



eco cttt

04

Performance



- 4.1 Financial Capital
- 4.2 Human Capital
- 4.3 Intellectual Capital
- 4.4 Social Capital
- 4.5 Natural Capital

A future in sustainability

4. PERFORMANCE

4.1 Financial Capital

Revenues

GRI 201-1

CTT's **consolidated revenues**⁶⁰ grew in 2021 as a result of the business transformation process, with less reliance on traditional mail and greater focus on growing businesses such as Express & Parcels, Banco CTT and Business Solutions. In 2021, CTT consolidated its Iberian presence, investing in the expansion and coverage of its Express & Parcels network and benefiting from the growth of this business in Portugal and Spain.

Revenues grew by 13.8% in 2021 to €847.9m, up by €102.6m compared to 2020, reflecting the notable performance of (i) Express & Parcels, which grew €62.7m (+32.5% y.o.y), followed by (ii) Mail & other with +€18.3m (+4.3% y.o.y), (iii) Banco CTT with +€16.8m (+20.4% y.o.y) and (iv) Financial Services & Retail with +€4.8m (+11.0% y.o.y). It should be noted that all business areas of CTT posted growth in 2021.

Revenues

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
Revenues	745.2	847.9	102.6	13.8%	211.0	235.0	24.0	11.4%
Mail & other	426.1	444.4	18.3	4.3%	115.3	125.5	10.2	8.8%
Mail	422.9	440.3	17.4	4.1%	114.2	123.6	9.4	8.3%
Central Structure	3.2	4.1	1.0	29.9%	1.2	2.0	0.8	63.9%
Express & Parcels	193.0	255.7	62.7	32.5%	61.5	69.3	7.9	12.8%
Banco CTT	82.1	98.9	16.8	20.4%	22.4	26.8	4.4	19.7%
Financial Services & Retail	44.0	48.9	4.8	11.0%	11.8	13.3	1.5	13.1%

€ million

⁶⁰ Excluding specific items.

Operating Costs

Operating costs totalled €786.0m in 2021, a growth of €75.3m (+10.6% y.o.y) over 2020.

Operating Costs

€ million

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
Staff costs	338.6	346.9	8.2	2.4%	88.0	87.6	-0.4	-0.5%
ES&S	254.1	327.4	73.3	28.8%	73.9	92.3	18.4	24.9%
Impairments & provisions	15.3	11.4	-3.9	-25.5%	2.1	2.6	0.5	24.2%
Other costs	33.6	44.1	10.6	31.4%	8.8	17.3	8.5	97.5%
Operating costs (EBITDA)⁶¹	641.6	729.8	88.2	13.7%	172.8	199.8	27.0	15.7%
Depreciation & amortization	62.1	58.0	-4.1	-6.6%	16.1	14.8	-1.3	-8.0%
Specific items	7.0	-1.8	-8.8	-125.5%	4.9	4.0	-0.9	-18.4%
Corporate restructuring costs and strategic projects	4.2	12.7	8.5	»	2.7	2.9	0.2	6.0%
Other non-recurring revenues and costs	2.8	-14.5	-17.2	«	2.2	1.2	-1.1	-48.0%
Operating costs	710.7	786.0	75.3	10.6%	193.7	218.6	24.9	12.8%

Staff costs increased by €8.2m (+2.4% y.o.y) in 2021, essentially in the growth business areas, in particular in Banco CTT (+€3.4m y.o.y) – due to increased commercial activity and team reinforcement in the wake of the partnership with Sonae Financial Services - and in Express & Parcels (+€3.3m y.o.y), primarily due to activity growth in Spain. In the Financial Services & Retail business unit staff costs decreased €0.8m. In Mail & other these costs grew €2.2m y.o.y, due to the acquisition of NewSpring Services (+€3.9m). Excluding this change in the consolidation perimeter, these costs would have declined by €1.6m, as a result of the measures taken to increase productivity and the focus on operating efficiency.

External supplies & services costs increased by €73.3m (+28.8% y.o.y) in 2021, mostly due to the increased Express & Parcels activity in Iberia and the commercial boost, with emphasis on: direct and commercial costs (+€57.8m), physical and technological resources (+€7.7m), temporary work (+€5.9m) and uniforms (+€0.5m). Excluding the effect of NewSpring Services (+€2.8m), the growth in external supplies & services costs would have been €70.4m (+27.7% y.o.y).

Impairments and provisions decreased by €3.9m in 2021 (-25.5% y.o.y), as a result of the changes in the credit risk matrices and the improvement of the economic situation, given that the same period of the previous year was strongly impacted by the pandemic and uncertainty, mainly at the level of auto loans. In 4Q21, impairments and provisions were negatively impacted by the growth in the Universo card consumer credit portfolio, which requires the initial recognition of estimated impairments related to the estimated duration of the credit.

Other costs grew by €10.6m (+31.4% y.o.y), mainly in the Mail & other business unit (+€4.4m) due to the growth of business solutions (+€5.0m y.o.y in connection with the laptop sale project referred to above) and printing & finishing, and in Financial Services & Retail business unit (+€4.8m), the latter due to the growth of “scratch card” sales.

Depreciation & amortization posted a decrease of €4.1m in 2021 (-6.6% y.o.y), positively impacted by the revision of the useful life of some assets (-€6.8m) and partially offset by new building lease contracts which impacted amortization (+€1.9m), due to the IFRS 16 accounting standard.

⁶¹ In 2021 and in 2020 (proforma), operating costs (EBITDA) include impairments and provisions; also, the impact of the leases covered by IFRS 16 is presented pursuant to this standard

Specific items amounted to -€1.8m, due to: (i) a capital gain of €17.8m booked in connection with the sale of public debt securities to optimize Banco CTT's balance sheet against a backdrop of the rollout of the partnership with Sonae; (ii) a net capital gain of €1.0m booked essentially in connection with the sale of real estate; (iii) restructuring costs of €11.1m, of which €10.6m correspond to suspension agreements of employment contracts, (iv) an impairment loss of €1.4m related with the initial IFRS 9 adjustment with the acquisition of the credit stock of Cartão Universo, (v) recording of an impairment for a €2.2m investment in the entity Mktplace, and (vi) €2.3m of other costs related to the COVID-19 pandemic and one-off projects.

EBIT and Net Profit

In 2021, **recurring EBIT** stood at €60.1m, growing by €18.6m (+44.8% y.o.y) compared to 2020, with a margin of 7.1% (5.6% in 2020). Note that all business units contributed favourably to recurring EBIT growth.

This performance was mainly due to the strong recurring EBIT growth of €12.2m in Express & Parcels and €3.4m (+70.0%) in Banco CTT. The contribution of Mail & other was €1.7m (+10.6% y.o.y) and Financial Services & Retail €1.3m (+6.4% y.o.y).

Despite this growth, the international inbound mail revenue loss resulting from the elimination of VAT exemption on mail items below €22 ("*de minimis*"), as of 1 July 2021, strongly impacted the recurring EBIT of 2H21.

Recurring EBIT by business unit

	€ million							
	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
EBIT by business unit	41.5	60.1	18.6	44.8%	22.1	20.4	-1.8	-7.9%
Mail & Other	16.0	17.7	1.7	10.6%	9.7	7.9	-1.7	-18.0%
Mail	70.1	65.0	-5.1	-7.2%	21.6	17.4	-4.2	-19.4%
Central structure	- 54.1	- 47.3	6.8	12.5%	- 12.0	- 9.5	2.5	20.5%
Express & Parcels	0.2	12.4	12.2	»	3.9	5.4	1.5	38.4%
Banco CTT	4.8	8.2	3.4	70.0%	4.4	2.4	-1.9	-44.6%
Financial Services & Retail	20.5	21.8	1.3	6.4%	4.3	4.7	0.4	10.5%

The **consolidated financial results** amounted to -€11.1m in 2021, corresponding to an improvement of €0.3m (+2.8% y.o.y).

Financial Results

	€ million							
	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
Financial results	-11.4	-11.1	0.3	2.8%	-3.0	-3.0	-0.0	-0.5%
Financial income, net	-9.6	-8.5	1.1	11.8%	-2.3	-2.1	0.2	8.8%
Financial costs and losses	-9.7	-8.5	1.1	11.7%	-2.4	-2.1	0.2	8.7%
Financial income	0.0	0.0	0.0	26.4%	0.0	0.0	0.0	10.3%
Gains/losses in subsidiaries, associated companies and joint ventures	-1.7	-2.6	-0.8	-46.9%	-0.7	-0.9	-0.2	-33.4%

Financial costs and losses incurred amounted to €8.5m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €3.6m, interest expense associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €3.1m and interest expense on bank loans for an amount of €1.7m.

In 2021, CTT obtained a **consolidated net profit** attributable to equity holders of €38.4m, which is €21.7m above 2020, positively impacted by the evolution of EBIT (+€27.4m) and financial results (+€0.3m), and negatively by the corporate income tax for the period (+€5.9m).

Investment

Capex stood at €36.1m in 2021, corresponding to 8.1% more (+€2.7m) than in 2020.

The Company maintained the focus of investment on the fastest growing business unit where the transformation of its business model is being streamlined, i.e. the Express & Parcels (+€3.8m), thus ensuring increase in capacity and optimization of its processes.

Investment decreased in the remaining business units (-€1.1m), particularly in Banco CTT's information systems, given the high investment made in previous years.

To be noted is the investment of €2.9m relative to the adaptations made to information systems, postal equipment and new facilities in order to accommodate the new model for customs clearance of extra-EU items in response to changes in the VAT regulation for e-commerce, which entered into force on 01.07.2021 across the EU.

Cash flow

In 2021, the Company generated an operating **cash flow** of €61.8m, corresponding to €18.8m more than in 2020.

Cash flow								
€ million								
	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
EBITDA	103.6	118.1	14.5	14.0%	38.2	35.2	-3.0	-8.0%
Non-cash items*	-13.1	-18.9	-5.8	-44.3%	-5.4	-5.1	0.3	6.1%
Specific items **	-7.0	1.8	8.8	125.5%	-4.9	-4.0	0.9	18.4%
Capex	-33.4	-36.1	-2.7	-8.1%	-15.2	-14.7	0.5	3.5%
Δ Working capital	-7.2	-3.0	4.1	57.6%	14.2	-1.1	-15.2	-107.4%
Operating cash flow	42.9	61.8	18.8	43.9%	26.9	10.4	-16.5	-61.3%
Employee benefits	-12.1	-12.8	-0.7	-5.8%	-3.8	-3.3	0.6	14.5%
Tax	-9.0	-3.6	5.3	59.6%	-1.1	-1.2	-0.2	-15.2%
Free cash flow	21.8	45.3	23.5	107.5%	22.0	5.9	-16.1	-73.2%
Debt (principal + interest)	-1.5	-10.8	-9.2	<<	-0.6	-0.6	-0.0	-4.8%
Dividends	0.0	-12.8	-12.8	-	0.0	0.0	0.0	-
Acquisition of own shares	0.0	-6.4	-6.4	-	0.0	0.0	0.0	-
Disposal of buildings	0.0	2.2	2.2	-	0.0	0.0	0.0	-
Financial investments	-0.3	-15.7	-15.4	«	-0.6	-0.7	-0.1	-10.6%
Change in adjusted organic cash	20.0	1.9	-18.1	-90.4%	20.8	4.6	-16.2	-77.9%
Inorganic cash - NewSpring	0.0	4.9	4.9	-	0.0	0.0	0.0	
Change in adjusted cash	20.0	6.8	-13.2	-65.9%	20.8	4.6	-16.2	-77.9%
Δ Liabilities related to Financial Serv. & others and Banco CTT, net ⁶²	63.9	351.3	287.4	>>	112.8	-59.1	-172.0	<<
Δ Other ⁶³	-8.8	1.6	10.3	117.8%	-1.0	-0.6	0.5	45.7%
Net change in cash	75.2	359.7	284.5	>>	132.6	-55.1	-187.7	-141.6%

*Impairments, Provisions and IFRS 16 affecting EBITDA.

**Specific items affecting EBITDA.

The positive evolution of the operating cash flow in 2021 resulted mainly from the positive performance of EBITDA, a level of investment equivalent to that of the previous year, as well as a positive evolution of the change in working capital (+€4.1m). This is largely explained by the lower level of investment in 4Q20 vis-à-vis the same period of 2019, which positively impacted the working capital related to investment in 2021.

⁶² The change in net liabilities of Financial Services and Banco CTT reflects the evolution of credit balances with third parties, depositors or other banking financial liabilities, net of the amounts invested in credit or investments in securities/banking financial assets, of entities of the CTT Group providing financial services, namely the financial services of CTT, Payshop, Banco CTT and 321 Crédito.

⁶³ The change in other cash items reflects the evolution of Banco CTT's sight deposits at Banco de Portugal, outstanding cheques/ clearing of Banco CTT cheques, and impairment of sight and term deposits and bank applications.

Consolidated Balance Sheet

Consolidated Balance Sheet

	31.12.2020	31.12.2021	€ million	
			Δ	Δ%
Non-current assets	1,984.3	1,970.3	-14.0	-0.7%
Current assets	910.6	1,614.9	704.3	77.3%
Assets	2,894.9	3,585.2	690.3	23.8%
Equity	150.3	174.5	24.3	16.2%
Liabilities	2,744.6	3,410.7	666.0	24.3%
Non-current liabilities	493.4	705.3	211.9	42.9%
Current liabilities	2,251.2	2,705.4	454.1	20.2%
Equity and consolidated liabilities	2,894.9	3,585.2	690.3	23.8%

The key aspects of the comparison between the **balance sheet** as of 31.12.2021 and that as of 31.12.2020 are as follows:

- **Assets** grew by €690.3m, mostly due to the strong growth in credit to banking clients (+€448.6m) especially auto loans and credit cards, cash & cash equivalents (+€359.7m), following the strong increase in clients' deposits at Banco CTT and the securitization operation carried out by 321 Crédito. The growth was also due to investments in assets at fair value through profit or loss (+€25.0m) as a result of the investment in participation units of a real estate investment fund (REIT) and other assets (+€35.8m) was offset by the decrease in the captions investments in securities (-€177.5m) resulting from the disposal of securities portfolios.
- **Equity** increased by €24.3m due to the recognition of a net profit attributable to the CTT Group equity holders in 2021 corresponding to €38.4m, the increase in reserves as a result of the constitution of the reserve associated with the share plan (€1.2m) and the increase in other changes in equity (€3.6m) following the update in liabilities related to employee benefits. In the opposite direction, there was the distribution of dividends amounting to €12.8m and the acquisition of own shares in the amount of €6.4m.
- **Liabilities** increased by €666.0m, underpinned by the increase in banking clients' deposits and other loans (+€433.0m), and in other banking financial liabilities (+€238.8m) arising from the securitization operation carried out by 321 Crédito. Conversely, there was a decrease in items such as bank loans (-€5.7m), mostly as a result of the payment of the first tranche of the BBVA/Bankinter loan.

