "Digitalization is changing customer behavior and needs. This also creates requirements for the way we produce our services. Technology helps us develop more efficient processes in all of our businesses, which is also reflected in the daily work of everyone at Posti."

Highly committed employees as a key strength – competence development is supported in many ways

Highly committed and competent employees are one of Posti's strengths. According to personnel satisfaction surveys,

Posti employees perceive their work as meaningful and they value their work community.

"We want the competence of our personnel to grow and develop as our business changes. Learning new skills and knowledge increases the competence of each Posti employee."

Posti's employees are offered training ranging from a basic level to in-depth expertise. At the same time, people also learn new skills through job rotation and new projects. Posti rebuilt its training portfolio in 2018–2019. "We are focusing more on training at all levels of the organization. We have consolidated all of our development activities in the Campus section of Posti's intranet. We seek to provide customized training opportunities for Posti employees in various positions, from production to expert work, to make it possible for them to update and maintain their competence," Reijonen explains.

Posti's operations have taken place in an environment characterized by major transformation for several years now, and it does not look like the rate of change will decline in the near future. "We need to develop new ideas and

solutions through experimentation while also making sure that we engage in systematic process development and providing opportunities for employees to be involved in the development. All of these are needed to ensure our ability to produce services that meet the changing needs of various customer groups."

New opportunities within Posti and outside the organization

As Posti changes, the work of many Posti employees is also changing. "If an employee's current position is terminated, they may find a new position within Posti. We also have positions that can be taken on with a relatively short orientation period," Reijonen says.

In Finland, the Uusi polku program helps employees find a new job or career through training. "We want to operate responsibly even in situations where the individual's new career is found outside the Posti organization."

"To be a responsible employer, we must ensure that we adapt to our changing business environment and offer different learning opportunities to our personnel," Reijonen adds.



How Posti's employees are responding to future challenges

"Success depends on good management, competent employees, technological competence and new ways of working," says Vice President **Sari Tomperi**, who is responsible for personnel development and supporting strategic objectives on the HR team.

A coaching-oriented and human approach to management

According to Tomperi, Posti's development challenges call for a new approach to management. "The management approach must take into account both customer expectations and the requirements of changing work. New technology and a rapid rate of change present challenges to management."

Today's managers and supervisors must be able to both manage the business and lead people. "The role of managers and supervisors in their units is increasingly seen as being a coach and carrying the message. In particular, the younger generations entering the workforce often have different expectations regarding management and work than previous generations," Tomperi points out.

New competent professionals are needed for the future

Posti's challenge is to simultaneously develop its existing business and entirely new business. This calls for competence that can be found both within the Posti organization and outside of it.

Posti invests in its employer image to attract the best new talent in its industry. "Many people do not realize what a diverse workplace Posti is for experts in various fields. We are actively involved in various student and recruitment events and we offer trainee positions to students."

"Posti is facing major challenges as a company, but the challenging nature of the business environment also means that we can offer interesting positions and opportunities to develop a new kind of Posti. Many other workplaces cannot offer the same kinds of opportunities," Tomperi says.

New technology is changing work

New technology has revolutionized the way people work in all industries, and Posti is no exception. "Digitalization, artificial intelligence and robotics are quickly becoming more commonly used in production as well as in expert work. In the future, Posti's employees, too, will have more and more virtual colleagues in various work stages."

Digitalization spans everything Posti does. "We want to provide Posti employees with modern digital tools that make work more efficient and enjoyable. At the same time, we need to ensure that the employees know how to use the new digital tools."

How does Posti support competence development?

The opportunity to develop one's competence is one of the most important factors in job satisfaction and a good employee experience. Most of the learning and development happens in day-to-day work while performing various kinds of tasks and taking on new challenges. Formal training is only a small part of the big picture of competence development.

Clear training paths and online courses

In 2019, Posti focused on making its training offering more systematic. We created a clear training offering and clarified our roles and responsibilities related to competence development across the organization.

Posti uses Spark, a digital learning environment that can be accessed anywhere and anytime, even on mobile devices. Having been first deployed in late 2018, the use of Spark was extended to Posti's early-morning delivery, sorting and transport in spring 2019. Spark features a variety of online courses that are particularly useful for employee orientation and training on the basics of various topics.

Nearly 300 Posti employees completed Introduction to Digital Transformation Technologies, an online course open to everyone, in 2019. The course provided a comprehensive review of various digital technologies that are revolutionizing industries, such as artificial intelligence. The online course is also part of Posti's broader Artificial Intelligence training path.



CASE

Focus on employee orientation and supervisory work

Posti has also focused on employee orientation. In spring 2019, Posti launched the Welcome Day concept for new experts. Three times a year, we organize an event for our various businesses to introduce themselves to new Posti employees and give experts the opportunity to get to know each other.

Supervisors play an important role in identifying the development needs of individual employees. Training can spark new enthusiasm and inspiration even in experienced employees. Where necessary, the occupational health service assists supervisors on issues related to work ability and well-being at work. We also offer online training on well-being at work and work ability management to our supervisors.

In 2019, Posti focused on a coaching management style and started two new training programs leading to a Specialist Vocational Qualification in Management (JYET). About 100 supervisors completed the training on a coaching management style, and approximately 50 people are participating in the JYET program as of the beginning of 2020.

In connection with the organizational renewal implemented in early 2019, supervisors were offered practical training on how to build a high-performing team and promote teamwork.



Enhancing Lean competence

Posti provides diverse Lean training for its personnel on topics including customer focus, data-driven management and the systematic development of operations. Three Green Belt courses were organized in 2019, with a total of 45 Posti employees participating. Orange Belt training in Postal Services had 70 participants and Yellow Belt training held in Tallinn had 15 participants.

The goals of the training activities include better quality, customer service and smoother operations. "The people who participated in the courses have also underscored the importance of networking and getting to know other people representing different parts of the Posti organization. With this in mind, we have started a Lean Alumni organization whose meetings provide an opportunity to ask for advice on challenges in daily work," says **Juhani Vuola**, the Vice President in charge of Lean training.

In spring 2020, Posti's training offering will be complemented by White Belt and Yellow Belt training, which are shorter than the Green Belt training and focus on continuous improvement. "We will continue our Green Belt courses in Finland and also in Tallinn as a new location. We have started the development of day-to-day management with the personnel of our freight terminals. We are also building a joint training program with Transval, which already possesses strong Lean expertise to begin with," Vuola adds.

CASE

Orange employee ambassadors and the Orange Tour

In 2018, Posti invited employees for the first time to volunteer as employee ambassadors who promote Posti's service culture alongside their normal duties. They are known as Orange Ambassadors.

