



Integrated Annual Report 2020





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This integrated annual report of the Correos Group 2020 has been made in digital format. Its designs are suitable for viewing on smartphones and tablets. This report is publicly accessible in www.correos.com/grupo-correos/. All reports are also available in English. In the event of any disparity between the versions, the information contained in the Spanish version shall take precedence.

We want to know your opinion about this report. If you want to make comments and suggestions, you can refer them to rsc@correos.com

or send them to
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+ Chairman's statement

GRI 102-14

Looking back, we can probably conclude that 2020 was one of the most challenging years we have ever experienced. As I am writing this, I think of all the difficulties we faced in continuing our activity, but also of the example of solidarity set by our more than 3,200 volunteers, who decided to make it their mission to 'help in any way we can' by helping in the most difficult months of the pandemic. My sincere thanks go to these professionals, as well as to all our employees who made extraordinary efforts, to carry out essential work, delivering indispensable goods to all homes and businesses.

Restricted personal mobility and the need for companies to continue supplying products to their customers motivated the expansion of e-commerce, which seems to have become permanently instilled in the population. The distribution of these online purchases led to a significant increase in demand for parcel services, which the Correos Group responded to by increasing its operational capabilities while adapting its processes and activities to the new health requirements.

Despite the growth in parcels, factors such as the drastic decline in business activity and the acceleration of digitalisation led to a slump in mail and advertising volumes, which had a significant impact on last year's results. The pandemic also contributed to the impact of higher transport costs.

It was also complex and demanding, in the exceptional circumstances

generated by the pandemic, to assist with the development of two elections. By delivering - and for the first time collecting postal votes at home - we made it easier for the citizens of the Basque Country and Galicia to exercise their right to vote by mail, managing record numbers of deliveries. This required adapting procedures and technologies to guarantee both people's security and the assurance that Correos has always accredited in these processes.

The public service vocation that has always characterised Correos and its historical role as the backbone of the territory, leads us to become firmly involved in the progress of all people, regardless of where they live. That is why we continue to put all our logistics capacity and digital experience at the service of small and medium-sized companies, maintaining a physical presence throughout the country that guarantees all citizens access to public services, incorporating new services in our network of post offices that facilitate the completion of all types of procedures and ensuring the distribution of all kind of goods to any part of the world every day.

In such tough times for society as a whole, we do not forget our commitment to achieve the 2030 Agenda and the United Nations Global Compact Principles that we endorse. The objectives of our sustainability policy and our active participation in various national and international projects in the areas of sustainable mobility, response to climate change, social innovation, social integration and the generation of local value demonstrate this.

The Correos Group is called upon to play an important role in the social and economic recovery that we are beginning to build together after the pandemic. Our mission will be to support and contribute to the



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competitiveness of Spanish companies, changes in consumption patterns, fusion between the physical and the digital, reconstruction of resilient cities that improve the quality of life of citizens, smart mobility, solutions to the demographic challenge, decarbonisation and circularity of the economy or useful exploitation of technologies such as artificial intelligence.

We are aware of the complexity of the challenges ahead, but also of the strength of our determination. The transformation process of our business model, our commitment to stable and quality employment as the best guarantee to continue offering the best service to all citizens and the ability to adapt of our company and, especially, of our workers, will be our pillars to address these challenges successfully.

Juan Manuel Serrano Quintana
Chairman

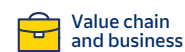




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+ Milestones

We promote a stable, secure and diverse work environment



Correos incorporated 4,005 people as permanent employees and announced it is seeking to create an additional 3,421 jobs, promoting employment stability.



The company was the first in the public sector to produce a guide to LGTBI-inclusive language.



Correos and Correos Express obtained the COVID-19 certification from AENOR, certifying their strict compliance with official health recommendations against the virus.

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We meet customers' requirements when they need us most



The Correos network of post offices set up a new appointment request service via the website and app. It allows users from vulnerable groups to request priority appointments at off-peak times.



Correos Express launched a new range of express services for deliveries to and from the Canary Islands, supporting business in this territory.