The CTT Group consolidated balance sheet excluding Banco CTT from the full consolidation perimeter and accounting it as a financial investment measured by the equity method would be as follows:

Consolidated Balance Sheet with Banco CTT under equity method

	31.12.2020	31.12.2021	Δ	Δ%
				€ million
Non-current assets	638.8	680.2	41.4	6.5%
Current assets	484.0	454.9	-29.2	-6.0%
Assets	1,122.8	1,135.0	12.2	1.1%
Equity	150.3	173.9	23.5	15.7%
Liabilities	972.5	961.1	-11.4	-1.2%
Non-current liabilities	444.0	422.5	-21.5	-4.8%
Current liabilities	528.5	538.6	10.1	1.9%
Equity and consolidated liabilities	1,122.8	1,135.0	12.2	1.1%

The **liabilities related to employee benefits** (post-employment and long-term benefits) stood at €283.1m in December 2021, corresponding to €0.1m above December 2020, broken down as specified in the table below:

Liabilities related to employee benefits

	31.12.2020	31.12.2021	Δ	Δ%
				€ million
Total liabilities	283.0	283.1	0.1	0.0%
Healthcare	271.2	263.5	-7.6	-2.8%
Healthcare (321 Crédito)	1.4	1.5	0.0	2.5%
Suspension agreements	2.8	9.5	6.7	244.6%
Other long-term employee benefits	6.9	6.5	-0.4	-5.6%
Other long-term benefits (321 Crédito)	0.2	0.2	-0.0	-5.8%
Pension plan	0.3	0.3	-0.1	-17.4%
Other benefits	0.2	1.6	1.4	»
Deferred tax assets	-79.3	-78.6	0.7	0.9%
Current amount of after-tax liabilities	203.7	204.5	0.8	0.4%

These liabilities related to employee benefits are associated with deferred tax assets amounting to €78.6m, which brings the current amount of liabilities related to employee benefits net of deferred tax assets associated with them to €204.5m.

Consolidated net debt

Consolidated net debt

	31.12.2020	31.12.2021	Δ	Δ%
Net debt	71.4	58.9	-12.6	-17.6%
ST & LT debt	206.9	201.1	-5.7	-2.8%
of which Finance leases (IFRS16)	115.2	115.3	0.1	0.1%
Adjusted cash (I+II)	135.4	142.3	6.8	5.1%
Cash & cash equivalents	518.2	877.9	359.7	69.4%
Cash & cash equivalents at the end of the period (I)	498.8	857.0	358.1	71.8%
Other cash items	19.4	20.9	1.6	8.1%
Other Financial Services liabilities, net (II)	-363.4	-714.7	-351.3	-96.7%

€ million

The key aspects of the comparison between the **consolidated net debt** as of 31.12.2021 and that as of 31.12.2020 are as follows:

- **Adjusted cash** increased by €6.8m, as the positive performance of the operating cash flow (+€61.8m) more than offset the payment of employee benefits (-€12.8m), debt service (-€10.8m), the payment of dividends (-€12.8m), the acquisition of own shares (-€6.4m) and financial investments for an amount of €15.7m.
- **Short-term & long-term debt** decreased by €5.7m, mainly due to the reduction in short-term bank loans of CTT (-€5.8m) in the context of the scheduled amortization.

CTT Group net debt excluding Banco CTT from the full consolidation perimeter and accounting it as a financial investment measured by the equity method would be as follows:

Consolidated net debt with Banco CTT under equity method

	31.12.2020	31.12.2021	Δ	Δ%
Net debt with Banco CTT under equity method	153.9	182.4	28.5	18.5%
ST & LT debt	204.7	198.5	-6.2	-3.0%
of which Finance leases (IFRS16)	113.0	112.6	-0.4	-0.3%
Adjusted cash (I+II)	50.8	16.1	-34.7	-68.3%
Cash & cash equivalents	286.4	215.2	-71.3	-24.9%
Cash & cash equivalents at the end of the period (I)	286.5	215.2	-71.3	-24.9%
Other cash items	-0.0	-0.0	-0.0	-43.6%
Other Financial Services liabilities, net (II)	-235.7	-199.1	36.6	15.5%

€ million

Economic value

GRI 201-1

The Company distributed over 358 million euros in wages and benefits (an increase of 4.5% compared to the previous year) and is an important taxpayer and directly invests in the community.

Direct economic value generated and distributed by CTT

€ thousand	2020	2021	Δ 2021/2020
Direct economic value generated	743,519	845,338	13.7%
Revenues	743,519	845,338	13.7%
Direct economic value distributed	726,752	819,497	12.8%
Operating costs	364,641	424,465	16.4%
Wages and Employee benefits	342,488	358,013	4.5%
Payments to providers of capital	9,660	21,282	120.3%
Payments to the Government	9,080	15,197	67.4%
Community investments	883	539	-39.0%
Accumulated economic value	16,767	25,841	54.1%

4.2 Human Capital

People management is guided by the following priorities: to conceive, develop and implement the strategy and respective development policies of CTT People, that enable the promotion of skills, reward performance and streamline the organisation, as well as maintain a good social and welfare environment. Thus, we intend to promote the improvement of the employees' experience, continuously investing in health, training and qualification, optimising and adapting CTT People, always aware of the evolution and challenges of the market and customers.

4.2.1 Characterization of human capital

GRI 102-7, 102-8, GRI 401-1, 401-3, 403-9

As at 31 December 2021⁶⁴, the CTT headcount (permanent and fixed-term staff) consisted of 12,608 employees, corresponding to 374 more (+3.1%) than a 31 December 2020. These figures include the inorganic effect of NewSpring Services and HCCM, with an impact of +770 workers. Without this effect, the number of employees would be 11,838, down 396 (-3.2%) compared to 2020.

Headcount

	31.12.2020	31.12.2021	Δ 2021/2020	
Mail & other ⁶⁵	10,445	10,866	421	4.0%
Express & Parcels ⁶⁶	1,319	1,258	-61.0	-4.6%
Banco CTT ⁶⁷	435	455	20	4.6%
Financial Services & Retail	35	29	-6	-17.1%
Total, of which:	12,234	12,608	374	3.1%
Permanent	10,767	11,283	516	4.8%
Fixed-term contracts	1,467	1,325	-142	-9.7%
Portugal	11,671	12,015	344	2.9%
Other geographies	563	593	30	5.3%

Excluding the inorganic effect, there was a decrease in the number of employees in almost all business units, with a special focus on the Mail business unit and Others (-346), largely due to the ongoing projects to increase the productivity of operations, which have adapted the network to the new profile of the mail flows and reduced the need for additional hiring, as well as the HR optimisation programme

⁶⁴ For further information, see Table – Employees in Annex III.

⁶⁵ Includes NewSpring Services and HCCM.

⁶⁶ CTT Expresso, Corre and CTT Express (Spain).

⁶⁷ Includes Payshop and 321 Crédito.

underway mainly in the central structure, which resulted in 97 suspension agreements of employment contracts so far and is envisaged to accommodate 38 more.

The number of departures and entries was 2,194 and 3,728 respectively, and the turnover rate was 18.5%. The overall absenteeism rate stabilised, with a trend towards a slight decrease, both in CTT, S.A., where the calculated rate was 8.7% (-0.1 p.p. than in 2020), and in the CTT Group, where the rate decreased to 8.1% (-0.2 p.p.). The reasons that most contributed to absences were: illness (5.89%), accidents (0.73%), union activity (0.44%) and parenthood (0.38%). It should be noted that the rate of absenteeism, excluding maternity/paternity, was 7.6%. The absenteeism rate calculated in accordance with GRI guidelines (which excludes absences due to maternity/paternity, bereavement or study hours) is 6.9%. The rate of return to work after parental leave was 95.7%.

4.2.2 Remuneration

GRI 102-36, 102-37, 102-41, GRI 405-2

Following the signature of the first Company Agreement, on 25 November 2020, between the company CTT Espresso and 6 union associations, on 3 January 2021 this agreement came into force which represented the beginning of a new stage with people management policies aligned with the new strategy for People and Culture. It is intended that it contributes to the full development of the Company's activity, its affirmation as a leader in the market in which it operates, both in the economic and social dimension, and to a better service experience among its customers.

Still regarding CTT Espresso, a start was made to the salary revision process, with the parties having signed the corresponding agreement on 12 March. Associated with this agreement was the commitment of the company to hire 70 employees to the permanent staff in 2020, and the final number of admissions was reached and exceeded.

As regards CTT S.A., the year 2021 marked the signing of the Salary Revision Agreement of the CTT Company Agreement, on 7 May. Associated with this Agreement was the commitment to hire 130 permanent staff (the final number of admissions was also reached and exceeded), the willingness to establish talks with the trade unions in order to identify their main concerns regarding some operational allowances, as well as to start the discussion on the current career model for non-executive staff.

Ratios and remunerations, by gender and professional category

Professional category	Average female salary (€)	Average male salary (€)	F/M Ratio
Senior personnel	1 964,37 €	2 444,44 €	0.80
Middle management	1 259,23 €	1 336,28 €	0.94
Counter service	1 075,01 €	1 141,56 €	0.94
Delivery	844,63 €	922,71 €	0.92
Other groups	844,19 €	969,55 €	0.87
Total	1 114,89 €	1 111,70 €	1.00

4.2.3 Career development and talent management

GRI 404-2, 404-3

The Company Agreement establishes the objective and professional content for each qualification level and professional category. The criteria for career progression and professional evolution are also defined, based on the principles of recognition, merit and performance, acquisition and increase of skills, with emphasis of each employee's dedication, effort towards development and contribution to the value chain.

The CTT People management strategy aims to improve the experience of the employee, his/her level of satisfaction, his/her involvement in the organisation, the sense of belonging and pride in the brand, in order to increase everyone's commitment, making each employee an ambassador of the CTT brand, consequently improving customer experience.

In order to improve the worker's experience, several projects were implemented and continued this year, with emphasis on the employee support line, called CTT TOU HOTLINE, which aims to provide support in the most pressing issues related to COVID-19, but also in all other issues related to human resources, such as attendance, salary processing, performance evaluation, CTT MEDIS health plan, recruitment and mobility, hygiene and safety at work. Employees responded enthusiastically to the challenge.

The 2nd phase of the 'Teleponto' project was concluded, with the automation of subsidies arising from the provision of work. The aim of this phase was to automate the calculation of the salary items arising from the service provision, based on the teleprompter data.

In order to promote everyone's involvement and knowledge about the organisation, the publication of the internal communication newsletter "Somos CTT" (We are CTT) continued, as did the items that aim to make the Company and its employees known, namely a section called "Zoom in", which allows employees to get to know an area/directorate, what is done there and the respective teams, and another section "À Conversa com..." (Chatting with...), whose objective is to make employees and their interests known beyond the position they currently hold and/or their professional path.

More partnerships and protocols were established with companies with benefits for employees and continuity was given to the 'D. Oferta' project, which offers discounts (up to 20%) to CTT employees and pensioners on products purchased in the CTT Retail Network.

Good health and well-being actions were promoted, thinking of all those on the front line, but also of employees working from home, given the conditions imposed by the pandemic.

In order to measure the degree of satisfaction of employees, as to whether CTT is the best Company to work for, as well as the quality of their experience and the impact of policies/actions, the first survey was launched using the Net Promoter Score methodology dedicated to CTT employees.

Believing that conciliation between professional, personal and family life is fundamental for the balance of each one of us and of the organisation, CTT proposed, in this context, to obtain certification as a Family Responsible Entity (EFR - Entidade Familiarmente Responsável), both for CTT, CTT Expresso and CTT Contacto Companies, as well as for Banco CTT and its subsidiaries. The objective is to implement the EFR Management model, in accordance with Standard 1000-1 ed., and to obtain the respective certifications during 2022, by the certifying entity - Fundação Másfamilia.

The performance assessment process is carried out annually, in the year after that of the year to which it refers and covers all the permanent employees with a contract of six months or more who are not in a situation of unpaid leave or suspended contract. The performance management system is based on the

assessment of behaviours and the achievement of objectives, established for the employees, according to the various activities and functional groups, with a view to reinforcing the alignment between the business and performance, the consolidation of the corporate culture and values, and the recognition and differentiation of the contributions. This process involves communication between the senior staff and the employees, including the summing up of the activity and the presentation of the objectives for the new cycle, favouring the identification of training actions and development.

4.2.4 Training

GRI 205-1, GRI 403-5, 404-1

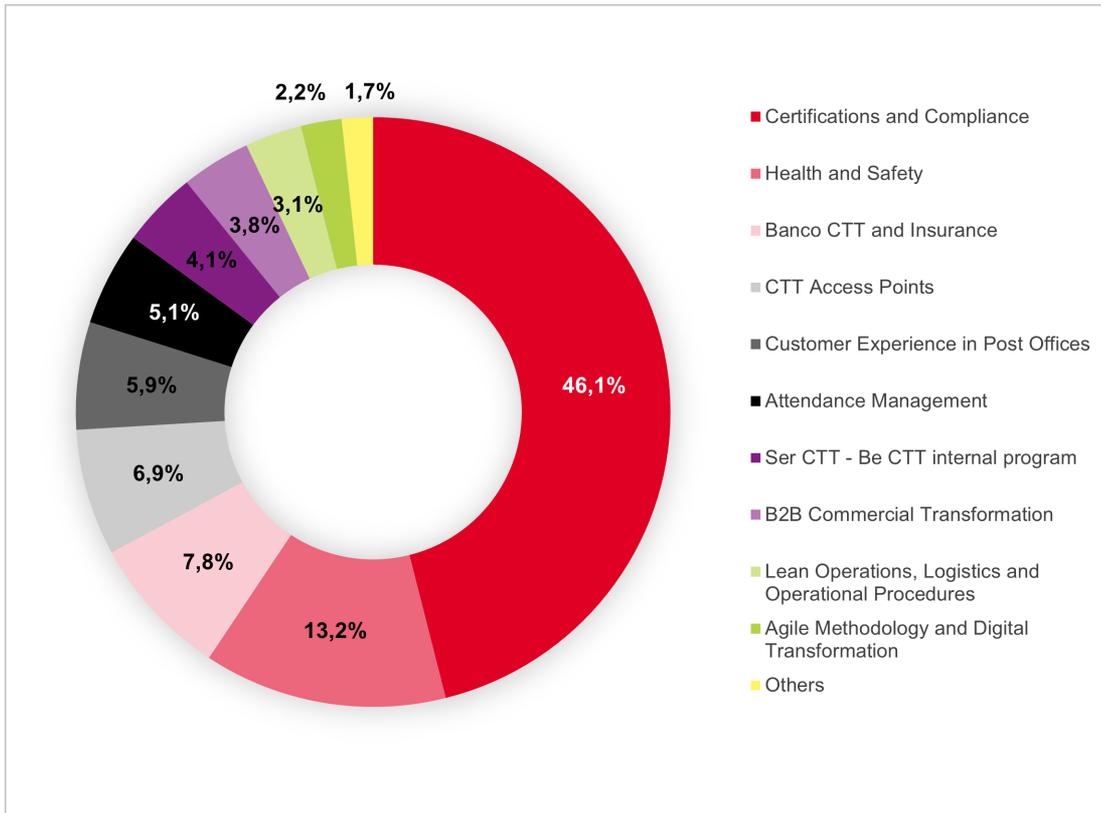
Academia CTT pursued its activity according to the strategic focus on the development of the skills of CTT's employees based on the following methodological approach:

- **Customer Excellence:** Promote the systematic updating of knowledge of CTT's offer and increase the effectiveness of the strategy and processes involved in the sales act, commercial contact, relationship and negotiation, with a view to satisfying customer needs and adding value to the business
- **Operational Excellence:** Develop the skills to deliver what is promised to customers, through knowledge of processes, equipment, systems and the adoption of operating practices that lead to asset efficiency, at the different stages of the operational flow, in regulatory compliance and promoting quality and sustainability
- **Culture and Leadership:** Foster individual commitment, reconnecting people and teams, overcoming limiting beliefs and valuing the purpose in each person's actions, with a view to creating value. In addition to being facilitators of this process, we will seek to ensure that leaders continuously develop the distinctive capacities that allow them to make a difference in transforming challenges into opportunities.