Last summer, Posti organized an extensive Orange Tour in Finland. On the tour, the Flame Truck brought more than 2,000 Posti employees together to talk and learn about current topics. The truck covered a total distance of 2,370 kilometers and made 12 stops on its six-day tour. The locations we visited during the tour were Lieto, Turku, Seinäjoki, Vaasa, Oulu, Rovaniemi, Kuopio, Tampere, Pirkkala, Vantaa and Espoo. The tour truck featured experts and managers on hand to answer questions. The truck also presented information on current topics, such as new digital devices, occupational health services and our new collection of protective clothing.





Promoting well-being and providing support through change

Posti supports its personnel in change situations in working life and when they encounter short-term or long-term problems related to their work ability, in which case suitable solutions are sought.

Uusi polku program has provided support to more than 2,200 Posti employees

The Uusi polku program introduced by Posti in August 2014 offers financial support to Posti employees who are thinking about a new career outside Posti. By the end of 2019, a total of 3,591 people had applied for the Uusi polku program and 2,239 people had been accepted into the program. In 2019, there were 558 applicants, of whom 214 were accepted.

Career coaching service opens new paths

Posti introduced a career coaching service in March 2019 to provide employees with the opportunity for personal career planning. Produced by the pension insurance company and a partner, the service seeks solutions to risks identified in early stages in relation to a decline in an employee's work ability, competence or motivation.

"The service helps people find a new career alternative if they find it challenging to cope with the demands of their current job. The same person can have work ability in a different job or an entirely different line of work," says Posti's Director of Well-being at Work **Anne Tallgren**.

The career coaching service consists of personal guidance by a labor market specialist to plan a new career path as well as practical assistance for applying for jobs or training programs and assessing funding opportunities.

The supervisor plays a key role in assessing the employee's situation and initiating the discussions. Work ability experts support supervisors in initiating the career coaching service.

A proactive approach and low-threshold services in occupational health cooperation

Posti works together with its occupational health partner to develop increasingly proactive occupational health services and joint operating models by targeting services and support with a needs-driven and low-threshold approach. Posti wants to support employees in taking active responsibility for their well-being and work ability.



Posti employees can use occupational health services through a number of different channels and for various needs. A low-threshold telephone service is provided as a first point of contact with the occupational health service provider to assess the need for care. Remote appointments with physicians are also available on a 24/7 basis. Digital treatment and coaching paths are also part of the occupational health model.

Various tools are used to identify the need for support and there are different service channels for using occupational health services for different needs.

Support for mental well-being

There is an emphasis on mental well-being problems in Finnish society, and the same can be said for Posti. The need to promote and support mental well-being is also highlighted as Posti is going through a period of major changes that also involves changes in the requirements of working life.

Posti offers services and support for promoting mental well-being, both in response to identified needs and for people who need more personalized support from the occupational health service provider and other partners.

Strong development of a preventive safety culture

Posti's goal is to be an accident-free workplace. To achieve this goal, occupational safety is managed systematically. Personnel competence, activity and awareness related to occupational safety is increased and safety-promoting working methods are systematically developed. All accidents and hazardous situations are investigated.

Posti is committed to the following occupational safety principles:

- 1) Safety comes first
- 2) The responsibility for safety management belongs to Posti's leadership and managers
- 3) Safety starts with me
- 4) Posti is committed to working together throughout the organization to develop our safety
- 5) Workplace safety improvement at Posti is consistent and systematic

Proactive and participatory work is central to promoting occupational safety. When occupational safety is perceived as a shared responsibility for which everyone is responsible, it is no longer dependent on control.

Making safety observations and implementing corrective actions in response to the observations is part of day-to-day management and continuous improvement. In 2019, the personnel reported a total of 10,586 (13,463) safety observations. The figure covers Posti's operations in Finland and Estonia.

Posti monitors the frequency of occupational accidents that lead to absences by using the LTA1 indicator (occupational accidents per million working hours). The LTA1 of Finnish operations was 44 (43). The corresponding figure for the Group as a whole was 39 (37). The Group's accident frequency indicator for the comparison year 2018 was restated from 32 to 37 due to an adjustment to the calculation method. The changes are primarily attributable to a change in the calculation boundary following the Transval acquisition, which means the figures are not directly comparable with the previous year. The figures include occupational accidents that occurred during working hours and led to an absence of at least one day. The figures do not include accidents suffered by partners or leased employees.

Serious occupational accidents leading to an absence of more than one month decreased in the Group by 34% (12%) compared to the previous year.

The circumstantial factors influencing occupational accidents are illustrated by the risk map below. For example, Posti's delivery operations involve physical tasks in changing conditions, which increases the risk of accidents.

Occupational safety risks at Posti



Occupational safety highlights in 2019

In 2019, occupational safety was developed in cooperation with Posti's personnel and partners:

- Incy was deployed as a new occupational safety monitoring tool. Incy is available to all employees and it can be conveniently accessed via a mobile application, for example.
- Posti invested in safety culture and competence development by training more than 500 basic delivery employees in Pirkanmaa and Satakunta. Posti's Occupational Safety Card covers the official training content of the Centre for Occupational Safety as well as Posti's own practices and themes, such as our orientation model and TDG security.
- The management of occupational safety was developed in cooperation with the personnel: the occupational health and safety cooperation model was revised to better support the organizational structure and our identified needs.
- Posti cooperated with the footwear manufacturer Sievi to develop a shoe with adjustable studs. The shoes were deployed in 2019 in delivery and transport operations.
- Posti's collection of work clothing was redesigned based on employee feedback. The new collection was designed for Posti with an emphasis on the user experience, safety, well-being, ergonomics and extending the lifecycle of the clothing.
- Some 12,000 Posti employees participated in the Kelipeli winter campaign, in which Posti's operating locations added observations related to occupational safety as well as weather and road conditions on a game board and evaluated the unit's performance with respect to occupational safety. The participating operating locations were entered into a lucky draw to win a well-being day in Vierumäki.
- Posti used a slippery conditions warning service provided by the Finnish Meteorological Institute to have employees receive real-time alerts about slippery conditions to help them anticipate hazardous delivery areas.
- We conducted a safety culture survey in the freight business and developed the weekly accident monitoring model in postal services. The model involves the operative manager for the business area reviewing all accidents that occur during the week and the related measures together with the supervisors of the concerned employees and occupational safety and health representatives.