The platform Nexa of Correos Nexea enabled the continuity of communications (digital or postal) between companies and their customers during the pandemic.



Correos Telecom signed 80 new contracts, for fibre optic marketing and site rental for telecommunications equipment, which will contribute to Spanish connectivity and technological development.



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We develop our business with the latest technology



The company resumed construction of the *Rampa 7* international logistics centre at Adolfo Suárez Madrid-Barajas Airport, a strategic project for the future of international logistics.



Correos implemented new parcel sorting equipment at the automated processing centres in Seville, Alicante, Valladolid and Merida and a new air freight palletising system at the Madrid CAM 4 bulk mail centre.



Correos Express opened 4 new logistics centres, expanded the capacity of 12 others and renewed automated processing equipment at 16 centres.



Correos started applying Artificial Intelligence and blockchain technology to its contracting activity to optimise bidding processes.

7

We remain committed to a more sustainable future for everyone



The Correos Group began leading the SENATOR European project to develop a new urban logistics model, through planning solutions, logistics governance and shared, low-emission distribution.



Correos launched a new Circular Economy Action Plan to advance its goal of zero waste by 2030.



The Redondeo con Impacto programme allocated more than 190,000 euros to scientific and social projects, such as medical research against COVID-19 and bridging the digital divide in rural schools.



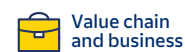
The Correos Group completed the review of its 'Criminal Risk Prevention Programme' and implemented a new comprehensive enterprise risk management (ERM) system in accordance with COSO II methodology.



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+ Recognitions



Best e-commerce solutions

National 21st Century Technology Award to Correos, in the e-commerce category, for its wide range of solutions for this sector.



Correos Forests, best practice in tackling climate change

Inclusion of Correos Forests as one of the 101 #ForTheClimate 2020 initiatives.



Correos Market, best social innovation

Internet 2020 Award for Social Innovation to Correos Market and the #YoMeQuedo campaign, in the category of Entrepreneurship and Research.



Best management of diversity and inclusion

Recognition of Correos in the Red Acoge Top 5 as one of the companies with the greatest commitment to diversity and inclusion.



'Helping in any way we can', best solidarity initiative in response to COVID-19

SERES 2020 Award and CSR Coups de Coeur 2020 Award from PostEurop, for the solidarity initiative 'Helping in any way we can' to tackle COVID-19.



Recognition of support for local producers

Corresponsables Award to Correos Market, in the category of Public Authorities, for the promotion of local artisans and producers and for bringing them closer to the public.



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#YoMeMeQuedo, best action with social impact

Genio Grand Prize for Innovation in Marketing, Communication and Use of the Media and Genio Prize for Innovation in Social Impact Campaigns to the #YoMeQuedo campaign.



Highest social commitment during the pandemic

Fourth best-rated company in the ranking 'Companies with the greatest social commitment/responsibility during the pandemic' according to MERCO.



#YoMeQuedo and #CruzDobleEme, Best Marketing Campaigns

Gold award for Correos Market's #YoMeQuedo campaign and silver for the #CruzDobleEme rebranding campaign at the 2020 National Creativity Awards. Finalists in the 2020 Effectiveness Awards and the Impact Awards.



Correos Compensa, most innovative project of the year

'Most innovative project of 2020' award for the Correos Compensa emissions offsetting programme, awarded by EuroMed (Unión Postal del Mediterráneo).



Most outstanding marketing activity

Correos was Advertiser of the Year at the Advertising and Advertiser Control Awards 2019 and Grand National Marketing Award 2020, according to the Spanish Marketing Association.



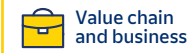
Protest Stamps, best awareness-raising campaign

Silver award in the Radical New Strategy category and bronze in the Direct Mail section of the Caples Awards, as well as a special mention in the OCARE Awards for CSR Communication from the Observatory for Corporate Responsibility Communication and Action, for Protest Stamps, Correos' stamps for the planet.