This methodological approach had, as a common vector to all these aspects, the promotion of conduct of total transparency and responsibility, in a healthy working environment, that values people's dignity, contributes to their personal and human development and prevents the practice of less correct acts in the name or on behalf of CTT and Subsidiaries, with negative effects on its reputation and image.

14 programmes incorporating the Strategic Development and Training Plan were developed and the volume of training was distributed as follows:

Training programs



The training provided covered 94% of the population (permanent and fixed-term contract employees), with more than 215 thousand hours of training having been carried out (16% more than the previous year), at an effort rate of 1.1% (7% more than in 2020). We highlight the following actions:

- **Ser CTT (Be CTT)**, in which the use of the Digital Manual and communication with new employees was consolidated, involving around 1,000 participants and more than 8,700 hours.
- **Customer experience in the post offices**, training that touches on the axes of Business and Innovation, with reinforcement in the Buzz project and in the communication and training plan integrated in the commercialisation of financial and retail products and the start of the commercialisation of the B2B offer, which involved more than 6,500 participations and almost 12,500 hours and has already increased the sales results of these products.
- **B2B Commercial Transformation**, a programme aimed at Commercial Managers with a view to maximising value for customers, offering the right services for their business and building customer loyalty through knowledge and optimisation of the service provided. The action involved more than 1,900 participants and a total of more than 8,000 hours.
- In the whole vector of operational excellence, in a strictly Business context, the training courses entitled **Lean Operations** were extremely important, with emphasis on Train the Trainer. The Kaizen project was started for the production and distribution operations areas, and support was given to the process of moving the customs management line to Famões, as well as the implementation of new dispatch plans throughout the operating cycle. These actions involved 4,749 participations, accounting for a total of 6,565 hours.
- The **Attendance Management** which was a project to transform the CTT culture, enhanced by the new version of the Teleponto application. The training dedicated to this new tool covered

all employees of the CTT universe, using the distance training platform (Formare) and briefings carried out by supervisors. It involved 13,151 participations, for a total of 10,889 hours.

- The actions under the theme 'Health and Safety at Work' represented more than 8,800 hours and almost 2,500 participations for the general population. The specific road safety programme for the areas of operations, which involved more than 33,000 participations and more than 19,000 hours, focused on 25 different themes. It is a programme with recognised success, which has promoted the reduction of absenteeism caused by road accidents, registering, between 2017 and 2020, 35% fewer accidents per kilometre travelled and 49% fewer days lost per accident.
- The training area of **Certifications and Compliance**, continued to hold great relevance, with more than 97,000 hours of training being disseminated on topics such as ethics, information security, prevention of money laundering and terrorist financing, or data protection.
- In the sustainability area, the environmental training programme, **Green Planet**, was relaunched at the end of 2021. Other training not individually listed in the chart above dealt with topics such as leadership or language teaching, namely English, as well as specific training dedicated to the trainee programme

Also of note was the 13th edition of the Human Resources Development Programme, a programme that brings together trainees from various Portuguese and Spanish-speaking countries and which was born of a partnership between International Management and the Training department. This year there were 110 participants.

Given the pandemic context, the focus remained on distance learning, which accounted for 53% of the total volume of training provided.

4.2.5 Management of labour relations

GRI 102-41, 102-43, 102-44

The employees have a communication channel with management, through the various representative bodies. The Workers' Committee and its 98 subcommittees exercise the powers conferred upon them by law. CTT maintains permanent contact with the Workers' Committee, through monthly meetings, at the highest level and specific meetings, whenever necessary, both with the Workers' Committee as a whole, and with each of the unions.

As at 31 December 2021, 95.8% of employees were covered by the Company Agreement and 75.4% were unionised (permanent and contracted), a significant growth of 6.1 p.p. and 1.8 p.p., respectively, in relation to 2020⁶⁸ of the employees were covered by the Company Agreement and 73.6% were union members (permanent and on fixed term), reflecting a decrease of 0.7 p.p. and 0.3 p.p. in relation to the previous year, respectively.

In the European context, the company maintained its participation in the European Social Dialogue Committee for the Postal Sector, which involves representatives of the unions and postal operators of the European Union. As with other institutional participations, due to the pandemic, the meetings were held by videoconference.

⁶⁸ The figures for coverage under the Company Agreement and unionisation do not include CTT Express Spain, 321 Crédito, CORRE, NNS or HCCM.

4.2.6 Social benefits and social action

GRI 201-3, GRI 401-2

Since 2015, a new Social Works Regulation has been in force, which aims at the social protection of its beneficiaries (employees and their families) within the scope of health care, social security benefits and social action.

On the other hand, access to the CTT Health Plan guarantees co-payment of medication, medical-surgical services and auxiliary diagnostic means, nursing services and hospitalisation, as well as benefits for family expenses for subscribers to Caixa Geral de Aposentações (CGA), attributing family allowances for children and youths, in addition to other bonuses.

Health benefits are guaranteed to active employees, pensioners, pre-retired employees, retired employees and family members under certain conditions, as long as they have subscribed to the Health Plan. Employees of CTT's subsidiaries benefit, as a rule, from health insurance which enables coverage of their household members. In the network agreed with the Health Plan, the company covers 75% of the health costs related to outpatient care, 80% in private hospital services, and all the costs in special cases (maternity support, children up to 2 years old and serious illness). The contribution to medication costs implies that up to 50% is incurred by the beneficiary. At the end of the year, CTT's health plan had 37,728 beneficiaries, 19,142 of whom were holders, 9,485 of whom were active and 18,587 family members. There were 693 special terminations and 778 deaths, among holders and family members.

To guarantee social support, the Company has a Social Service team that provides psychosocial support in the areas of mental health, addictions, senior citizens and social action. This support translates into the identification, evaluation, framing and response to workers in the most diverse problems, such as, among others: disability, chronic, acute and/or serious illness, economic deprivation, social dysfunctions, labour issues. Socioeconomic study and case-by-case analysis can give rise to specific support to overcome situations of vulnerability and/or economic deprivation.

During 2021, the Serious Illness and Major Illnesses cases were centralised in order to speed up the response to employees.

At CTT Express Spain, employees enjoy the same conditions and benefits, regardless of their employment relationship. The only difference is in holiday days, since employees with an indefinite contract have the right to one more day of holiday.

4.2.7 Occupational health and safety

GRI 201-3, GRI 403.1, 403-1, 403-3, 403-6, 403-7, 403-8, 403-9

As in the previous year, 2021 continued to be marked by the pandemic, and CTT continued its prevention policy to mitigate contagion by COVID-19 in the workplace, namely through a series of measures such as the purchase and distribution of individual protection material, hand and surface disinfectants, dissemination of information on individual prevention behaviours, reinforcement of cleanliness, timetable mismatch and limitation of space capacity.

In the event of confirmed cases of infection by COVID-19, a risk assessment of the workplace was carried out, specific measures were taken according to the risk and the case was communicated to the Health Delegate. Depending on the risk assessment, the company initiated additional measures in some workplaces, such as mass testing of employees and spraying of spaces.

In 2021, a **New Approach to Health** was implemented, which aimed, on the one hand, to act in the maintenance of health, acting in advance and avoiding work accidents and illness situations; and, on the other hand, to act to promote health, with actions to improve the well-being and quality of life of employees.

In this context, three transversal and distinct, though complementary, action programmes were designed and implemented:

- Estrela (Star) – Programme aimed at creating a healthier working environment, focused on productivity and quality, with lower absenteeism rates and greater motivation and satisfaction. The strategy aimed to reverse the current trend in the level of absenteeism, namely in terms of working days lost.
- Vitória (Victory) – Occupational medicine approach adapted to the specific needs of the most perennial and complex cases of conditioned aptitude, with a view to determining that condition with greater rigour, reliability and support for the employees.
- Viver (Living) – Raising the awareness of human resources on health prevention and the development of initiatives that promote health and well-being in the organisation.

There were 789 accidents and incidents at work, 2% less than in 2020, despite an increase in the number of days lost. In the same way, there was also a 5.7% decrease in the number of work-related road accidents. This positive result should be a consequence of the continuity of the measures that have been implemented by the company. The reasons that most contributed to the occurrence of accidents were road accidents (34%), which include traffic accidents and pedestrian collisions. This is followed by wrong movements (17%) and slips/tripping (13%). Occupational diseases translated into 461 working days lost in 2021.

Accidents and injuries at CTT

Group	No. of accidents	No. of injuries	Injury rate	No. of days lost	Rate of days lost	Number of occupational diseases
Female	196	137	2.0	4,451	66.4	10
Male	593	436	3.3	15,771	120.8	11
Total	789	573	2.9	20,222	102.3	21 ⁶⁹

No data for 321 Crédito, CORRE, NNS and HCCM.

In the calculation of the rates, the result was multiplied by 100,000 for easier reading.

In terms of safety, the collaboration with the criminal police bodies continued, providing the information requested of us, with a view to dismantling or capturing elements that were targeting CTT and customers.

Self-protection measures were submitted and approved for 102 of our premises, and almost all the buildings now have this type of measure approved.

Following an incident in the Centre of Production and Logistics (CPL) South, the employees who receive and process orders were retrained, with a view to the preliminary identification of hazardous materials that may cause damage.

⁶⁹ This figure is three times that presented in 2020. These are processes reported by Social Security whose date of recognition and onset of the occupational illness may be different from and prior to the date of reporting, even covering employees who are already retired, and processes for reassessing the degree of incapacity for occupational illnesses already recognised. The procedures associated to Professional Illnesses are defined and managed by Social Security. CTT assesses each case of occupational illness and implements prevention measures to mitigate the risk.

4.2.8 Diversity and equal opportunities

GRI 401-3, 405-1, 406-1, 408-1, 409-1

Also in the area of equality and diversity, the Company's actions are guided by respect for the guarantees and rights set out in the United Nations Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union, the Constitution of the Portuguese Republic and the law, in particular labour legislation.

The prolonged pandemic situation led CTT to reinforce the guarantees so that all its employees felt safe. Useful information was continuously disseminated and measures to mitigate the main risks were promoted, always preserving the integrity of the front-line workers to ensure, as far as possible, equality in the face of the risk of illness in relation to those who were able to provide their services through working from home.

CTT's work in the field of **Gender Equality** continued to take place, namely within the scope of activities with the Forum Organisations for Equality (commonly known as iGen), and involvement with CITE – Commission for Equality in Labour and Employment. 2021 was marked by the launch of the Forum's pedagogical book, *O Longo Caminho para a Igualdade (The Long Way to Equality)*, written pro bono by the writing duo, Ana Maria Magalhães and Isabel Alçada, aimed at readers between 10 and 13 years of age, with the objective of raising awareness among future generations on the issue of equal opportunities for men and women in the labour market. It should be noted that this work has just been included in the National Reading Plan.

In 2021, the take-up of parental leave continues to focus mainly on women. Although leave taken by men already reaches around 33% of all requests, this figure should take into account that 62.5% of people working at CTT are male. In relation to family support, the situation is close to parity in absolute terms, with men requiring 42 per cent of all days of absence for this purpose (again, this should be seen in light of the disparity in the total number of male workers). Regarding the retention of employees who had parental leave, of the 232 people who requested it, 23 left the Company at the end. Of these, ten did so on their own initiative, one (in Spain) left due to termination of employment and the remaining 12 were not retained after the conclusion of the fixed-term contract that bound them to CTT, 5 men and 7 women.

Attention is also due to the Return Rate, a metric included for the first time in this reporting exercise and which aims to accommodate the cases of employees leaving the Company right after the end of parental leave. Of the 232 employees who took parental leave, 222 returned to the Company at the end of their leave, which means that the Return Rate is very high: 95.7%. Even so, there was a visible difference between men (98.4%, with only two employees not returning) and women (eight employees did not return, placing the rate at 92.5%).

With regard to diversity in management positions, the Board of Directors continues to meet the objective established in the CTT Equality Plan and in Law 62/2017, integrating 33.3% women in the Board of Directors and Supervisory bodies. With regard to the weight of first line female management, this fell by 7.9 p.p. to 12.5% and the second line leadership remained practically the same, with a slight reduction of 1 p.p. to 47.6%.

On matters of human resources policies directed towards the promotion of equality, the following are highlighted:

- A commitment to develop policies aimed at equal opportunities, namely by promoting the balance between women and men in strategic positions in the company, the principle of equal pay for equal work or work of equal value and guaranteeing the right to parental leave for male and female employees;

- Participation in iGen, of which it is a founding member, by pursuing its commitments with regard to differences in salaries. Participation in work meetings, albeit with a significant reduction in activities due to the COVID-19 pandemic.
- Strengthening the internal working group to fulfil the commitments made in the Company's Plan for Equality.

Although the connection with CERCI Lisbon (Cooperative for the Education and Rehabilitation of Nonadapted Citizens) has been maintained, it was not possible to provide the experiences of labour integration for young people with disabilities that had been maintained for 18 years. Logistically, the change in location and operation of the 'Sala das Malas', where the work was carried out, and the COVID-19 pandemic made it impossible to resume this activity in the new facilities, which is expected to take place in 2022, possibly with an adapted format.

With regard to the **balance between personal space, family and work**, employees and their families were encouraged to participate in internal hobbies with prizes for family enjoyment and were invited to practical online initiatives/classes for health protection and well-being. The SOU CTT partnership programme, with various entities, continued to be promoted and continued to offer preferential tariffs for employees in various areas, with special focus on health, sport and family.