CASE

Competing with colleagues to promote safe and eco-friendly driving

The traditional national driving skills competition was held in Nokia on September 10, 2019, giving drivers the chance to compete for the title of Posti's driving champion. A total of 14 participants representing early-morning delivery, basic delivery and transport operations entered the competition. The drivers qualified for the competition by having a track record of good driving habits and exemplary conduct on the road. The competition tested the participants' vehicle handling skills as well as their ability to drive in an economical, eco-friendly and safe manner and provide good customer service. The winner will represent Finland in the IPC's international driving competition to be held in the Netherlands in 2020.

Flexibility sought in the collective agreement negotiations in the fall of 2019



The dramatic transformation of the postal industry was reflected in the negotiations on the Finnish postal industry's collective agreement between Service Sector Employers Palta and the Finnish Post and Logistics Union PAU in the fall of 2019. More than 40 percent of Posti's personnel are subject to PAU's collective agreement. In total, there are 11 collective agreements concerning various positions at Posti.

Posti's goal in the collective agreement negotiations was to increase flexibility in delivery and sorting operations by replacing the provisions of PAU's collective agreement with the provisions of the Industrial Union's collective agreement concerning delivery operations where applicable.

The negotiations concerning the postal industry were difficult and led to a strike that began on November 11. The agreement reached on November 27 ensured industrial peace in the postal industry for two years and introduced a general increase that was linked to the general policy adopted in the export industry. The agreement helps increase the flexibility sought by Posti with regard to shift planning, for example. Working hours according to the Competitiveness Pact (Kiky hours) were retained as part of the collective agreement. In parcel sorting, a new company-specific collective agreement was signed, representing a lighter version of the PAU collective agreement. The contract period for parcel sorting

personnel will end on January 31, 2022, which means that the agreement will remain in effect through the next two Christmas seasons.

Unfortunately, the strike had significant negative impacts on Posti's customers and personnel as well as the company and society as a whole. The strike led to a 24% decrease in letter volumes and the company's result for the period was significantly weakened.

Now that industrial peace has been achieved, Posti aims to work together with the personnel to find the delivery solutions of the future. As part of the agreement, the parties made a commitment to engage in a collaborative assessment of the transformation of the postal industry and its impacts on the terms of employment in the industry. In response to the lessons learned from the events of the fall of 2019, Posti will increase employee engagement and open dialogue. As an employer, Posti wants to operate sustainably and support its personnel through the transformation of the industry. Posti will continue to play a significant role as one of Finland's largest employers in the future.

It is important that Posti can now focus on looking forward and continue the renewal and development of its operations together with its personnel and customers.



Tax footprint

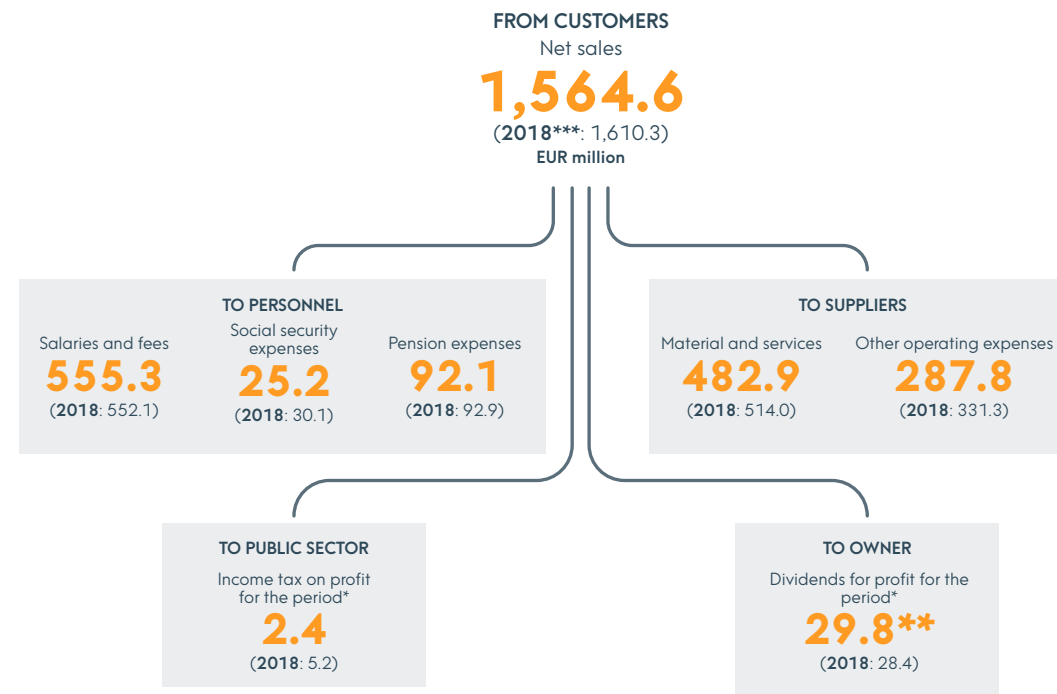
Tax footprint

In its tax footprint reporting, Posti adheres to the country-specific tax reporting guidelines for companies of which the state is the majority shareholder, provided by the Ownership Steering Department on October 1, 2014.

Tax strategy

All companies in the Group have committed to operating responsibly and to meeting all obligations and requirements defined by the valid legislation of each country. Posti Group companies pay their taxes in the countries in which their actual business operations take place. All taxes are to be paid on time without delay. The Group's long-term target is to ensure that the Group's effective tax rate is at the same level as the corporate income tax rate valid in Finland at any given time.

According to the Group's tax strategy, taxation is always a consequence of business operations, which means that tax solutions must also be based on business needs. Posti does not practice tax planning that would aim at artificially decreasing the Group's taxable income. In tax-related issues, the Group operates within the framework of legislation and legal practice in planning the taxable profit of Group companies. This can include the utilization of tax losses accrued in a subsidiary or the granting of group contributions, for example. In transfer pricing between subsidiaries, Posti aims to always ensure that the prices are market-based. To clarify taxation practices, some situations may involve contacting the tax authorities for either verbal guidance or a written decision on the taxation treatment of the planned action.



* more information from the section Tax footprint

** Board of Directors' proposal to the Annual General Meeting

*** Year 2018 figures have been restated for continuing operations, as OpusCapita Solutions Oy was divested in 2019 first quarter and presented as discontinued operations

Management of tax-related issues

The management of tax-related issues is centralized to the Group Finance unit, which is responsible for managing and monitoring tax-related issues at the Group level. Decisions related to taxation are made at the Group level. Significant matters of principle are presented to the parent company's Board of Directors for decision-making. The Group's CFO reports regularly on taxation-related issues to the Group's Audit Committee. The key task of the management of tax-related issues is to ensure that all Group companies comply with the regulations of tax legislation in all countries of operation. Tax risk management is part of the Group's risk management process.