+ Main figures of Correos

GRI 102-7





+ Main figures of Correos

🌐 GRI 102-7

96 Special service units

8,381 Service points

6,011 Rural services

2,370 Post offices

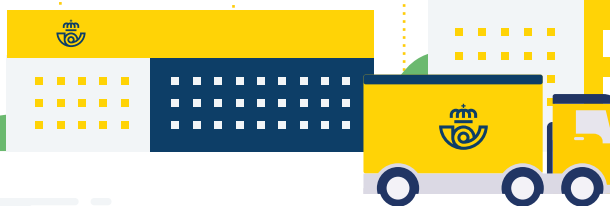
1,264 Ecologic vehicles

15,084 Total vehicles

5,114 Citypaq parcel automatic terminals

1,771 Delivery units

18 Automated processing centres





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+ Main figures of Correos Group' subsidiaries

GRI 102-7

Correos
Express



1,271
Employees (FTE)



59
Operating centres



5,468
Distribution and hauling routes



175,822
Operating area (m²)

Correos
Nexea



189
Employees (FTE)



2
Operating centres

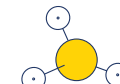


13,288
Operating area (m²)

Correos
Telecom



38
Employees (FTE)



3.6
Marketed fibre optic
network (million metres)



306
Marketed
telecommunications
sites

Correos
Express

CorreosExpress Portugal



136
Employees (FTE)



11
Operating centres



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Chairman's statement



Milestones and recognitions



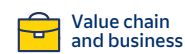
Main figures and impacts



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+ Correos Group triple impact

GRI 102-7

Economic impact	2020	2019
Revenue (Thousand euros)	1,975,209	2,266,483
Result before tax (Thousand euros)	-366,475	5,383
Result after tax (Thousand euros)	-264,198	13,414
Investments (Thousand euros)	98,718	68,529
Work centres certified in accordance with UNE-EN ISO 9001 standard	2,184	2,213
Satisfied customers with post offices service	76%	74%
Domestic suppliers	98%	99%



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Social impact	2020	2019
Employees (FTE)	52,456	54,689
Proportion of women in total staff	52%	51%
Proportion of women in Correos' Governing Board	33%	47%
Training hours (millions)	1.7	2.2
'Young Talents' developing internships*	100	79*

* 'Young Talents' developing internships in Correos Group subsidiaries not included

Environmental impact	2020	2019
Emissions (Scope 1/2/3) (tCO ₂)	149,361	170,152
Renewable electricity purchased	100%	100%
Environmental investments (Thousand euros)	4,765	3,682
Correos paper consumption (kg)	648,170	742,803
Carbon offset (t)	5,400	ND
Correos energy consumption (Gj)	456,758	489,045



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+ Materiality

GRI 102-40, 102-42, 102-43, 102-44, 102-46, 102-47

The contents of the integrated annual report of the Correos Group 2020 corresponds to the period between 1 January and 31 December 2020 and covers the main activities of Correos and its subsidiaries.

Determination of the content, structure and scope of this integrated annual report was carried out through a process of internal and external reflection that made it possible to identify and prioritise the matters of greatest impact and/or importance for the business and stakeholders.

The materiality analysis developed in the first half of 2020 was based on interviews and consultations with executives and 100 managers of the company, as well as opinions of experts and representatives of stakeholders: customers, public administration, media or society.

This materiality analysis also considered information about the company in the press and social media and the non-financial reporting requirements under Act 11/2018, regarding environmental and social matters, respect for human rights, combating corruption and bribery, equality, non-discrimination and inclusion of people with disabilities and universal accessibility.