4.3 Intellectual Capital

GRI 102-2, 102-44, GRI 201-1, 203-1

The digital transformations that continue to permeate all organisations also force CTT to adapt its activity to new paradigms. In 2021, these transformations inspired multiple achievements in Innovation and Development of the Company.

In relation to the **dynamisation of e-commerce**, the creation of a joint venture with YUN Express to manage the parcel locker business in Portugal and Spain was promoted. Also, in the field of lockers, which experienced great momentum in 2021, the first refrigerated locker and the first locker in condominiums were installed, increasing the type and total number of lockers available. The development and implementation of outdoor lockers, in stainless steel, and of the first small lockers, 1.6 m high, for indoor solutions, namely in commercial establishments, was also completed. Finally, click&collect lockers were installed at El Corte Inglés and Leroy Merlin premises.

CTT explored **new markets for deliveries**, creating agreements with Zomato for food-delivery, as well as Worten and NOS for CTT Now deliveries in a store2client model, in order to broaden the network of providers and increase its capillarity and coverage.

Plug-ins were developed and released for Magento2, Prestashop, Shopify and Woocommerce that allow **automatic integration with CTT shipping systems**, the generation of object codes, the scheduling of collections, the updating of the order status in the shop and delivery at points, as an alternative to home delivery. CTT Express Spain has also launched a plug-in for Woocommerce, with the aim of assisting customers in their online purchases as well as managing and acknowledging online orders, enabling product traceability and solving possible problems. In addition, they have launched the Easy Return service for customers and recipients, which aims to collect returns for online shops without the need to print a label or travel to a physical post office. Through an email with a QR code, recipients can now request home collection, with a CTT Express courier collecting the return in less than 24 hours.

A focal point of the 2021 developments was the implementation of the **new fully electronic customs clearance model** based on a portal and supported by the latest technologies of machines and postal systems (Tax Machine), to accommodate the new European regulations on the application of VAT on the import of low-value consignments and the strengthening of security control of imported goods.

In terms of **events**, CTT e-Commerce Moments and CTT e-Commerce Day were once again held, in which various specialists discussed the most relevant current e-commerce topics. Integrated in the latter, the big novelty of 2021 was the organisation of the first edition of the CTT e-Commerce Awards, which aimed to reward the best practices in areas such as apps, payments, websites, SMEs and sustainable initiatives, among other categories. There were also sessions of "What's Next?" which addressed the topics of "Cybersecurity" and "Monetisation of the data handled by Postal Operators".

In June, CTT launched a **pilot project for reusable packaging** in the city of Lisbon, in collaboration with Portuguese e-sellers. The CTT ECO Reusable Packaging was presented as a packaging alternative for e-commerce parcels in Portugal, which is intended to replace traditional ones and has an expected endurance capacity of up to 50 shipments. Customers who receive parcels in these packages may return them, free of charge, at any of CTT's contact points, including post offices. They can also reuse them themselves in new shipments, delivering them directly to the distributor. By allowing reuse, this packaging is an important step in supporting the transition to a circular economy, with particular impact on a growing market such as e-commerce.

Regarding the **reinforcement of operational aspects**, a separating machine was acquired to make the new customs clearance process more agile and efficient, resulting from the aforementioned European rules that came into force in July, applicable to objects coming from outside the Union. The first phase of the Dynamic Routes (Rotas Dinâmicas) project has also been implemented to define the most efficient route for our distributors. In this way, it is possible to predict when the customer will receive his order, reducing delivery costs, with fewer kilometres travelled and the consequent reduction in fuel consumption and respective associated emissions. A business rules automation engine associated to distribution was also installed, called Decision Server, which allows distribution to be altered and optimised based on new variables, such as weight, volume, destination or customer. The CAMS – Computer Aided Manual Sorter equipment was installed to serve as a computerised aid to the manual sorting of mail of all formats. It is an innovative system that, through optical character recognition technologies, instantly validates more than four million addresses and guides the operator through the division process without the need for specialist knowledge of the route. The introduction of this type of equipment, 32 units by the end of 2021, made manual pre-distribution tasks, traditionally performed in postal distribution centres, more flexible, taking advantage of synergies, rationalising teams and combating absenteeism in distribution centres.

With regard to the **digital customer experience**, a shipping simulator was developed on the website which allowed private customers to identify the most suitable shipping solutions, directing the completion of the process to a CTT shop or point, or continue in an online environment, when possible. A new experience was also provided in the CTT Customer Area of the website, with an updated front-end which now allows the monitoring of ongoing shipments in a more intuitive manner and with the possibility of acting on the action on them. A new shipping portal was also developed for contract customers, an express mail and parcel shipping tool, which was based in a completely online environment. In the same way, it was possible to improve the experience of business customers when contracting online shipping solutions, and it is now possible for them to access CTT's express offer more directly.

In the **Retail Network**, of note is the implementation of 24/7 self-service spaces in concept shops and their respective extension to the rest of the network. These spaces have equipment available for the purchase of pre-paid mail, allowing mail to be sent at any time of day, either from the box existing in the space itself or from any post or letter box. Lockers were also made available which, in addition to the delivery point function by customer decision, allow access to orders placed in shop within a longer and

thus more convenient timetable. In the concept post offices, this space was also complemented with a fitting room that allows customers to try on one of their orders and return it on the spot, if they so choose.

In the **financial area**, Banco CTT participated in the Fintech365 Programme, created by Microsoft for technological innovation in the financial system, in partnership with Portugal Fintech. The aim was to identify startups and propose them to present proofs of concept to solve business use cases in this sector. For its part, Payshop participated in the creation of the National Association of Payment Institutions and Electronic Money, which aims to defend and represent the interests of payment institutions and electronic money. A new Rest API was also created for integration of the Payshop Reference payment solution, which allows the connection between different systems in a secure manner, enabling client applications to access these payment references and manage them, namely through the generation and activation of references, the notification of payments in real-time and the creation of sandbox environments for integration tests. Finally, responding to the increase in available channels and new payment methods, including the possibility of paying in real time, technology partner BHMI collaborated in the development of a new payments core, based on the Concourse platform, creating a unified and omnichannel back-office, used by Payshop in all its operations.

In the **corporate transformation and processes department**, chatbots were implemented in order to take the important step of starting to respond to and support customers who interact with CTT on Whatsapp. The same tool was implemented in the new Customs Portal and important steps were taken in the development of chatbots for Facebook and for the CTT website, whose launch is planned for 2022. The process automation procedure has been reinforced with the entry into production of 34 more robots, thus giving continuity to this new way of acting in the organisation. In addition, the foundations were laid for the digital analytics project, which will enable the collection and analysis of all CTT's digital activity, from the moment of acquisition to that of conversion. Although data will already be collected and analysed in 2021, with its full implementation in 2022, it will be possible to analyse and adapt the customer journey, with a view to increasing sales of CTT products.

The **Product Portfolio for the Business Segment** was further boosted, through the launch, within the advertising services and campaigns offer, of a new Digital Media management offer for Companies. This new service allows Portuguese companies, especially SMEs, that do not usually work with media and advertising agencies, to run campaigns and make the necessary advertising investments in digital media, simply and quickly, with the support of CTT and a specialised partner, Opera Media. For the Water Sector, a new mail solution was created, with conditions adjusted to the specific characteristics of this sector, which add value through their differentiation. Through the expansion of the Business Process Services (BPS) integrated offering, various solutions were made available, from mailrooms, contact centers, payroll, management of back-offices, among others. These solutions have enabled companies to outsource the management of areas and/or activities that support their core operation. The BPS model allows applying a more evolved concept of Business Process Outsourcing, that is, using advanced technology and relying on a specialised team to jointly create an ideal working model for your activity or service, thus contributing to reduce failures, increase productivity, streamline processes and reduce costs. Finally, a new solution for the Certified Destruction of Documents was launched as a service that introduces innovative aspects in relation to the existing offer on the market: the Homeoffice Boxes. The offer is supported in boxes designed for the destruction of documents at home and subsequent CTT transport. This ensures a more flexible data destruction process for home offices or offices far from the corporate headquarters, with guaranteed and documentable security, which guarantees tracking during transport and complies with all the requirements of the legal regulations in force.

Regarding **Philately**, CTT was awarded the World Post and Parcel Awards 2021, in the category Best Philatelic Campaign of the Year, for the philatelic souvenir sheet "É tempo de Esperança" (Time for Hope), a pioneer worldwide for its insertion in graphene of the poem "Esperança" (Hope), by Miguel Torga.

Other **corporate outreach initiatives** were launched. In order to foster research, development and innovation initiatives, CTT, Banco CTT, CTT Express, CTT Contacto applications were prepared for the SIFIDE programme. With regard to the Recovery and Resilience Plan, four mobilising agendas were approved in Phase I of the Call C5 Business Innovation, on themes of mobility, sustainability and productive efficiency. The execution of CTT Expresso's 'Portugal 2020 SI Inovação Produtiva' project on the modernisation of operations was also approved and started. The 1520 CTT Startup Programme continued its mission of identifying startups aligned with CTT's objectives and strategy, in addition to stimulating the realisation of various initiatives, such as the analysis of solutions resulting from the scouting and dissemination of the programme to various incubators, such as UPTEC and IPN. Partnerships with organisations such as Portugal Ventures, Beta-i and the exchange of experiences with other postal operators (e.g. Swiss Post), as well as the identification of investment opportunities within the scope of the Techtree Fund, are also being established and made operational. CTT was also involved in the launch of the 5th edition of the PostEurop Innovation Award, an initiative of the Innovation Forum, a working group of that association whose chairmanship is ensured by the Company's Innovation area.

The **internal idea management platform INOV+** was once again energised with the launch of new cycles of challenges suggested by different areas of the Company. Employees respond with ideas, following the logic of collective and collaborative intelligence. Each cycle ends with the holding of a Pitch Day, where the authors of the selected ideas present them to the Executive Committee and 1st line directors, with the winning ideas to be implemented.

In terms of communication of innovation in CTT, the production of the Postal 360 newsletter and the 1520 Newsletter continued, aimed at internal and external recipients of the Company.

Innovation at CTT Express Spain

Also of note are the CTT Express initiatives in Spain. In the **operational** axis, 16 new delivery offices were opened, namely in Pamplona, Salamanca, Córdoba, Lugo, Castellón, Algeciras, A Coruña, Girona, Seville, Soria, Guadalajara, Huesca, Huelva, Ibiza, Bilbao and Teruel. Together with those opened in 2020, the CTT Express network is in increasingly better conditions to guarantee its capillarity and maximum consolidation. Three sorting machines were also installed in the Alicante, Valencia and Madrid facilities, enabling us to reach a classification capacity of more than 50,000 packages per hour. The continuation of the digital transformation project was also dedicated to introducing new software updates and support of the tools used by distributors and drivers, namely their PDA terminals.

We have also improved the **channel of communication and information with customers and recipients** by means of notifications of the sending status by email or SMS and with the possibility of making changes in the management of these shipments, also through the digital channel. Customer support has also been streamlined by automating responses and the digital experience for suppliers has also been improved, with changes made to the Supplier Portal. In this case, the incorporation of new tools and applications allowed a management of its daily relationship between CTT Express and its suppliers, either through the web environment, or through the app existing for this purpose.

In terms of **Communication**, CTT Express launched the Digital Magazine, an edition aimed at the internal public that aims to strengthen corporate culture and communication channels with workers in Spain. In external terms, the consolidation of the change of the brand to "CTT Express" was given a new boost with the labelling of new vehicles and the implementation of the brand in new operational centres that have been opened in the meantime.

4.4 Social Capital

GRI 102-12, GRI 413-1, 413-2

CTT's 'social footprint' is not limited to the allocation of donations, or to the organisation, sponsorship or other types of participation in initiatives of a charitable nature, but is reflected in the choices and investments that are made in alignment with its main business activities. An example of this is the repeated preference for products made in Portugal, or with raw materials of national origin, as well as those associated with the main national symbols, such as Saint Anthony, the sardine, or cork. In addition, the post offices are spaces for the sale of Pirlampo Mágico or A Tree for the Forest kits, two solidarity campaigns that will run again in 2021, as well as solidarity sales in favour of the Portuguese Institute of Oncology and the organisation Animais de Rua.

CTT's activity has a positive social impact on the local communities, as the company fosters a service of proximity, of quality, to all citizens, all over the country, confirmed by the relatively high perception of indicators on reputation. In 2021, CTT maintained its purpose of being closer to the population, with a presence in all municipal councils, having reopened 8 post offices.

CTT's **social and environmental patronage policy** has placed strong emphasis on the themes of poverty and social exclusion, culture, language and innovation. In this second year of the pandemic, the contribution in terms of patronage amounted to €539,088. The largest donations were from the CTT Sports, Culture and Recreation Club, worth €330,000. This association, founded in 1941, continued its work of developing activities aimed not only at employees but also at their families, providing a set of favourable conditions of access to banking services, telecommunications or tour operators, among others. The second largest investment reinforced CTT's participation in the Portuguese Communications Foundation, through a donation of €144,481, which allowed the pursuit of its mission to "promote the study, conservation and dissemination of the historical, scientific and technological heritage of communications", which includes, in addition to other work, the management of the Communications Museum.

Of the ten contributions counted in 2021, support to institutions such as the Serralves Foundation and the Movement for Active Digital Use - MUDA, with the commitment to encourage the participation of the Portuguese in the digital space and to help take advantage of the benefits associated with digital services, stand out. Banco CTT also contributed to the foundation of Merece - Business Movement for the Recycling of Cards with Electronic Components, which aims to promote a sustainable end of life for bank cards, with their collection and recycling.

Payshop continued its protocols of support for the Portuguese Committee for UNICEF, the Vida e Paz Community, the Portuguese Red Cross and Ajuda de Mãe, having raised donations of €2,443.58 for them. CTT Express Spain once again sponsored the Save the Children organisation, providing 287 free items to the organisation, amounting to €1,359.80. Moreover, in the pursuit of their regular activity, Payshop agents allow customers to make donations to an entity of their choice.

The CTT Espresso Workers' Committee organised, at the MARL premises, a campaign to collect toys for children suffering from illness. The campaign resulted in the delivery of 40 toys to the Porto IPO and 50 to the Lisbon IPO, which reached their destination around Christmas time. A campaign to collect blankets was also promoted, in partnership with the Pranic Healing and Arhatic Yoga Association, in conjunction with the Vida e Paz Community and the Humanitarian Association - União Espiritualista Seta Branca.