Principles observed in tax reporting

Posti reports its tax footprint openly and transparently. The Group highlights potential decisions by the tax authorities and appeals concerning decisions by the tax authorities where such decisions and appeals have a material impact on the Group's tax position.

The information presented in this report is based on information collected from the Group's accounting systems. Taxes refers to taxes or tax-like fees paid to public sector entities, whether they are paid or remitted by the company. The nature and amount of taxes vary significantly from

country to country. Taxes payable refers to taxes paid by the Group companies which are, as a rule, expensed in the company's financial statements. Taxes remitted refers to taxes or fees collected by the companies which are remitted to tax collectors, often on behalf of parties other than the company itself.

The company has restricted its tax reporting to only cover substantial operating countries. Based on this decision, country-specific tax information is only presented for Finland and Russia. Approximately 89% of Posti Group's net sales come from these countries. According to the Group's strategy, these countries are its main markets. Other operating countries are grouped under Scandinavia and Other countries. Posti also uses the same geographical categorization in its consolidated financial statements. For countries other than Finland and Russia, information is presented on a country group-specific basis as the information reported is not of material importance and the presentation of country-specific information might jeopardize the non-disclosure of confidential information, such as customer or pricing details. From the Group's perspective, the amount of information reported is not of material importance when the taxes payable for an individual country do not exceed EUR 5 million.

The Group operates in eight countries. In addition, Posti has companies in countries where the Group no longer has business operations. When assessing the materiality threshold, net sales of EUR 1 million for each individual subsidiary is considered the threshold for non-materiality. Non-material companies are excluded from the reporting, as the amount of taxes paid by the companies is minor in proportion to the figures disclosed by the Group. These companies are grouped under Other countries. Posti does not have any operations or companies in countries classified as tax havens, where the corporate income tax rate is significantly lower than the Finnish corporate tax rate. The information presented below is based on the financial statements of separate companies and the information has not been consolidated.

The Group's tax footprint

Finland	2019	2018
Net sales	1,311.8 million €	1,279.8 million €
Result before taxes	-93.4 million €	8.7 million €
Number of personnel	15,081 employees	13,224 employees
Paid taxes	26.8 million €	26.7 million €
Remitted taxes	254.0 million €	229.2 million €
Public support received	0.0 million €	0.0 million €
Russia	2019	2018
Net sales	82.4 million €	103.0 million €
Result before taxes	6.6 million €	4.8 million €
Number of personnel	1,337 employees	2,188 employees
Paid taxes	4.6 million €	6.6 million €
Remitted taxes	8.4 million €	9.0 million €
Public support received	0.0 million €	0.0 million €
Scandinavia	2019	2018
Net sales	81.8 million €	95.1 million €
Result before taxes	0.2 million €	2.4 million €
Number of personnel	110 employees	176 employees
Paid taxes	0.7 million €	3.4 million €
Remitted taxes	6.3 million €	8.8 million €
Public support received	0.0 million €	0.0 million €
Other countries	2019	2018
Net sales	88.5 million €	90.4 million €
Result before taxes	2.5 million €	1.8 million €
Number of personnel	934 employees	801 employees
Paid taxes	3.6 million €	3.2 million €
Remitted taxes	4.4 million €	6.6 million €
Public support received	0.0 million €	0.0 million €

The Group's tax position in 2019

In 2019, the Group's effective tax rate was 14.8% (2018: 85.0%, excluding divested operations 10.7%). The effective tax rate is calculated based on accrual-based income taxes and changes in deferred taxes. The reason for the tax rate being lower than the Finnish nominal corporate income tax rate (20%) was that write-downs recognized in prior financial years were realized during the financial year as tax-deductible expenses. The Group's accrual-based income taxes for the financial year, excluding the effect of changes in deferred taxes, amounted to EUR 3.8 million.

Posti Group has several pending tax disputes in Finland. The most significant disputes are mainly related to the utilization in Finland of losses recognized by foreign subsidiaries that were merged into Posti Group Corporation in 2014 and 2015. The losses not approved in taxation amount to approximately EUR 61 million in total. The cases went to the Administrative Court because the tax recipients' representative did not consent to the matters being taken to the Supreme Administrative Court as a result of Posti's petition for leave to appeal. Concurrently pending is an appeal by the tax recipients' representative regarding the Tax Administration's decision to partially approve the utilization of the transferred losses. The appeals were still pending on the financial statements date.

In 2019, Posti's appeal regarding the deductibility of a loss on the disposal of a real estate company was rejected by the Board of Adjustment. Posti has lodged an appeal with the Administrative Court regarding the decision, as Posti considers the decision to be erroneous. The case concerns the disposal of a Norwegian real estate company in 2015, from which Posti incurred a loss on disposal of approximately EUR 12 million.

Posti Group's Finnish companies were subject to a tax audit in 2016, which was completed in January 2018. Based on the audit reports, the Group's Finnish companies were found liable to pay approximately EUR 1.1 million in value added taxes, penalty interest and punitive tax increases. Posti lodged appeals with the Administrative Court regarding the appeals rejected by the Board of Adjustment. The cases are still pending in the Administrative Court. In 2019, the Board of Adjustment approved, following a vote, Posti's appeal for adjustment on the final part of the case and ordered the Tax Administration to refund Posti the approximate amount of EUR 0.8 million in erroneously charged taxes and penalty interest. That decision is final.

Posti Group has no pending tax disputes in its other countries of operation.

Taxes paid by category and by geographical area in 2019 and 2018:

Paid taxes 2019

EUR thousand	total	Finland	Russia	Scandinavia	Other countries
Income taxes	5,908	5,781	116	4	7
Real estate taxes	2,046	1,343	703	0	0
Employer taxes	12,185	4,123	3,760	703	3,599
Environmental taxes	13,656	13,621	0	0	35
Other taxes	1,892	1,887	0	0	5

Paid taxes 2018

EUR thousand	total	Finland	Russia	Scandinavia	Other countries
Income taxes	6,515	5,998	489	8	20
Real estate taxes	2,246	1,384	862	0	0
Employer taxes	16,131	4,380	5,200	3,389	3,154
Environmental taxes	13,204	13,169	0	0	35
Other taxes	1,812	1,810	0	0	2

Remitted taxes by category and by geographical area:

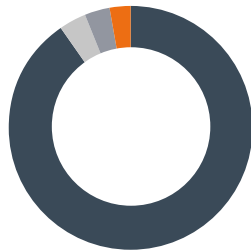
Remitted taxes 2019

EUR thousand	total	Finland	Russia	Scandinavia	Other countries
Value added taxes	165,800	156,609	6,079	2,627	485
Salary taxes	106,737	97,400	2,077	3,631	3,629
Other taxes	546	0	270	0	276