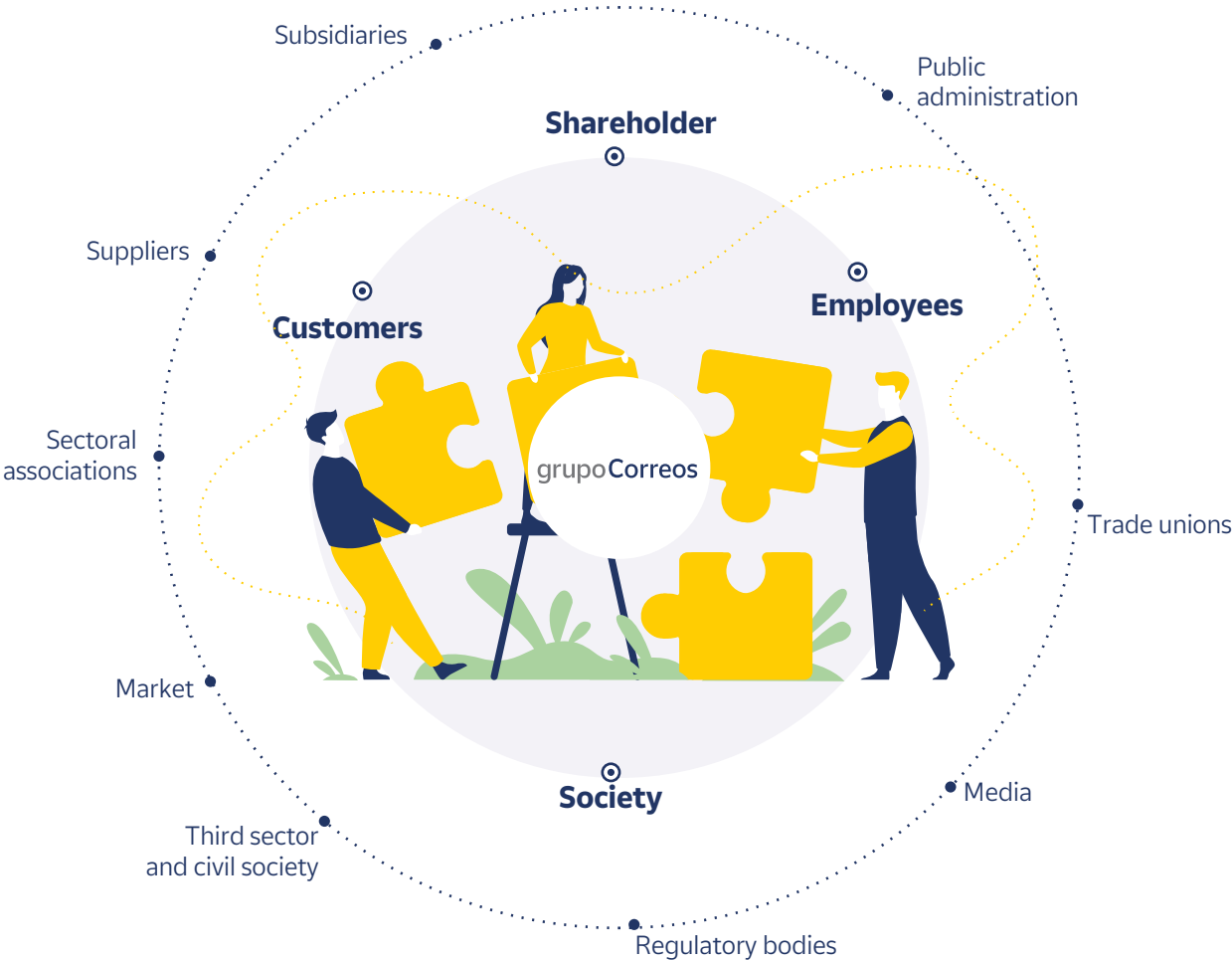
The five more relevant issues for external stakeholders were customer satisfaction and adaptation to their needs, innovation and new

technologies, security and cybersecurity, diversification and transparency and good governance. Three of these subjects were also considered by internal stakeholders as one of the five matters with greatest impact on the company, together with business sustainability and legal framework and adaptation to regulatory changes. The 21 issues included in the materiality matrix were assessed with a moderate, average and high relevance by stakeholders.