Social integration was promoted with the offer of shipping fees to the Aboim Ascensão Refuge and organised the action Pai Natal Solidário for the 12th consecutive year, having raised "godparents" for children in socially underprivileged situations. 1,757 presents were sent to children up to the age of 12 who sent letters from 53 Social Solidarity Institutions that look after these children. The letters were

available at www.painata-solidario.pt enabling anyone to sponsor them and make these dreams come true. The presents were sent free of charge, always safeguarding the anonymity of the sponsor and the children. Since 2009, and through this initiative, CTT, with the help of the Portuguese people, has already delivered nearly 15,000 presents to children in need.

CTT responds annually, on average, to 100,000 letters written by many children in the country, addressed to Father Christmas (in 2021, there were 141,875 letters). Since 1985, the 'CTT Father Christmas' initiative has answered all letters, also sending a small gift.

This year, CTT also launched an initiative in the field of **cultural patronage**, with the award of a donation of €31,815 to the National Culture Centre, in recognition of its important role in the development of the arts in Portugal. This initiative aimed to provide support to an activity of the greatest importance for the country, but which, especially in the context of the pandemic, has experienced great difficulties. This amount was raised by allocating a percentage of the proceeds of its philatelic editions sales.

Aligned with the axis, the launch of the Cinema-Caravan reinforced the axis of **promotion and cultural stimulation**, from north to south of the country. For almost two months, this initiative brought Portuguese cinema nights in the open air to 5,000 people, an itinerant caravan that counted on the involvement of the municipalities, the population and local businesses.

In the promotion of writing, the Portuguese Communications Foundation launched the Universal Postal Union's 50th international competition 'The Best Letter' among young people living in Portugal. This year's theme was "Write a letter to a relative about your experience with COVID-19". The letter that represented Portugal in the international competition was from the age group of 12-15 years. The three prizes were awarded to representatives from Bangladesh, North Macedonia and Vietnam.

In the field of **health and sport**, it was virtually impossible to hold events. The notable exception was the blood collection action at the CTT Building with the Portuguese Institute of Blood and Transplantation, with 41 participants willing to take part in a face-to-face collection action, which was naturally organised with all the health safety conditions in place.

For the preservation of the **environment and biodiversity**, we once again joined the European Mobility Week and, in partnership with Quercus, the 8th edition of the project 'A Tree for the Forest' was launched. This year's edition began with a new appeal to the population to buy the respective kits, which are on sale in CTT post offices and the online shop, with free delivery, with a view to reforesting the national territory. This year, a product derivative with the same equivalence to a tree was implemented: the digital kit for businesses. The plantations, which had been suspended due to the pandemic, have been resumed and all the trees have now been planted by Quercus. In 2021, a further 6,676 units were sold which will be planted in the spring of 2022. Should the evolution of the pandemic allow it, the plantations will be carried out with the usual support of hundreds of volunteers from the general public and companies.

A new project supported on a model of **integrated environmental protection and social cohesion** was also launched: the conversion of used disposable masks into Christmas decorations. This initiative originated from a partnership with To Be Green, an organisation linked to the University of Minho and counted on the contribution of beneficiaries of Centro Juvenil de São José de Guimarães, an IPSS dedicated to the reception and social insertion of children and young people at risk of social exclusion, who were entrusted with the mission of producing the packaging, in recycled cardboard, in which the ornaments were commercialised, in a reinforcement of the Circular Economy approach. Besides, the profits from the commercialisation reverted partially to Cáritas Diocesana in Viseu.

As part of **development aid**, CTT allied itself to the Mozambican association Karingana Wa Karingana (an expression which means, in Portuguese, "once upon a time"). The partnership aimed to collect

books and other school material to send to the schools and libraries of Porto da Beira, in the Sofala district. The collection of these materials had the support of local institutions, such as Parish Councils or Firemen Associations.

As mentioned above, during 2021, the focus on **volunteering** was once again concentrated on non-face-to-face actions. In addition to the participants in the blood collection action, the 15 trainees of the programme launched during this year enrolled, distributed, according to their expressed wishes, in the programmes of the League for the Protection of Nature, Cais and EPIS, joined by 17 other volunteers, namely in the EPIS programme. The total number of participants in volunteer actions was 73 employees.

The rule that allows volunteers to participate in initiatives included in the volunteer work plan continued to be in force, with the company granting time up to 16 hours per year per employee and, for the last eight years, the 'long-term volunteer work' regime has also been in force, with its own rules associated to the specific nature of each project.

Despite the restrictions, the EPIS/CTT Mentoring Voluntary programme continued. The school year of 2021-22 marked the second year of the 3rd edition (each edition has three years) with CTT volunteers and tutors to support young people at risk of school failure. This is a voluntary action of continuity that requires proximity, but which had to remain, above all, in the digital environment. This year the mentoring role was embraced by CTT's top managers, who gave their personal touch to the initiative. The role of mentoring is to accompany the students very closely and establish a good relationship, to motivate and stimulate each young person to develop their human and academic potential, to transmit attitudes and values, to strengthen their self-esteem and social integration, enabling them to build a positive life project. CTT offered pen drives to participants, as well as the educational book, *The Long Road to Equality*, from the iGen Forum.

Communication with customers

GRI 203-2, GRI 417-1

Given its presence throughout the national territory, CTT has a significant impact on Portuguese society. Its high weight in terms of employment and the production of wealth, as a vehicle for the competitive reinforcement of the national business fabric and also due to its growing presence in international markets, the importance of CTT in the life of the Portuguese is evident.

In terms of quality, efficiency and value creation, CTT works hard to satisfy the needs of citizens and economic agents, constituting an essential element of social and economic development, contributing to the improvement of the standards of living of clients and its workers, thanks to its dynamics, service culture and sense of social responsibility.

CTT provides public, updated and transparent information, on its website, on the characteristics of products and services, as well as their aggregate performance in terms of quality of service. They are a powerful platform for convenience and multi-services with a postal, financial and banking vocation.

CTT is oriented towards the market in general and the business segment in particular, offering CTT-branded products that reflect the increasingly diversified set of its competencies, namely mail, business solutions, parcel and express, financial and banking services, printing and finishing, etc. In this way, each client, in all its different types, is guaranteed regular, dedicated, personal and specialised attention, enabling a global and integrated offer of services and products aimed at creating value and enhancing each act of corporate business.

On 31 December 2021, there were 212 Banco CTT post offices throughout the country providing banking services to the population, promoting a differentiated offer.

2021 was a year of continuity with regard to the transformation of the Customer Support channels. We started the year by launching a dynamic contact form. This tool uses artificial intelligence to interpret the messages written by users of the CTT website, directing them, according to their content, to articles with help for the information sought, or allowing forwarding to Customer Support. We created a new Social Media Management Model, which allowed us to provide new Customer Support channels: live chats on Facebook, Instagram and WhatsApp and chatbots on the website and WhatsApp. A Customer Auscultation tool based on the Net Promoter Score was also implemented in all contact points.

In this way we have simplified communication processes and strengthened our position in terms of innovation and proximity to our customers.

A total of 3,272,121 contacts were received through the Customer Support channels, representing an overall growth of 9% compared to the previous year. In the voice channel we received 2,324,951 calls, representing 71% of the total contacts received and registering a growth of 22% compared to the previous year. With regard to the written channel, we received 899,553, representing 27% of the total contacts received, corresponding to a decrease of 19% compared to 2020.

On social networks we received a total of 47,617 contacts, representing 4% of the total contacts received between August, the month in which this new channel was made available, and December 2021.

The general increase in the number of contacts received is essentially a reflection of two factors: The 2nd lockdown that took place in the first quarter (which again stimulated e-commerce) and the new rules for importing online purchases made outside the EU. Since 1 July 2021, all non-EU electronic purchases are subject to Value Added Tax (VAT), regardless of the value of the item and the date it was purchased, thus ending the VAT exemption on non-EU purchases of up to 22 euros.

Despite the 9% increase in the number of contacts for the Customer Support channels, there was a 9% decrease in the number of contacts per 10 thousand items in the express business unit, reflecting an effective improvement in the quality of the service provided.

CTT maintained the APCC – Portuguese Association of Contact Centres – Quality Seal for CTT operations in 2021, after a follow-up audit carried out in February of the same year.

The APCC Quality Seal, instituted in 2010, highlights the best Contact Center services operating in Portugal and aims to encourage companies in the sector to exercise good management practices in their Contact Centers, thus contributing to improving the image and credibility of the sector and promoting its self-regulation.

The Contact Center was awarded the silver medal for the CTT Private Line and bronze for the CTT Companies Line, at the APCC Best Awards 2021 International Conference, in the Distribution and Logistics category. These awards take on special relevance in the current pandemic context in which we live, where the Contact Center has become an important means of contact between clients and CTT.

Customer Satisfaction

GRI 102-15, 102-43, 102-44

CTT was attentive to the persisting social and economic consequences of the COVID-19 pandemic, which entered its second year. In response to a wish expressed by its customers, the acceleration of the opening of CTT's offer to the digital world was even more accentuated.

To this end, business partnerships were established with a high social relevance in various areas. We highlight partnerships with:

- Washstation for the installation of 24-hour lockers and with YunExpress (in a joint-venture) to manage this offer in Portugal and Spain. In this field of enormous relevance for the conditions of security and convenience for businesses and customers, the installation of the first refrigerated lockers, or in a condominium, was also promoted.
- Several municipalities and Dott, to launch gastronomic and online craft fairs, allowing products to be ordered;
- Opus Opera, to support SMEs to create online campaigns simply and quickly;
- CUF, for teleconsultations provided in six of our post offices, reinforcing the proximity of healthcare to the less mobile and less digitally literate population; and
- REDITUS, which now provides COVID19 services for the Social Security Hotline.

These are strategic measures, aligned with CTT's social responsibility principles that reflect our involvement with the surrounding communities.

In terms of quality of service, customer opinion, expressed through satisfaction surveys, indicates an increase in all indicators, when compared with the previous year. Of the customers who replied to satisfaction questionnaires, 83.5% (+0.6% than in the previous year) considered that the overall quality of CTT is good or very good, raising to 92.7% (+0.7%) the percentage of customers satisfied with the overall quality of service. About queuing time, 76.9% (+0.9%) expressed a positive opinion. With regard to delivery, the overall satisfaction level was 79.5% (+4.6% than in 2020), rising to 78.8% (+1.3%) for priority mail delivery times and 67.7% (+1.0%) for ordinary mail delivery times.

In particular, the results of a survey of consumers of the "Green Mail" product, on the degree of satisfaction regarding the various attributes: ease of purchase and dispatch, delivery time, price, appropriateness of formats to needs and materials used. The level of satisfaction was higher than 90.8% in all the parameters assessed.

Some subsidiaries listened to their customers, of which we highlight: CTT Express in Spain with 86.36% of the end customers being satisfied with the brand; Banco CTT with 81% of its customers being very satisfied.

CTT has progressively made a considerable investment in the implementation of certified management systems in various areas. This strategic focus has contributed significantly to the consistency and quality of the services provided and optimisation of the processes in the different stages of the value chain, creating strong dynamics of internal motivation, by developing and fostering employee participation, with impact on the improvement of customer satisfaction and strengthening of CTT's image.

In the implementation of management systems, distinct approaches and timings were adopted for the various areas of the Company and the Group, and the certifications shown in the following table were successfully maintained in 2021, CTT having expanded the Certification of Postal Agencies to more units (total of 400 at the end of the year) and achieved SMETA Certification (4 Pillars) at CTT Expresso. The certifications can also be consulted at.: www.ctt.pt.

Certifications Distinctions	Quality	Environment	Occupational Health and Safety	Information Security	Services CTT Points	SMETA
Benchmarks	ISO 9001	ISO 14001	ISO 45001	ISO 27001 IEC	Service certification standards	4 Pillars
Corporate CTT ⁷⁰	X	X	X			
Operations ⁷¹	X	X	X	X		
CTT Espresso	X	X	X			X
CTT Contacto ⁷²	X	X				
Network of Postal Agencies ⁷³					X	

Claims and inquiries

GRI 103-2, GRI 413-2, 417-2

Claims are an opportunity for the continuous improvement of internal processes, as well as in the detection of anomalies verified in the use of products and services in the CTT universe. Customer Support is responsible for disseminating the voice of the customer throughout the organisation, seeking new solutions to increase customer satisfaction.

In 2021, 410,713 complaints were filed in the Mail and Express areas, a decrease of 4% compared to the previous year. This decrease in claims was mainly due to the improvement of internal processes with the introduction of new tools that allowed an increase in the resolution capacity in the first line of contact.

Claims

	'20	'21	Δ '20/'21
Claims received ⁷⁴	428,494	410,713	-4%

More specifically, there was a decrease in the number of claims (and requests for information) received in the scope of the Universal Postal Service, with a reduction of 6.8% in national cases and 12.7% in international cases.

A more detailed analysis allowed us to verify that the Average Reply Time (ART) was drastically reduced, by 9.2 days, with regard to the national scope. In the International scope, it was not possible to achieve the proposed objective, but two main reasons have already been flagged:

- The transition of the response platform to a Client Relationship Management programme, which led to a temporary situation of managing international requests in two different locations, with distinct working rules and methodologies; and
- The response time to enquiries made by partner postal operators (origin / destination), a factor that is beyond CTT's control.

⁷⁰ Corporate Certification includes the following departments/areas: People and Culture, IT, Procurement & Logistics, Physical Resources & Security, Audit & Quality/Certification and Excellence, Sustainability Department, Customer Support & Quality of Operations/Monitoring and Processes of Customer Support and B2B Commercial/Business Aftersales Support.

⁷¹ The ISO 27001 Certification is applicable to the Business Solutions (Printing and Finishing), included in the Certification of Operations.

⁷² The Certification of CTT Points is applicable to 400 units.

⁷³ SMETA (Sedex Members Ethical Trade Audit) - Social Audit, which includes 4 pillars: 1) Human Resources and Labour Standards; 2) Environment; 3) Health and Safety; and 4) Business Management and Good Business Practice.

⁷⁴ Includes cases of claims related to the Universal and Non-Universal Service. Excluding data of CORRE and Banco CTT.

Consequently, in the 2nd half of 2021, improvement measures were implemented whose positive impact will be clearly visible in the 2022 ART data.

In the Mail business unit, 143,204 processes related to customer claims on commercialised services and products were registered in the application of support for the handling of claims, registering an increase of 12% compared to the previous year.

The main reasons for claims are related to lost items, delivery in the wrong recipient and customs clearance.

With regard to the Express business unit, 267,509 claims were registered, having stabilised when compared to 2020. The reasons with the greatest impact on Express claims are loss and late delivery.

With regard to compensations, 15,601 were processed in the Mail business unit at a value of 690,598 euros, representing an increase of 68% compared with the previous year. The compensations of the international service accounted for 85% of the total value. The most frequent causes of the compensations are items that have gone astray and lack of response of the destination postal operator.

With regard to the Express business unit, 41,155 claims were processed in the amount of 1,552,708 euros, a decrease of 24% compared to the previous year. The most frequent causes of compensation are loss and damage to the object.