Remitted taxes 2018

EUR thousand	total	Finland	Russia	Scandinavia	Other countries
Value added taxes	143,037	130,860	6,118	4,995	1,064
Salary taxes	109,721	98,356	2,653	3,759	4,953
Other taxes	867	30	259	0	578

Remitted taxes by geographical area,
total 273.1 MEUR *



- Finland 254.0 MEUR
- Russia 8.4 MEUR
- Scandinavia 6.3 MEUR
- Other countries 4.4 MEUR

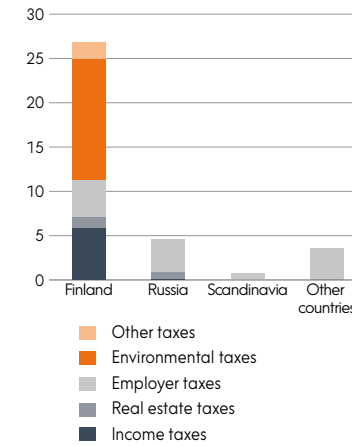
* of which value added taxes 165.8 MEUR, salary taxes 106.8 MEUR and other taxes 0,5 MEUR.

Paid taxes and fees
total MEUR



- Income taxes 5.9 MEUR
- Real estate taxes 2.0 MEUR
- Employer taxes 12.2 MEUR
- Environmental taxes 13.7 MEUR
- Other taxes 1.9 MEUR

Paid taxes by type and geographical area,
total MEUR



- Other taxes
- Environmental taxes
- Employer taxes
- Real estate taxes
- Income taxes

GRI index

Disclosure number	GRI Standards 2016	Location
ORGANIZATIONAL PROFILE		
102-1	Name of the organization	Posti Group Corporation
102-2	Activities, brands, products and services	Board of Directors' Report 2019
102-3	Location of headquarters	Posti Group's head office is located in Helsinki, Finland.
102-4	Location of operations	Posti Group operates in 8 countries: Finland, Russia, Sweden, Norway, Estonia, Latvia, Lithuania, and Poland.
102-5	Ownership and legal form	Share capital and shareholding
102-6	Markets served	Posti in brief
102-7	Scale of the organization	Posti Group had approximately 20,500 employees at the end of 2019.
102-8	Information on employees and other workers	People responsibility indicators
102-9	Supply chain	Environmental effects of eCommerce
102-10	Significant changes to the organization and its supply chain	Board of Directors' Report 2019
102-11	Precautionary principle or approach	The precautionary principle has been observed in compliance with the legal requirements.
102-12	External initiatives	Managing sustainability
102-13	Membership of associations	Posti engages in active dialogue with its partners and networks regarding the industry and the focus areas of sustainable development. These partners and networks include the international postal industry associations PostEurop, UPU (Universal Postal Union) and IPC (International Post Corporation), Service Sector Employers PALTA, the Finnish Business & Society (FIBS) network, Diversity Charter Finland and the Global Compact network. Posti is a member of the aforementioned associations and networks.
STRATEGY		
102-14	Statement from senior decision-maker	Review by the President and CEO
102-15	Key impacts, risks and opportunities	Statement of non-financial information, Board of Directors' Report 2019

Disclosure number	GRI Standards 2016	Location
ETHICS AND INTEGRITY		
102-16	Values, principles, standards and norms of behavior	Sustainability at Posti
102-17	Mechanisms for advice and concerns about ethics	Code of Conduct
GOVERNANCE		
102-18	Governance structure	Corporate Governance Statement
102-19	Delegating authority	Sustainability at Posti
102-20	Executive-level responsibility for economic, environmental and social topics	Sustainability at Posti
102-21	Consulting stakeholders on economic, environmental and social topics	Corporate Governance Statement
102-22	Composition of the highest governance body and its committees	Composition of the Board of Directors
102-23	Chair of the highest governance body	The Chair of Posti's Board of Directors is not an executive officer in the organization. More information on the Board and its committees
102-24	Nominating and selecting the highest governance body	Corporate Governance Statement
102-25	Conflicts of interest	Corporate Governance Statement
102-26	Role of highest governance body in setting purpose, values and strategy	Corporate Governance Statement
102-28	Evaluating the highest governance body's performance	Corporate Governance Statement
102-29	Identifying and managing economic, environmental and social impacts	Corporate Governance Statement
102-30	Effectiveness of risk management processes	Corporate Governance Statement
102-31	Review of economic, environmental and social topics	Corporate Governance Statement
102-32	Highest governance body's role in sustainability reporting	Managing sustainability [link to internal sustainability report]
102-33	Communicating critical concerns	Code of Conduct
102-35	Remuneration policies	Remuneration Statement: <u>https://www.posti.com/en/governance/corporate-governance/remuneration-statement/</u>

Disclosure number	GRI Standards 2016	Location
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	Posti's closest stakeholders are customers, employees, employee and employer organizations, the owner, political decision-makers, the authorities, business partners, interest groups, environmental organizations, postal industry organizations and the media.
102-41	Collective bargaining agreements	In Finland, 99% of Posti's personnel are covered by collective labor agreements. The corresponding figure for the Group as a whole is 90%.
102-42	Identifying and selecting stakeholders	It is important for Posti to actively engage its stakeholders. Posti keeps in contact with its stakeholders through open communication and dialog.
102-43	Approach to stakeholder engagement	Stakeholder relations are managed with confidentiality, integrity and fairness.
102-44	Key topics and concerns raised	https://www.posti.com/en/sustainability/stakeholders/#ga=2.93875416.498297603.1583412005-562849794.1568977514
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	Board of Directors' Report 2019, Group companies
102-46	Defining report content and topic Boundaries	Reporting principles
102-47	List of material topics	Sustainability focus areas
102-48	Restatements of information	Reporting principles
102-49	Changes in reporting	Reporting principles
102-50	Reporting period	January 1–December 31, 2019
102-51	Date of most recent report	14/03/2019
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Reporting principles
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option
102-55	GRI content index	GRI index
103	MANAGEMENT APPROACH	
103-1	Explanation of the material topic and its Boundary	Reporting principles
103-2	The management approach and its components	Sustainability at Posti