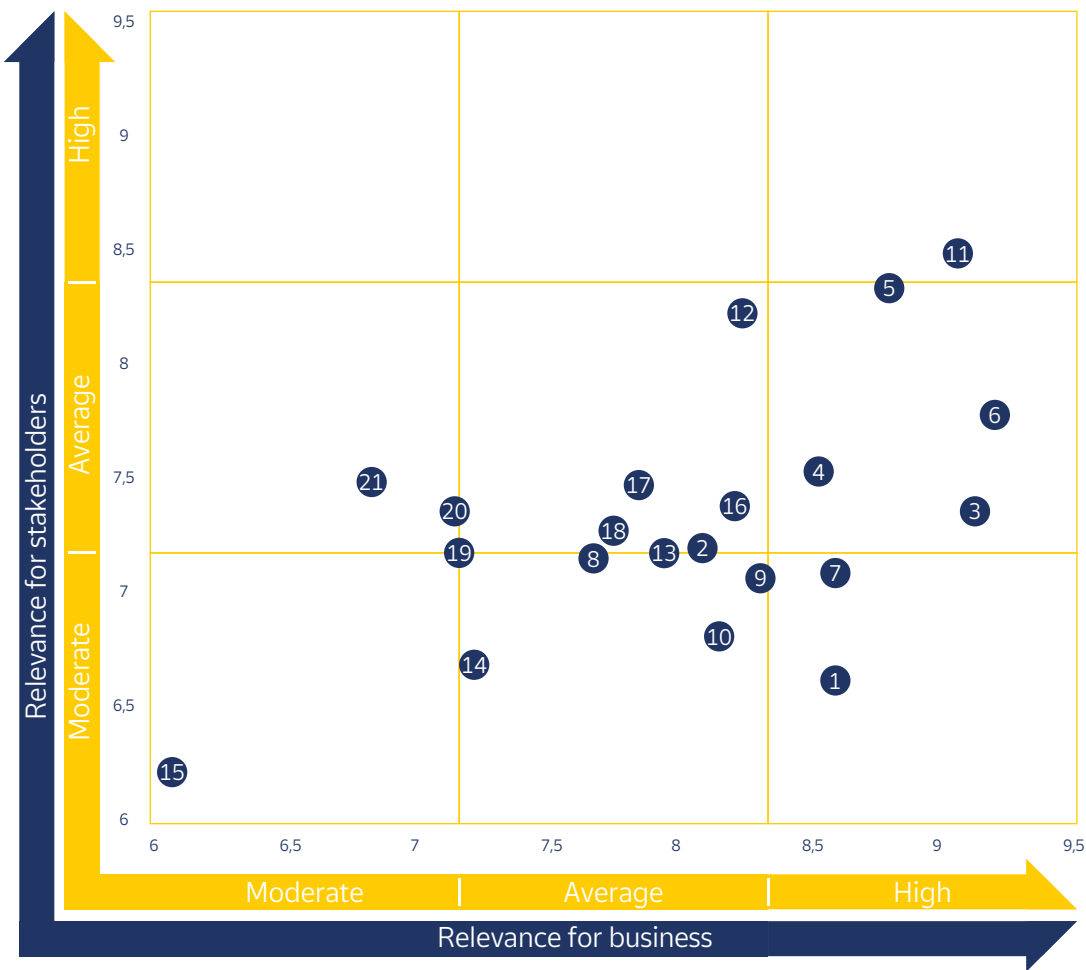
From the joint assessment of critical issues for each stakeholder, the matters with greatest impact on the company were drawn. These matters have been incorporated, to a greater or lesser extent, into the contents of the integrated annual report 2020, elaborated in accordance with the 2019 version of the Global Reporting Initiative's Standards (GRI) for the preparation of sustainability reports.



Main Correos Group stakeholders



Materiality matrix



Relevant Matters

- 1 Legal framework and adaptation to regulatory changes
- 2 Risk management
- 3 Business sustainability
- 4 Transparency and good governance
- 5 Innovation and new technologies
- 6 Diversification
- 7 Safety, health and wellbeing
- 8 Diversity and inclusion
- 9 Training and professional development
- 10 Pride in belonging
- 11 Customer satisfaction and adaptation to their needs
- 12 Security and cybersecurity
- 13 Contribution to the local economy
- 14 Support for vulnerable groups and social cohesion
- 15 Promotion of art, culture and sport
- 16 Strategic partnerships and international participation
- 17 Emissions and climate change
- 18 Energy efficiency and consumption (sustainable buildings)
- 19 Eco products and circular economy
- 20 Responsible and green purchasing
- 21 Collaborative projects