Banco CTT had 587 claims in the Complaints Book, received 92 claims online and 148 were addressed to Banco de Portugal.

4.5 Natural Capital

4.5.1 Environmental management policy and systems

GRI 102-15, 102-30, 102-31, 103-2, 103-3, GRI 201-2, GRI 413-2

CTT performs a fundamental role in the Portuguese economy and society, and has a clear understanding of the environmental impact induced by its activity, dedicating special attention to the mitigation of that impact. Its impacts primarily involve pollutant emissions into the atmosphere, essentially of greenhouse gases (GHG), mainly associated to its own and outsourced transport, which currently accounts for almost all of the carbon footprint (scopes 1, 2 and 3) of the company.

Nevertheless, CTT's activity is environmentally friendly and unaggressive in comparison to other activity sectors. CTT's carbon intensity contributes 0.29‰ to total greenhouse gas emissions at a national level (scopes 1 and 2). This impact is very low compared to the creation of value that CTT generates by contributing 1.9‰ to the national GDP (GVA/GDP).

With an active and conscious role in the defence of the environment, CTT has implemented its policies on Quality, Environment, Occupational Health and Safety, Information Security, Energy and Carbon Management, Climate Change and Responsible Procurement. CTT's commitment to sustainability and to the ongoing improvement of its performance is visible throughout the entire organisation and has a continuous impact on its daily operations and business model, reflecting the company's challenges and response to the needs of its stakeholders.

CTT has identified, assessed and prioritised the following most significant corporate risks that could compromise the attainment of its strategic objectives and negatively affect its sustainable growth (see Chapter 2.7. Risk Management). Two strategic, external risks were assessed and prioritised at an environmental level, associated to the following aspects:

- Frequency and severity of extreme weather phenomena with potentially devastating effects, entailing direct and indirect economic losses;
- The negative perception of CTT's image by its customers, investors and other stakeholders, with respect to its environmental reputation in case of non-fulfilment and ESG performance.

CTT is actively engaged in the search for and implementation of environmental, energy and carbon management initiatives, in line with the organisation's priorities and goals, which are on the radar of the managers and all other employees, from top to bottom. Some of the recent and most relevant business decisions in the short- and long-term were influenced by considerations on reduction of the carbon footprint and enhancement of energy efficiency (further identified below). This is an attitude placed in practice on a daily basis, by innovating in processes, in products, in technology at the service of companies, and in a variety of initiatives and support actions that generate value for the community.

4.5.2 Energy

GRI 302-1, 302-2, 302-3

The various energy sources can be classified as renewable and non-renewable. Currently, one of the most serious environmental problems of the intensive use of non-renewable energy sources is the greenhouse effect and the consequent increased average temperature of the Earth's surface. Hence, energy management is one of the greatest challenges of current times.

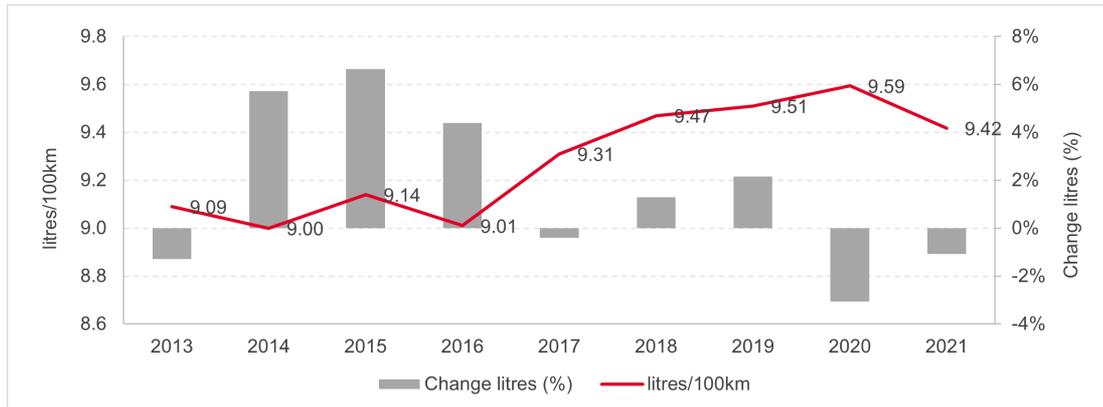
At CTT, with a significant weight in the carbon footprint, direct energy consumption accounts for around 5% of the value of the company's total external supplies and services and is a priority issue with respect to the monitoring and implementation of energy efficiency measures. The increased energy efficiency leads to direct environmental gains – each Joule of energy saved is reflected in a lower production of carbon emissions – as well as in a more solid consolidated balance sheet of the company in the short- and long-term.

In 2021, electric energy consumption accounted for about 36% of total energy consumed. However, all consumed electrical energy comes from 100% renewable resources. CTT's annual electricity consumption fell by 4.8%, reflecting the restructuring in progress of the buildings and energy efficiency measures, but also due to the effects arising from the COVID-19 pandemic.

CTT also consumes minor amounts of power produced by the existing thermal solar panels at the Lisbon head office and the CPL North building, in Maia, as well as power produced by thermal solar panels at the CTT Espresso building, in MARL, in the outskirts of Lisbon. Thermal power is also used for air conditioning at the head office building (only building where this source of energy is used).

Fuel continues to represent CTT's main energy consumption source (63%). The overall efficiency of CTT's fleet, measured in litres/100 km, improved by 1.8% in relation to 2020.

Evolution of the average consumption of the CTT S.A. fleet



The aforementioned increase in efficiency primarily relates to a change in the use of heavy goods vehicles, involving a lower number of kilometres travelled and less intensive use of trailers and semi-trailers, as well as continuous improvements with respect to eco-efficient driving. The efficiency of the remaining operational fleet, as well as the light passenger fleet, measured in l/100 km, declined slightly, as a result of the implementation of CTT's fleet renewal plans, which involved changes in schedules and number of passengers, according to the type of vehicle in question.

CTT also consume gas, for the canteens and heating of water of some CTT buildings, with gas consumption having increased by 1.0% in relation to 2020. In the production and logistics centre of the North, the increase was due to the greater number of employees required as a result of the installation of new services (preparation line for deliveries in the North, the CTT Espresso mini-sorter and the transfer of more level 4 sorting offices to the delivery office 4470 in Maia), as well as the decrease in remote working hours in relation to the previous year. In the production and logistics centre of the South, the increase was due to the preparation of a greater number of meals in the canteen, over a period of six months, by the company that runs this area. Old canteen equipment was replaced with new, more energy-efficient equipment.

CTT energy consumption

GJ	'20	'21	Δ '21/'20
Total green electricity consumption	133,656.0	127,218.2	-4.8%
Solar panel power consumption	127.2	813.5	539.5%
Thermal power consumption	5,775.6	4,549.0	-21.2%
Total fuel consumption	221,577.0	224,589.5	1.4%
Total gas consumption	1,091.9	1,102.9	1.0%
Total	362,227.7	358,273.1	-1.1%

In overall terms, CTT's energy consumption decreased, primarily as a result of a reduction in electricity and thermal power consumption.

Total energy consumption is reflected in an energy bill of close to €15m.

Buildings

Reinforcing the commitment to reduce energy consumption, with direct consequences on greenhouse gas emissions, CTT has implemented various energy efficiency and facility modernisation measures. These interventions have primarily focused on the major components of the energy bills, air conditioning and lighting, respectively. In order to ensure legal compliance with the ECS - Energy Certification System, an energy rationalisation plan is currently in course at the production and logistics

centre of the South. Moreover, a similar plan for the production and logistics centre of the North is currently at the awarding stage.

An energy control and monitoring project was started in 2020 at the premises with higher energy consumption, on a national level, in line with CTT's corporate policies, which focus on improving sustainability. In partnership with a specialised supplier, CTT installed a control and actuation system in 44 buildings, which account for over 55% of consumption in CTT's buildings. This project seeks to optimise performance and mitigate energy consumption, thus contributing to a greater efficiency and helping reduce the impact of CTT's daily operations on climate change. In 2021, energy savings of approximately 13% were reached in the buildings involved. The main measures adopted included improvements in lighting (better management/ suitability to the operations involved, reduced power, deactivation of lights, motion sensor readjustment and replacement of conventional lamps with LED lamps) and air conditioning (adjustment in operating hours and reduction of ventilator speed). Expansion of these measures to 8 new operating centres is planned to take place in 2022.

Operating centres and postal delivery offices

The three centres of production and logistics (CPL) are the largest energy consumers in the group of around one thousand CTT buildings, with the South centre and the North centre being energy intensive.

As a result of the effort to rationalise energy consumption and implement energy efficiency measures in these centres, there was an absolute reduction (-14.4%) of electricity consumption in the production and logistics centre of the South and of -6.5% in the production and logistics centre of the North. The coming into operation of new mail sorting machines at this CPL in early 2021 and the optimisation of illumination schedules in several areas of the building contributed to reduce consumption. It is worth mentioning that the number of operating hours of a bulky mail sorting machine at the CPL of the South was smaller due to a drop in postal volumes for this type of mail. The contingency measures implemented as a result of the COVID-19 pandemic also contributed to reducing electricity consumption in these buildings.

The CPL, together with the postal delivery offices (CDP), delivery offices (CE) and postal logistics and delivery offices (CLD) also underwent interventions, with:

- 149 interventions aimed at improving air conditioning system operation at the facilities, including the replacement of older units with equipment of a higher energy-efficiency class;
- 366 lighting system reformulations, involving the installation of sensors and LED solutions, including 100% in 7 buildings;
- Upgrading of 6 electrical switchboards;
- Replacement of 4 air compressors and modernisation of the compressed air network;
- Installation of 6 electric vehicle charging points, given the increased trend towards the use of electric vehicles for mail delivery purposes;
- 198 interventions in elevators.

Administrative services building

GRI 302-5

The CTT head office, in Lisbon, is responsible for 1.5% of CTT's total energy consumption and 4.1% of total electricity consumption. Monitoring and control based on advanced solutions has thus become imperative, in order to identify and optimise potential actions to reduce consumption/costs.

Particular note should be made of the fact that part of the power consumed in the building comes from renewable sources, namely thermal solar power produced for hot sanitary water.

Other buildings

GRI 302-5

Following best practice tested in previous years, 729 interventions were carried out in buildings, as previously mentioned, leading to a higher energy efficiency and also contributing to reduce CTT's energy footprint.

In general terms, the following actions are noteworthy:

- Reopening of the Santarém post office, with the new CTT post office concept, as part of a reopening programme involving 9 post offices, with construction practices aimed at improving energy efficiency;
- Remodelling of CE 4100, 4400 and 4470;
- Opening of new facilities in Palmela (operating centre) and Arroios (delivery office);
- Reinstallation of the CTT Palácio dos Correios post office, with the new CTT concept, and 7 business premises in Santarém, Sacavém, Torres Novas, Leiria and Aveiro;
- Installation of an access ramp inside the CTT post office in Odemira.

CTT also focuses on more ecological and more efficient solutions for buildings, having installed 3 small photovoltaic production pilot plants with a power output of up to 419 kW, in 2019. This solution shall soon be extended to a further 3 facilities, and the consequent installed power to a further 281 kW.

In 2021, in addition to the small photovoltaic production plants, an investment was completed in production units for self-consumption, namely at the CTT Expresso facilities located in the MARL (Lisbon Regional Supply Market). The equipment came into operation in August, allowing the production and consumption of 191 MWh until the end of the year, which is equivalent to 15% of total consumption at the facilities.

The actions were continued in terms of replacement of computer equipment with more efficient equipment, enabling energy savings in the establishments.

Cutting energy consumption is essential for CTT, which annually spends around 6 million euros on electricity.

It should be noted that the measures against the COVID-19 pandemic applied at CTT had an impact on lowering the company's energy consumption. These measures include those regarding the mandatory lockdowns imposed from 2 January to 31 August, and from 27 December to 31 December, as well as the interim measures adopted between 1 September and 23 December.

Mobility

GRI 302-1, 302-3, 302-5, 305-1, 305-5

CTT operates one of the largest and most modern fleets of national companies, composed of 3,840 vehicles under direct operation, with transport services also being outsourced to third parties. CTT's fleet includes 346 less pollutant vehicles.

CTT Vehicles

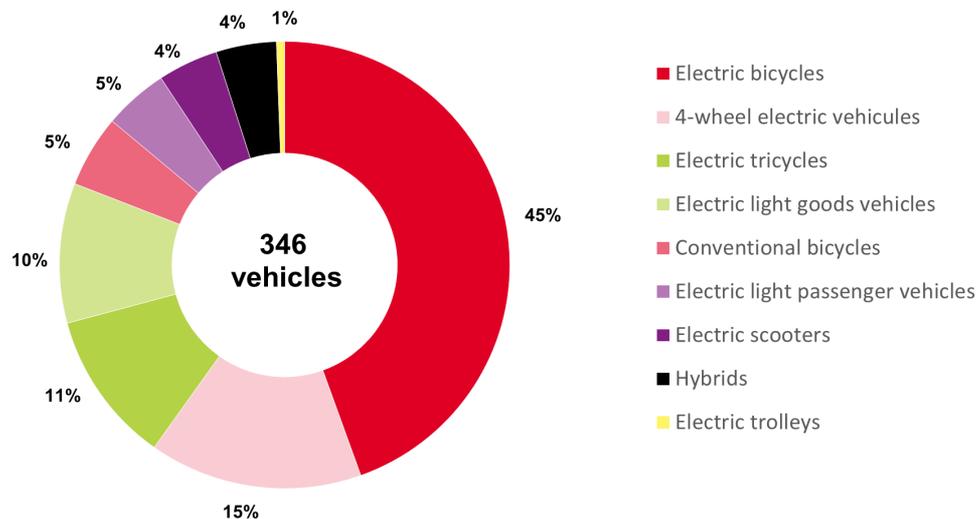
	'20	'21	Δ '21/'20
Total vehicles in operation ⁷⁵	3,893	3,840	(1%)
Less pollutant vehicles	335	346	3%

CTT's total activity covered 66.8 million km travelled by its own fleet (4.4% more than in 2020), plus 64.7 million km travelled by the outsourced road fleet (1.3% less than in 2020), and 1.9 million km travelled by postal delivery employees on walking delivery routes.

As road transport is responsible for a significant part of the final energy consumed, it is crucial to develop measures aimed at the sustainability of this activity. The solutions are distributed over three areas of action: technological development, mobility management and behavioural change.

The search for economically efficient and environmentally friendly solutions has led to the acquisition of alternative vehicles, primarily electric vehicles, which currently correspond to 9% of CTT's total fleet, comprising 346 vehicles. In the same context, the integration of conventional vehicles with increasingly more recent technological solutions not only enables optimising operating costs but also the highest possible reduction of the negative impacts of its activity.