Disclosure number	GRI Standards 2016	Location
200	ECONOMIC RESPONSIBILITY	
201	Economic Performance	
201-1	Direct economic value generated and distributed	Tax footprint
201-3	Defined benefit plan obligations and other retirement plans	Defined benefit pension plan obligations, Financial statements 2019
201-4	Financial assistance received from government	Public assistance, Financial statements 2019
203	Indirect Economic Impacts	
203-1	Infrastructure investments and services supported	Financial statements 2019
203-2	Significant indirect economic impacts	Tax footprint
	Procurement Practices	
204-1	Proportion of spending on local suppliers	In 2019, Posti purchased services and products from Finnish companies for EUR 642 million. In 2019, about 95 percent of all of Posti's purchases in Finland were from domestic suppliers.
205	Anti-corruption	
205-1	Operations assessed for risks related to corruption	The assessment of corruption risks is part of the Group's risk assessment procedure, which covers all business units and countries of operation.
205-2	Communication and training about anti-corruption policies and procedures	Posti has an Employee Code of Conduct and a Supplier Code of Conduct. They address topics including anti-corruption practices. All Posti employees are required to complete training related to the Code of Conduct. As of December 31, 2019, 70% of the Group's employees had completed the training.
205-3	Confirmed incidents of corruption and actions taken	There were no confirmed incidents of corruption during the reporting period.
206	Anti-competitive Behavior	
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	As of December 31, 2019, the Finnish Competition and Consumer Authority had four requests for action against Posti. Posti has responded to requests for measures denying allegations of infringement of competition law in each case. Posti believes that requests for action will not result in regulatory sanctions.
300	ENVIRONMENTAL IMPACTS	
302	Energy	
302-1	Energy consumption within the organization	Key indicators of environmental responsibility
302-2	Energy consumption outside of the organization	Key indicators of environmental responsibility
302-4	Reduction of energy consumption	Climate change
302-5	Reductions in energy requirements of products and services	Climate change

305	Emissions	
305-1	Direct (Scope 1) GHG emissions	Key indicators of environmental responsibility. Reporting principles
305-2	Energy indirect (Scope 2) GHG emissions	Key indicators of environmental responsibility. Reporting principles
305-3	Other indirect (Scope 3) GHG emissions	Key indicators of environmental responsibility. Reporting principles
305-4	GHG emissions intensity	Sustainability at Posti
305-5	Reduction of GHG emissions	Climate change
306	Effluents and Waste	
306-2	Waste by type and disposal method	Key indicators of environmental responsibility
307	Environmental Compliance	
307-1	Non-compliance with environmental laws and regulations	No fines or sanctions during the reporting period.
308	Supplier Environmental Assessment	
308-1	New suppliers that were screened using environmental criteria	Posti has a Sourcing Portal that is mandatory for all suppliers. Registration on the Sourcing Portal is a precondition for being approved as a Posti supplier. When registering on the portal, the supplier agrees to comply with Posti's Supplier Code of Conduct and provides the requested information regarding its quality and environmental management systems. In 2019, the company conducted 20 sustainability audits for domestic partner companies. In addition, a self-assessment questionnaire was conducted online for existing contract suppliers, where Posti obtained additional information, for example on supplier responsibility.
308-2	Negative environmental impacts in the supply chain and actions taken	Environmental impacts of eCommerce
	SOCIAL RESPONSIBILITY	
401	Employment	
401-1	New employee hires and employee turnover	People. People responsibility indicators.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Why Posti
402	Labor/Management Relations	
402-1	Minimum notice periods regarding operational changes	The minimum notification time is between 14 days and 6 months depending on the duration of the employment relationship, and it is included in most of the collective agreements that are applied in the Group.
403	Occupational Health and Safety	
403-1	Occupational health and safety management system	The employees represented by the labor protection committee make up 89% of Posti's total personnel.
403-2	Hazard identification, risk assessment and incident investigation	Managing Safety. People responsibility indicators

404 Training and Education		
404-1	Average hours of training per year per employee	Average training hours per employee in Finland were 1.8 h. This figure includes reported training sessions of at least one training day (6 hours).
404-2	Programs for upgrading employee skills and transition assistance programs	People: Competence development
404-3	Percentage of employees receiving regular performance and career development reviews	With production employees, the performance over the previous year as well as the objectives and targets for the coming year are discussed in groups once a year. In addition, a personal discussion is held in relation to personal development and well-being at work. The proportion of the personnel within the scope of regular performance reviews is approximately 2,000 people.
405 Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	People responsibility indicators
405-2	Ratio of basic salary and remuneration of women to men	Women made up 40 percent and men 60 percent of the Group's employees. In Finland, the ratio between the basic salaries of women and men was 96 percent.
406 Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	There was one case of maternity leave discrimination in Finland that Posti compensated financially and rectified as soon as it was discovered. This was a mistake made by an individual supervisor. The case has been taken into account in the management training materials.
412 Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	Corporate responsibility and compliance risks are assessed as part of the Group's risk management process.
412-2	Employee training on human rights policies or procedures	Employee Code of Conduct training is mandatory for all employees. As of December 31, 2019, 70% of the Group's employees had completed the training.
414 Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	Posti has a Sourcing Portal that is mandatory for all suppliers. Registration on the Sourcing Portal is a precondition for being approved as a Posti supplier. When registering on the portal, the supplier agrees to comply with Posti's Supplier Code of Conduct and provides the requested information regarding its quality and environmental management systems. In 2019, the company conducted 20 sustainability audits for domestic partner companies. In addition, a self-assessment questionnaire was conducted online for existing contract suppliers, where Posti obtained additional information, for example on supplier responsibility.

415	Public Policy	
415-1	Political contributions	Posti Group does not make political contributions to individuals or parties.
416	Customer Health and Safety	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No significant incidents of non-compliance with regulations and principles during the reporting period.
417	Marketing and Labeling	
417-3	Incidents of non-compliance concerning marketing communications	No significant incidents of non-compliance with regulations and principles during the reporting period.
418	Customer Privacy	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Posti has not received any privacy related complaints from regulatory bodies in 2019. There were 56 registered and investigated cases related to data protection. The number of cases concerning breaches of customer privacy reported to the data protection authorities was 14.

Reporting principles

This report has been prepared in accordance with the GRI Standards: Core option*. Aspect-specific standards have been reported for Posti's material aspects of economic, social and environmental responsibility. This is the company's second report prepared in accordance with the GRI standards. A summary of the comparison between the report contents and the reporting guidelines is presented in the GRI content index.

The Transval acquisition has been taken into account in the calculation of performance indicators for all aspects in 2019. Due to the change in the calculation boundary, the figures for 2019 are not directly comparable with the figures for 2018. The company's figures concerning greenhouse gas emissions and LTA1 have been verified by a third party. The verification statement is presented as part of [Posti's Sustainability Report 2019 \[linkki\]](#).

Reporting boundary

Posti's sustainability aspects, environmental indicators and HR indicators are reported annually for the same period as the financial figures (January 1–December 31). Unless otherwise mentioned in context, the reporting covers all operations of the parent company and subsidiaries in all countries of operation. The coverage of the indicators is reported in connection with the indicators.

The data and key indicators pertaining to financial responsibility are taken from the consolidated financial statements. Posti's financial reports follow the International Financial Reporting Standards. Year 2018 figures have been

restated for continuing operations, as OpusCapita Solutions Oy was divested in 2019 first quarter and presented as discontinued operations.**

For figures related to personnel, the key indicators have been calculated in accordance with the Accounting Standards Board's general guidelines on annual reports.

Reporting of environmental information and emissions

The indicators for environmental responsibility cover the Group's operations with the most significant environmental impacts in all of its countries of operation. The environmental impacts of transport subcontracting are taken into account with regard to Finland, Russia and the Baltic countries. The environmental accounting applies the WBCSD (World Business Council for Sustainable Development) Greenhouse Gas (GHG) Protocol and the GHG Inventory Standard for the Postal Sector protocol, which includes more detailed instructions for the postal industry.

We report the direct and indirect (Scope 1 and 2) greenhouse gas emissions caused by our operations in accordance with the GHG Protocol. Scope 1: greenhouse gas emissions arising from the consumption of fuel by vehicles owned or controlled by Posti and the consumption of fuel used in the heating of properties owned or controlled by Posti. Scope 2: greenhouse gas emissions arising from the production of electricity purchased by Posti and district heating consumed at properties owned or controlled by Posti. For other indirect emissions (Scope 3), Posti reports

on emissions arising from business travel (category 7) and subcontracted transport operations (category 9). The figure for business travel also includes cargo flights. The calculations cover all seven greenhouse gases defined in the GHG Protocol: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFC), perfluorocarbons (PCF), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).

For the year 2020, the -30% emissions reduction target applies to the Group's operations in Finland and the reference year is 2007, when the absolute emissions (Scope 1–2 and Scope 3 as mentioned above) totaled 211,289 tCO₂e for Finland.

The magnitude of the Group's absolute greenhouse gas emissions (Scope 1–2, Scope 3) changed by 202,493 tCO₂e from the figure provided in the Board of Directors' report of February 11, 2020, following an adjustment to the calculations. The corrected emissions figure presented in the Sustainability Report is 204,298 tCO₂e.

The sources for the emission factors used in the calculation are provided in [this table](#)

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KPI data: People

Personnel per country on December 31, 2019

	2019	2018	2017	2016
Finland	18,307	15,676	16,595	16,052
Russia	1,355	1,873	2,493	2,553
Poland	65	108	128	620
Sweden	87	142	147	229
Estonia	424	408	337	378
Norway	22	36	38	144
Denmark	0	0	0	0
Latvia	110	95	81	94
Lithuania	98	93	92	278
Germany	0	89	100	146
Other (USA)	0	2	3	3
	20,468	18,522	20,014	20,497

Employee leaving rate in Finland

Permanent employments, Finland*	permanen employments	Leaving rate, Finland	Leaving rate
Females	36%	Females	16.5%
under 25 years	5%	under 25 years	35.1%
25-34 years	17%	25-34 years	19.2%
35-44 years	23%	35-44 years	15.8%
45-54 years	27%	45-54 years	12.7%
55 years or older	28%	55 years or older	15.2%
Males	64%	Males	16.7%
under 25 years	4%	under 25 years	54.9%
25-34 years	18%	25-34 years	29.2%
35-44 years	22%	35-44 years	17.3%
45-54 years	28%	45-54 years	7.4%
55 years or older	28%	55 years or older	11.9%
		Total	16.5%

*Total leaving rate 16.5 % without seasonal employees

Sickness related absences, accidents and retirement, Finland

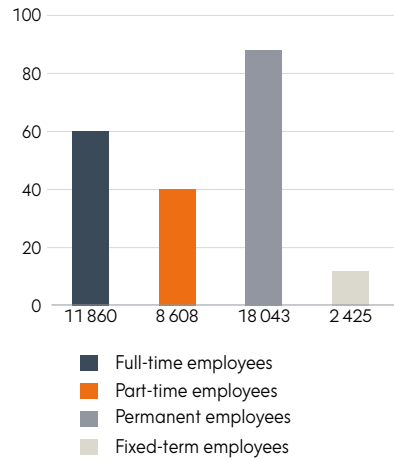
	2019*	2018	2017	2016	2015
Sickness related absences (%)	6.3	5.8	5.9	6.6	6.2
Lost time accidents (number)	1,047	899	1,145	982	1,046
Accident frequency, LTA1	44	43	46	43	43
Disability pensions	87	63	55	77	68
Part-time disability pensions	72	82	55	80	80
Total disability pensions	159	145	110	157	148
Average age for retiring on disability pension	58.8	57.6	55.4	56.2	56
Average retirement age	62.6	62.1	61.3	61.4	62.5
Retired	308	271	269	281	320

*Figures from 2019 are including the acquisition of Transval and are therefore not directly comparable with the previous year.

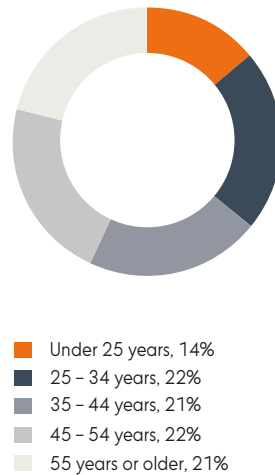
Posti monitors the frequency of occupational accidents that lead to absences by using the LTA1 indicator (occupational accidents per million working hours). The LTA1 of Finnish operations was 44 (43). The corresponding figure for the Group as a whole was 39 (37). The Group's accident frequency indicator for the comparison year 2018 was restated from 32 to 37 due to an adjustment to the calculation method. The changes are primarily attributable to a change in the calculation boundary following the Transval acquisition, which means the figures are not directly comparable with the previous year. The figures include occupational accidents that occurred during working hours and led to an absence of at least one day. The figures do not include accidents suffered by partners or leased employees.