Types of alternative vehicles



The kilometres travelled by CTT's fleet of alternative vehicles increased by 57% in relation to 2020, not only due to the increased quantity of this type of vehicle but also due to the optimisation and expansion of its activity.

At the end of 2021, the following vehicles started being received, as a result of CTT's fleet renewal policy: 73 light vans of 4-10 m³ capacity and 73 light electric vans of 5 m³ capacity. All new vehicles will start operating during the first quarter of 2022. A total of 134 motorcycles and 34 electric motorcycles were also purchased, which will come into operation in the first half of 2022.

⁷⁵ Excluding the CORRE, NNS and HCCM fleets.

Electric vehicles do not release greenhouse gases, in addition to being silent and easier to drive (without gearbox). They contribute to reducing CTT's ecological footprint and mitigate the risk of conventional vehicle restrictions to movements in urban/historical zones.

It should be noted that CTT has progressively shown a change in its activity profile, with increased use of larger vehicles as a consequence of the increased volumes of Express & Parcels.

The overall average age of the fleet of CTT, S.A. increased in relation to the previous year, and currently stands at 3.5 years.

Average age of the CTT S.A. fleet

	'19	'20	'21
Overall average age	3.1	2.7	3.5

CTT has completed the Plan for Rationalisation of Consumption and Energy (PRCE) for its fleet, with the seal of approval of the Directorate-General for Energy and Geology (DGEG) for the three-year period of 2018-2020. The plan was approved by the DGEG in October 2021. The main measures involved relate to the fleet renewal plan, the optimisation of the delivery and transport routes, the control of supplies and maintenance of vehicles, the installation of GPS systems in the operational vehicles, and the training and awareness-raising of drivers and fleet managers on safe and eco-efficient driving. At the end of 2020, the accumulated reduction reached 7.5% (gep/vehicle.km), corresponding to a reduction of 509,713 litres (higher than the legally required 5.0%). The final information for 2021 is not yet available. However, it is expected that its evolution should be similar to that of the 3 previous years, with a reduction of around 100,000 litres of fuel.

Pursuing the focus on vehicles with alternative motorisation, that are less pollutant and more sustainable, pilot tests were conducted with different electric vehicles in an operational context, namely quadricycles and vehicles equipped with postal service organisation systems, such as to increase delivery efficiency. This assessment is essential for future options for the increase of CTT's electric fleet.

In 2020, CTT launched a Green Deliveries service, in response to the search for less pollutant and more carbon neutral solutions by its business customers. This service now allows the end customers to receive their parcels by CTT electric vehicles in the city of Lisbon, for the contracted locations. In 2021, this service grew in terms of volumes, number of customers, number of locations and number of delivery vehicles, a trend which is expected to continue in 2022.

CTT's investment in the electric last-mile fleet allowed the coming into operation of the first completely electric hub at the Postal Delivery Office 1300, in Lisbon, which allowed for regular delivery with zero emission of pollutants.

Regarding CTT's electric fleet, a pilot project for electric mobility, started at the end of 2020, was completed in the end of the first half of 2021, with a logic of management, monitoring and control of the entire operation, aimed at contributing to an effective cost reduction and higher operational efficiency. The results of this pilot project allowed CTT to obtain relevant information to forecast the future impact of the growing number of electric vehicles, in terms of vehicle operation costs, IT system requirements and investment in charging points and facilities.

CTT organized the Portugal Drivers' Challenge edition in 2021, hosting 6 participant teams nationwide, at the CPL of the Centre, in Taveiro, Coimbra, in late October. The winner was Transportes Norte, represented by Vítor Pegas and João Matos. This event is part of the IPC Sustainability Programme, which seeks to reward delivery employees who adopt sound eco-consumption practices and simultaneously achieve a low accident rate. As in the previous year, the winning team of the national

contest was unable to represent CTT at the international final of the IPC Drivers' Challenge, which was postponed as a result of the pandemic.

Under the Road Safety program, CTT's road-related accident rate increased slightly (1.2%) in relation to 2020 (work-related accidents and material damage), albeit remaining lower than the value recorded in 2019 (pre-pandemic). The road-related occupational accident rate decreased by 14.2% in relation to 2020, while the corresponding absenteeism fell by 6.7%. Since this programme started in 2015, road-related absenteeism has fallen by 80,100 days.

CTT joined the Christmas 2021 and New Year 2021 Road Prevention campaigns, promoted by the National Road Safety Authority, aimed at raising awareness on safe driving. Nevertheless, this has always been a habitual topic of focus and importance for CTT, in view of the size of the fleet and the large number of employees who travel the country's roads on a daily basis. CTT's Road Prevention Programme covers all aspects in which human intervention can exert a positive influence, paying special attention to the training and awareness-raising of all the employees. In this regard, inhouse training and awareness-raising actions were promoted, involving a total of more than 30,000 participations, including all kinds of actions (awareness-raising, practical training of driving and training for senior managers).

CTT also joined the ROADPOL Safety Days, an initiative that seeks to reduce the number of traffic-related deaths per day in Europe to zero, on at least one day of the year, a goal achieved by 16 countries in 2021. In this context and in celebration of a day without road deaths, CTT organised actions about this topic and concern, which involved the participation of close to 65 services, the majority of which in postal delivery centres, but also in operational centres. About 700 managers, operations managers and employees of different areas of CTT signed their individual commitment to Road Safety.

CTT once again took part in the European Mobility Week, an occasion that has been commemorated for various years to reiterate its commitment to values related to the environment and corporate civic participation in the context of soft mobility. In 2021, in the pandemic context, the CTT programme included a communication and awareness-raising plan which included games and tips. During this week, CTT invited all the employees to reflect on their mobility habits and find more responsible solutions, such as alternative transport and/or sharing lifts.

In 2021, follow-up was given to the actions foreseen to be accomplished by CTT under the Business Mobility Deal for the City of Lisbon, which CTT signed in 2019, at the invitation of Lisbon City Council, the World Business Council for Sustainable Development (WBCSD) and BCSCD Portugal. This agreement is public, voluntary, free of charge and collaborative, between the Lisbon City Council and a group of 55 companies and institutions, aimed at actively improving mobility in the city of Lisbon, through the development of more ecological, safe and efficient mobility actions. The endorsement of this agreement publicly reinforces CTT's commitment to sustainable mobility and carbon management, in a continuous attitude of engagement, transparency and commitment.

4.5.3 Atmospheric emissions and climate change

GRI 305-1, 305-2, 305-3

Climate change affects the Company's costs, revenues and reputation, playing a fundamental role in the definition of its strategy. In most cases, the influence of the topic derives from the commitment to adaptation to climate change and potential financial gains, more than from the response to compliance with legal and regulatory obligations.

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adaptation to climate change and potential financial gains, more than from the response to compliance with legal and regulatory obligations.

In 2021, there was an increase (12.6%) in CTT's total CO₂ emissions (scopes 1, 2 and 3), in relation to the previous year, primarily derived from an increase in outsourced air and road transport and journeys between home and the workplace (commuting).

The emissions arising from CTT's own fleet activity increased slightly year-on-year (0.3%), which is reflected in the total direct and indirect carbon emissions derived from the acquisition of energy for own use (scopes 1 and 2).

Scope 3, mainly associated with outsourced transport, continues to represent the largest portion of emissions, accounting for 75.8% of the overall emissions of the Company's activity, followed by scope 1 emissions, relative to fuel consumption by the fleet and gas consumption in buildings (24.1%), and scope 2, relative to electricity consumption and air conditioning (0.01%).

CTT carbon emissions GRI 305-1, 305-2, 305-3, 305-5

t CO ₂	'20	'21	Δ '21/'20
Direct emissions – Scope 1	15,949.0	15,999.4	0.3%
Indirect emissions – Scope 2	164.9	9.0	-94.5%
Indirect emissions – Scope 3	42,733.2	50,245.5	17.6%
Total emissions (Scopes 1, 2 and 3)	58,847.1	66,253.9	12.6%

Direct emissions (scope 1) increased, primarily as a result of a higher fuel consumption by the CTT Express fleet, owing to an increase in technical activity related to the expansion of its centres and review of fleet usage plans.

Direct atmospheric emissions of CTT GRI 305-2, 305-5, 305-7

Greenhouse gas emissions (t CO ₂) ⁷⁶	'20	'21	Δ '21/'20
Fleet ⁷⁷	16,035.6	16,100.0	0.4%
Gas	67.0	55.4	-17.3%
Total direct emissions (scope 1)	16,102.6	16,155.4	0.3%
Other pollutants and GHG (t)			
NO ₂	175.2	115.0	-34.4%
SO ₂	45.2	45.7	1.1%
CH ₄ and N ₂ O	0.1	0.2	100.0%

Indirect emissions arise from the electric and thermal energy consumed in buildings, as well as other indirect consumption that occurs along the value chain. These include emissions derived from outsourced road, air and sea transport, delivery by postmen using their vehicles, service travelling and journeys between home and the workplace (commuting).

By acquiring green electricity for 100% of the consumption since 2015, the carbon emissions derived from CTT's electricity consumption are reported as zero based on the specific carbon content of the electricity supplier (market-based approach). By evaluating the total carbon footprint based on the national energy mix (location-based approach), it is found that the acquisition of energy corresponds to approximately 12.3 kt CO₂ per year. Thus, the acquisition of green energy influences CTT's total carbon footprint, as well as its performance in relation to the adopted carbon reduction targets.

⁷⁶ Fleet: value estimated based on the emission factors published by the Portuguese Environment Agency (APA) (https://apambiente.pt/sites/default/files/_Clima/Inventarios/NIR20210415.pdf) and the Global Warming Potential Values - IPCC Fifth Assessment Report (AR5), by converting pollutant emissions to CO₂, based on emission factors for CH₄ and N₂O. Gas: value estimated based on Order 6476-H/2021 and the WRI GHG Emission Factors Compilation, by converting pollutant emissions to CO₂, based on emission factors for CH₄ and N₂O.

⁷⁷ Excluding the CORRE, NNS and HCCM fleets.

Indirect atmospheric emissions from electricity and thermal power consumption by CTT

t CO ₂ ⁷⁸	'20	'21	Δ '21/'20
Electricity consumption	0	0	0.0%
Thermal power consumption	164.9	9.0	-94.5%
Total indirect emissions (Scope 2)	164.9	9.0	-94.5%

The activity of the outsourced road fleet decreased (-1.3% of the distance travelled), with direct impact on the associated carbon emissions. However, a significant part of CTT's cargo activity was outsourced during 2021, a component that is not reflected in the reported carbon emissions performance. It is worth highlighting that CTT has been investing and implementing dynamic routing systems, which enhance the optimization of routes and, consequently, the energy efficiency associated with transporting and distributing mail, parcels and express items.

The emissions resulting from the air transport of mail, express and parcels products registered an increase relative to the previous year. Domestic air transport increased by 20.7% in kg and 25% in kg.km, owing to a significant increase in parcels and EMS (express), as well as the reopening of air traffic, which allowed for the preferential use of this means of postal delivery. International air transport decreased by 26.6% in kg and 13.4% in kg.km, with the biggest falls being recorded in EMS and priority mail (kg), which were not offset by the 6.3% increase in non-priority mail and the 11.2% increase in parcels. This decrease resulted primarily from international air transport issues arising from a reduced offer and uncertain operation.

Emissions resulting from sea transport, express and parcels increased by 11.8% (12.5 t CO₂), due to a 16% increase in express mail volumes.

The emissions arising from commuting by the employees increased significantly, after the steep decline recorded in 2020 as a result of the measures adopted by CTT to fight the COVID-19 pandemic. The measures adopted in 2021 to prevent and combat the pandemic, less restrictive than those adopted in 2020, entailed greater employee mobility, which directly influenced the company's carbon emissions.

The carbon emissions arising from national e and international business travelling declined considerably, in addition to the decrease already witnessed in 2020, in relation to 2019, primarily due to the restrictions to movement in the pandemic context, but also due to the continuation given to meetings held by audio/videoconference.

Other indirect atmospheric emissions GRI 302-3, 305-4

t CO ₂ ⁷⁹	'20	'21	Δ '21/'20
Air transport	11,762.2	13,217.8	12.4%
Sea transport	105.9	118.4	11.8%
Road transport by outsourced fleet	27,320.4	30,274.0	10.8%
Delivery by postmen on motorcycles	1,484.6	1,374.4	-7.4%
Air and rail travel on company business ⁸⁰	30.8	18.0	-41.6%
Commuting	2,029.4	5,243.0	158.4%
Total outsourced transport (Scope 3)	42,733.3	50,245.6	17.6%

⁷⁸ Electricity: for the location-based approach, the value is estimated based on Order 6476-H/2021 and <https://www.statista.com/statistics/1190075/carbon-intensity-outlook-of-spain>. Thermal energy: 2020 value estimated based on the WRI GHG Emission Factors Compilation; 2021 value estimated based on Order 4343/2019 and <https://www.sce.pt/relatorio-dgeg-factor-energia-primaria-da-rede-da-climaespaco-v0/>. Excluding CORRE, NNS and HCCM.

⁷⁹ Value estimated based on the WRI methodology of the Greenhouse Gas Protocol tool for mobile consumption, version 2.6, using the conversion factors indicated in the "Compilation of emission factors used in the cross-sector tools" for the various fuels used by the fleets, applied to the respective consumptions. Excluding CORRE, NNS and HCCM.

⁸⁰ Excludes CTT Express.

Considering direct (scope 1) and indirect (scope2) carbon emissions, the carbon incorporation of each postal item is 15.7g CO₂, corresponding to a year-on-year decrease of 3.0%. This improvement resulted from a higher increase in total postal volumes than the increase in fuel consumption, as well as a significant decrease in thermal energy consumption and the updating of the associated emission factor. Incorporating scope 3 emissions, there was a 9.8% increase in relation to 2020, associated with the factors presented above.

Climate change

CTT considers that the combat of climate change is an increasingly important topic for society and for companies and has been pursuing a long journey of promoting and supporting energy transition.

CTT has been experiencing increasing pressure from customers to seek less polluting or carbon-neutral solutions. CTT anticipated this trend with the launch of “green mail” in 2010 and currently the express offer in Portugal is also carbon neutral, with no added costs for customers. Overall, the carbon neutral offer represents 17.3% of CTT’s total revenues.

We joined the United Nations Global Compact Initiative “Business Ambition for 1.5°C”, aimed at contributing to halt global warming and limit the increase of the global average temperature below 1.5°C. In this regard, CTT is part of a group of merely 1123 companies in the entire world with ambitious targets to reduce carbon emissions approved, on the present date, by the Science Based Target Initiative (SBTi). CTT is committed to reducing absolute emissions by 30% by 2025 in relation to 2013 and emissions by letter or parcel by 20% over the same period.