KPI data: People

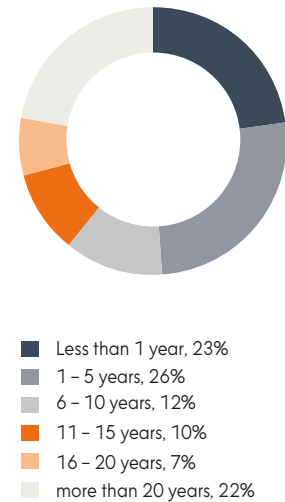
Breakdown of employment contracts,
group, %



Age distribution of personnel,
group, %



Length of employees' career,
group, %



Number of women and men in leadership roles



KPI data: Environment

302 1-2: Energy consumption within and outside of the organization

Terajoules (TJ)	2019	2018	2017	2016	2015	2014
DIRECT ENERGY CONSUMPTION						
Renewable						
Biogas	1	1	2	2	1	4
Non-renewable – facilities and own vehicles						
Natural gas	115	194	139	157	158	267
Fuel oil	1	0	0	0	0	1
Other heating fuels		2				
Traffic fuel	872	714	786	766	730	778
INDIRECT ENERGY CONSUMPTION						
Renewable						
Electricity, Finland	266	104	292	306	313	337
Non-renewable						
Electricity, other countries	86	126	167	187	204	207
Electricity, Finland	6	178				
District heating	205	196	244	271	278	324
Traffic fuel – outsourced, Finland	1,019	949	1,121	804	805	913

306-2: Waste by type and disposal method, Finland

Properties included in waste management agreement, tons*	2019	2018	2017
Recycle and reuse	9,827	9,133	8,272
Other recover	4,640	4,529	4,180
Incineration	516	494	484
Final disposal	123	55	65
Hazardous waste	457		1,043
Recycle and reuse	401	355	943
Final disposal	56	107	100
Total	15,106	14,674	14,044
Recovery rate, %	99 %	99 %	99 %
Recycling rate, %	65 %	67 %	

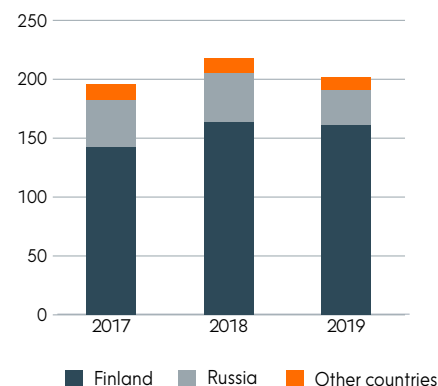
* Excluding properties where waste management is included in the rent.

KPI data: Environment

305 1-3: The Group's GHG Emissions (Scope 1,2 and 3)

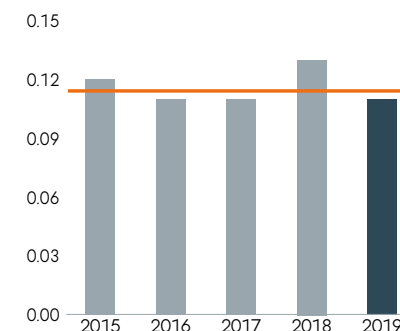
Tonnes, CO ₂ e	2019***	2018
Scope 1 - Direct		
Finland		
Logistics**	53,010	48,328
Self-produced heat	1,407	1,638
Other operating countries		
Logistics**	2,057	1,766
Self-produced heat	5,205	9,330
Scope 1 - Direct Total	61,679	61,062
Scope 2 - Indirect		
Finland		
Purchased electricity (market based)	491	17,491
Purchased electricity (location based)*	11,938	
Purchased district heat (location based)	9,711	8,221
Other operating countries		
Purchased electricity (location based)	9,901	8,697
Purchased district heat (location based)	1,816	7,948
Scope 2 - Indirect (market based) Total	21,919	42,357
Scope 2 - Indirect (location based) Total	33,366	
Scope 3 - Other indirect emissions		
Finland		
Scope 3 emissions total**	96,769	87,767
Other operating countries		
Scope 3 emissions total**	23,931	26,261
Scope 3 - Other indirect emissions Total	120,700	114,028
Scope 1, 2 and 3 totals	161,388	163,445
Finland (Scope 1, 2 and 3) total	42,910	54,003
Other operating countries (Scope 1, 2 and 3) total	204,298	217,448

Carbon dioxide emissions, 1,000 tn



*Emission figure for Finland in 2019 include the acquisition of Transval and are therefore not directly comparable with the result from 2018.

Carbon dioxide emissions relative to net sales in Finland, kg/EUR



Target at -30% by 2020 (compared to 2007)

Absolute CO₂ emissions have decreased by over 49,900 metric tons of carbon dioxide equivalent (23.6 %) from year 2007 to 2019.

* Following the GHG Protocol standard, the location-based emission figure for electricity consumption in Finland has been reported. The marketbased figure is used for the emissions totals.

** Biogenic emissions Scope 1: 2050 (2100) tons, CO₂e. Scope 3: 3 413 (3147) tons, CO₂e.

*** Emission figures for 2019 include the acquisition of Transval and are therefore not directly comparable with the figures from 2018.

Independent Assurance Report to the Management of Posti Group

This document is an English translation of the Finnish report

We were engaged by the Management of Posti Group (hereafter "Posti") to provide limited assurance on Posti's accident frequency and greenhouse gas emissions data presented in Posti's Sustainability Report 2019 for the year ended Dec 31, 2019 (hereafter "Sustainability Information"). The Sustainability Information subject to assurance consists of the following indicators:

- Accident frequency indicators presented in the "KPI Data: People" section of the Sustainability report: "LTA1" (Group, Finland)
- Greenhouse gas emission indicators presented in the "KPI Data: Environment" section of the Sustainability report: "305 1-3: The Group's GHG Emissions (Scope 1, 2 and 3)" (Group, Finland, Other countries).

Management's responsibilities

The Management of Posti is responsible for the preparation and presentation of the Sustainability Information in accordance with the reporting criteria, i.e. *GRI Sustainability Reporting Standards*, and the information and assertions contained within it; for determining Posti's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining

appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement on Sustainability Information in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, and on greenhouse gas emissions data within Sustainability Information in accordance with the International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board IAASB. These Standards require that we plan and perform the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Control ISQC 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.

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 IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Procedures performed

A limited assurance engagement on Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Sustainability Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included for example:

- Interviews with relevant staff responsible for providing the information in the Sustainability Information;
- An assessment of the Sustainability Information's conformity with the principles of the *GRI Sustainability Reporting Standards* for defining content and reporting quality;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the presented Sustainability Information, and a review of related internal documents;

- Testing of Sustainability Information accuracy and completeness through samples from information systems and original numerical information;
- A site visit conducted to one of Posti's sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore, fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in accordance with the reporting criteria *GRI Sustainability Reporting Standards*.

Helsinki, 12 March 2020

KPMG OY AB

Tomas Otterström

Partner, Advisory

posti