In 2021, CTT achieved the 4th position in IPC’s sectoral programme, named Sustainability Measurement and Management System (SMMS), amongst the world’s 20 largest postal operators. It is important to mention that CTT scored above the sector average in all seven areas of intervention, with the highest scores being achieved in the areas of Climate Change and Health and Safety. This distinction recognised the improvements achieved by CTT in all areas of intervention, in relation to the previous year. The IPC highlighted, as positive aspects, CTT’s performance regarding the acquisition of 100% electricity from renewable energy sources and the high recycling rate of waste generated in the Company’s buildings.

This programme is aligned with the 5 United Nations Sustainable Development Goals considered to be of most relevance to the postal sector, and now focuses on 7 areas of intervention: health and safety (SDG 8), learning and development (SDG 8), efficient use of resources (SDG 9), climate change (SDG 13), quality of the air (SDG 11), the circular economy (SDG 11) and sustainable procurement (SDG 12).

CTT and 15 other postal operators worldwide participated again in the Green Postal Day, an initiative promoted by IPC, which aims to mark the positive results of the collective effort that postal operators worldwide have been putting into practice to counter climate change and reduce their carbon emissions.

CTT was distinguished at the Leadership level in the Climate Change category, with an A- grade in the CDP - Carbon Disclosure Project 2021 rating, the capital market index that is the main rating of energy and carbon sustainability on a worldwide level.

In 2021, CTT continued to develop the projects undertaken within the scope of the Lisbon Green Capital Commitment 2020 – Lisbon 2030 Climate Action, and the Corporate Mobility Pact for the City of Lisbon. This commitment seeks to ensure the contribution of the different economic agents in the achievement of the goals and targets defined under the Action Plan for Sustainable Energies and the Climate, and fosters a new vision of the city of Lisbon with a view to carbon neutrality by 2050. To this end, CTT submitted 14 measures in the following categories, aimed at improving the company’s environmental performance: energy, mobility, water, circular economy, citizenship and participation.

Under the identification and assessment of impacts derived from climate phenomena, with implications in terms of costs and operations, 6 events occurred, in particular winter storms. It is estimated that these events had an impact of €6.8k in operational terms and €1.4k in terms of work potential. A cyclone in the Central region and Alentejo also occurred in 2021, caused flooding and damages to buildings, with an impact of €6.5k.

CTT adopts the following formulation of principles on these matters:

Policy on Energy and Carbon Management and Climate Change

- Creation of value for the business, and likewise generating value for society;
- Improvement of the energy efficiency of equipment, facilities, fleet and product design, with a view to continuous improvement of performance;
- Provision of information and resources, in order to achieve the established objectives and targets;
- Respect for the legal and regulatory framework in force and other commitments which the company endorses.

4.5.4 Consumption, waste and biodiversity

Water

GRI 303-1, 303-3, 303-4, 303-5

Postal activity is not particularly intensive in its water consumption, although water constitutes a resource for the daily operation of the facilities, namely for human consumption, irrigation or occasional situations of vehicle washing and use in air conditioning equipment.

CTT Water Consumption

	'20	'21	Δ '21/'20
Consumption (m ³) ⁸¹	31,680.5	32,809.2	3.6%

The increase in water consumption results from the resuming of operations, with no lockdown measures, in operating areas. Besides, two pipe leaks occurred at the production and logistics centre of the North, which also contributed to the increase in consumption over this period. Nevertheless, the measures aimed at reducing water consumption continued to be followed, as well as the planned reduction in vehicle washing frequency. CTT monitors the information in real time on the consumption of network water using telemetering, for the buildings of the Lisbon region, with a view to optimising water consumption and costs.

The total cost related to water consumption at CTT represents €226.9k.

CTT has been authorised to use water resources for discharging of wastewater at the Taveiro building, that defines discharge locations and parameters to be monitored, as well as the respective evaluation frequency, emission limit value requirements and reporting to the competent authority.

Consumption of materials

GRI 301-2, 306-2

Although CTT's activity involves very little incorporation of intermediate or final materials in its supply process, priority has been given to their reduction.

⁸¹ Among the subsidiaries, the water consumption of CTT Expresso, 321 Crédito, CORRE, NNS and HCCM is not included.

This year, approximately 3,470.6 tonnes of materials were consumed⁸², corresponding to a year-on-year increase of 1.1%. In the total figures, the most representative consumption items are paper and plastic, accounting for 77.9% and 21.1%, respectively. The recorded increase is associated with the consumption of paper and plastic, which results primarily from an increase in express mail logistics. However, the COVID-19 factor generated savings in consumables, namely paper and toner, as a result of the shifting of various more administrative areas to a telework arrangement.

The incorporation of recycled materials in products currently represents 8.0%.

The implementation of actions aimed at decreasing the consumption of consumables and the dematerialisation of procedures by digital models continued, with the online subscription of forms, instead of pre-printed formats, as well as the digital filing of the generated case-files, namely in the operational areas. With regard to this innovation, special reference is made to the paper-free process, whose purpose is to eliminate the printing of shipment documents, both Inbound and Outbound, in order to reduce the size of physical archives. The Deminimis project, which relates to the customs clearance of non-EU items, seeks to improve automation through the implementation of a system whereby CTT interacts with its customers via a web portal instead of the traditional letters and paper documents. At Banco CTT, 70% of customers have already subscribed to digital statements.

Waste

GRI 301-3, 306-2, 306-3, 306-4, 306-5

Continuing the internal management practice and final sending of waste to the most suitable destination, recovery solutions, instead of sending waste to landfills, are given priority. This year, there was a decrease in the annual quantity of waste produced, and of the total recovery rate, which reached 97.7%.

Waste

	'20	'21	Δ '21/'20	Destination
Paper and cardboard	1,212.7	1,050.9	-13%	Recovery
Plastic	222.4	217.4	-2.2%	Recovery
Wooden pallets	532.0	628.9	18.2%	Recovery
Undifferentiated waste	236.6	203.0	-14.2%	Recovery/Disposal
Other	230.2	203.6	-11.6%	Recovery/Disposal
National Total	2,433.8	2,303.7	-5.3%	

Waste by hazard level and destination⁸³

Tons	Recovery	Disposal	Total
Hazardous waste	2.6	20.7	23.3
Non-hazardous waste	2,247.9	32.6	2,280.5
Total	2,250.4	53.3	2,303.7

CTT has progressively developed processes of reverse logistics with its customers and partners, in order to maximize the network occupation through the return transport of materials, which leads to benefits in terms of the efficiency of CTT's transport and logistics and cost-cutting.

⁸² The reported figures were obtained via analysis of the acquisitions made through the e-procurement electronic system. The gradual expansion and improvements introduced to the accounting process regarding the consumption of materials have enabled the inclusion of more products and the identification of different types of materials.

⁸³ The amount of waste does not include CORRE, NNS and HCCM.

Projects have also been promoted in the field of the circular economy directed at CTT's customers, aimed at fostering a more efficient management of the natural resources used and prolonging the useful life of the products.

Within this context, we joined efforts with To Be Green, a spin-off created by the University of Minho to promote the recycling and recovery of used disposable face masks, thus allowing for reuse of the materials used to manufacture this product. The impact of this initiative is very positive, from a recycling viewpoint, as this waste is commonly placed in mixed waste containers. Used face masks are recycled and converted into propylene boards, a resistant material that can be used in several applications. The entire collection, transport and processing of this type of waste was performed in accordance with the most stringent safety conditions, such as to prevent viral contamination.

Also within this scope, Banco CTT became one of the first members of the "Merece" movement (Corporate Movement for the Recycling of Cards with Electronic Components). By joining this movement, Banco CTT seeks to ensure sustainability by promoting the collection and recycling of obsolete debit cards through postage-free envelopes, at no cost to customers. The "Merece" movement ensures that collected cards are sent to recycling facilities, where they are transformed into street furniture. Moreover, Banco CTT seeks to offset the estimated carbon footprint resulting from the use of cards by planting a tree for each kg of cards collected.

Biodiversity

GRI 304-2, 304-3, 306-2

CTT pays special attention to the mitigation of its impacts, albeit indirect, on biodiversity. The fact that a significant part of CTT's business is based on communication on paper, makes this a relevant topic for the company. Therefore, while not considered a critical topic, the company manages its impacts on biodiversity in an active manner, focusing on the use of paper derived from sustainable forests and on promoting the use of certified paper in its products and services.

Mail solutions prioritise more sustainable options, especially in terms of selection of the materials to be used. It should be highlighted that CTT's large envelopes and boxes and the "Green Mail" offer have Forest Stewardship Council (FSC) certification.

CTT continued to undertake the actions included in the "Act4nature" commitment. This commitment seeks to encourage companies to protect, promote and restore biodiversity, contributing to the reversal of its loss. To this end, CTT endorsed the 10 Common Commitments which are aligned with its sustainability programme and a set of individual commitments focused on ongoing awareness-raising and communication, internal and external, on the topic of preservation of biodiversity and encouraging the sustainable use of natural resources.

For the 8th consecutive year, another edition of the initiative "A Tree for the Forest" was launched, within the scope of the partnership between CTT and Quercus. This campaign aims to restore the forest of some zones of the country with indigenous species, namely protected areas, classified areas and national forests at high risk of fire or more affected by forest fires. The 2021 edition featured the sale of a new kit, featuring the Wild Cherry | *Prunus avium*, at CTT post offices countrywide and on CTT's online store, which will be available until the launch of the next edition. This year, the goal of planting more than 100 thousand indigenous trees was achieved through this project.

CTT was once again a partner of the Portuguese government in "Portugal Chama" (or Portugal is Calling, where 'chama' means both 'calling' and 'up in flames'), the campaign to raise awareness and prevention of forest fires nationwide. In this regard, a series of contents were disclosed to its employees and customers, warning them of the need to avoid risky behaviours and curtail ignitions causing fire.

The launch of various collectable stamp issues on environmental matters included, in 2021, the publication of 5 stamp issues dedicated to the topics of “Europe – Endangered Species”, “Barroso Land – World Agricultural Heritage”, “United Nations Decade of Ocean Science for Sustainable Development”, “Protected Areas of Portugal” and “Hunting in Portugal (1st Group)”, involving a total of 1.79 million stamps.

Training and Awareness-Raising

CTT has regularly developed, both internally and externally, a large number of awareness-raising initiatives aimed at boosting knowledge on the matter, disseminating good practices by the employees and all other stakeholders, and drawing attention to certain environmental aspects, such as the conservation of resources, the protection of nature and the need for eco-efficiency, among other issues.

Various articles and contents of an environmental and social nature were published in the magazine Revista CTT, which also includes a section dedicated to Road Prevention, aimed at raising the awareness of the employees. Likewise, environmental contents were also broadcast on the inhouse broadcasting channel CTT TV, at the head office building.

Reference is made to the inhouse celebration of thematic days throughout the year, which involved various games for the employees and their families, namely the World Tree Day, the World Earth Day, the National Environment Day, the World Nature Conservation Day, the European Car-Free Day, the European Day Without a Road Death (EDWARD) and the World Water Day. Tips and suggestions on small daily habits that we can all adopt aimed at protecting the environment and biodiversity were also publicized, namely “A greener New Year”, “A vegetable garden in your Home”, and “Sustainability is (also) to consume seasonal produce”.

The internal communication network (intranet), a point of connection for all CTT personnel, discloses CTT’s sustainability policies and commitments, its performance and initiatives undertaken with a view to environmental protection and social integration. The dissemination of e-newsletters continued, with sustainability contents directed at the employees of the operational areas.

An internal webinar was also conducted on the theme “Ocean Conservation”, dedicating to ecosystem restoring and ocean preservation, in partnership with the Vasco da Gama Aquarium.

At the end of the year, CTT relaunched the “Green Planet” course on the “Formare” training platform, which seeks to provide context for the environmental issues, policies and initiatives implemented by the company, as well as raise awareness and encourage employees to engage in CTT’s environmental activities.

At an external level, CTT regularly shares news items on sustainability, through its Facebook page – Esfera CTT, which currently has over 53 thousand fans. CTT is also present on the social networks LinkedIn and Instagram, which has more than 102.5 thousand followers. In 2021, two competitions were launched, namely “A Tree for the Forest 2021”, on Esfera CTT, which reached 13 thousand users and 69 participations, and the “World Tree and Poetry Day”, on Instagram, which reached 1.6 thousand users and more than 20 participations.

The “Green Tips” were created on the Banco CTT website, an area dedicated to the sharing of simple tips and recommendations, which aims to promote sustainable habits that can be adopted in daily life.

Moreover, articles were also published about CTT’s sustainability programme in the newspaper “Jornal de Negócios”, the Green Savers magazine, the Capital Verde Eco Yearbook, the Green Last Mile Report, as well as the websites of Marketeer and Executive Digest, the digital platforms ECO - Capital Verde and the Green Purpose platform. CTT also conveyed information to its customers in this sphere through the TV channel of its post offices network at a national level.

The joint action of CTT and two Portuguese associations – APIGRAF and CELPA – launched the campaign “Keep Me Posted – The Citizen’s Right to Choose” in Portugal, replicating the European campaign with the same name. This campaign promotes the citizens’ right to choose the way they want to receive their information (such as accounts and statements from service providers) – on paper or digital, or both – without any penalisation, extra cost or imposition. To this end, posters were displayed and leaflets were provided at CTT post offices and points which aroused the interest of the customers, with the campaign having been disseminated on the social networks and the Portuguese website “Keep Me Posted” launched.

CTT also participated as speaker in the 33rd Jobshop AEIST, the Copenhagen Economics Postal & Delivery conference, the “Reindustrialisation and Circular Transformation – SUP Directive” conference, the 20th Executive Digest conference, in the Sustainability Round Table, and in the Climate Ambition Panel, at the Global Compact Social Responsibility Week conference. Additionally, CTT was interviewed by newspaper “Jornal de Negócios” on its sustainability programme. An article on reusable packaging was also published in Ponto Verde Society’s magazine “Recicla”.

Environmental Investment

In 2021, total environmental investment amounted to approximately €4.7m. In terms of the distribution of the investment, the majority took place at CTT S.A., with a significant focus on fleet renewal, aiming to improve CTT's overall performance.

Environmental investment

(€1,000)⁸⁴	‘20	‘21	Δ ‘21/‘20
Maintenance, Conservation of Buildings	431.0	437.4	1.5%
Renewal of the Conventional Fleet	2,719.1	3,003.5	10.5%
Environmental Reporting, Partnerships, Events and Sponsorships	86.4	122.5	40.6%
Information Technology Equipment	71.7	182.6	154.6%
Renewal of the Electric Fleet	72.9	900.2	1134.5%
Certifications and Legal Compliance	35.6	49.8	54.9%
Energy and Carbon Management	27.9	34.3	23.0%
National Total	3,444.7	4,729.3	37.4%

⁸⁴ Excludes data of the subsidiaries 321 Crédito, CORRE, NNS and HCCM.