Good governance Society Business and innovation
Environment Employees



Treatment of relevant matters for stakeholders

Matter	Chapter	Relevance for business and/or stakeholders
11. Customer satisfaction and adaptation to their needs	Solutions for customers. Excellence in operations.	Highest ●●●●
5. Innovation and new technologies	Solutions for customers. Excellence in operations.	Highest ●●●●
6. Diversification	Business environment. Objectives and strategy. Business model. Solutions for customers.	Highest ●●●●
3. Business sustainability	Main figures and impacts. Business environment. Objectives and strategy. Business model.	High ●●●
4. Transparency and good governance	Corporate governance and ethical compliance.	High ●●●
12. Security and cybersecurity	Corporate governance and ethical compliance.	Average ●●
16. Strategic partnerships and international participation	Solutions for customers. Excellence in operations.	Average ●●

Continue

Main matters

11

Customer satisfaction and adaptation to their needs

5

Innovation and new technologies

6

Diversification

3

Business sustainability

4

Transparency and good governance





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Matter	Chapter	Relevance for business and/or stakeholders
17. Emissions and climate change	Environmental sustainability.	Average ●●
18. Energy efficiency and consumption	Environmental sustainability.	Average ●●
2. Risk management	Corporate governance and ethical compliance.	Average ●●
1. Legal framework and adaptation to regulatory changes	Corporate governance and ethical compliance.	Average ●●
7. Safety, health and wellbeing	Human team.	Average ●●
21. Collaborative projects	Solutions for customers. Excellence in operations. Innovation.	Average ●●
20. Responsible and green purchasing	Environmental sustainability.	Average ●●
14. Support for vulnerable groups and social cohesion	Social contribution of Correos Group.	Average ●●
9. Training and professional development	Human team.	Average ●●
10. Pride in belonging	Human team.	Average ●●
13. Contribution to the local economy	Environmental sustainability. Social contribution of Correos Group.	Average ●●
8. Diversity and inclusion	Human team. Social contribution of Correos Group.	Average ●●
19. Eco products and circular economy	Environmental sustainability.	Average ●●
15. Promotion of art, culture and sport	Social contribution of Correos Group.	Moderate ●



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Main communication channels with Correos Group stakeholders

	Shareholder	Employees	Customers	Society		Shareholder	Employees	Customers	Society
General Meeting of Shareholders					Participation programmes				
Governing Board					Communication and complaint channel				
Annual Operating Plan and Medium-Term Plan					Meetings with the Chairman				
Integrated annual report					Social networks				
Intranet/Corporate website					Representation committees				
Email					Commercial channels and service points				
SMS and Whatsapp messages					Fairs, forums and other meetings				
Personalised letters					Advertising campaigns				
Internal memos					Associations and collaborative projects				
Conected@s' internal magazine					Press releases				
Workshops					Institutional control (Parliament, Ombudsman, Court of Auditors)				
Informal meetings									
Training actions									
Bulletins and surveys									
Suggestion boxes									



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+ Contribution to SDG

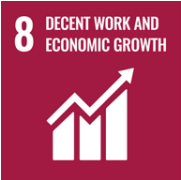
The 17 United Nations Sustainable Development Goals (SDG) establish a universal roadmap that pursues the equality and prosperity of people, the protection of the planet, peace and justice for the 2030 horizon. Nations, companies and citizens are called alike to mobilize to contribute to development sustainable.

Correos, as one of the largest companies in the public sector and provider of an essential service for companies and citizens, is aware of its potential social impact and of the influence that its policies can have in the materialization of the 2030 Agenda. On the other hand, the company distributes millions of letters and parcels daily in Spain and the rest of the world, which generates an environmental impact. Therefore, it assumes its responsibility in the application of innovation, technology and alliances for the development of intelligent mobility solutions that neutralize this impact.

Correos identifies as priority SDGs, in which its contribution may be most relevant, the following: decent work and economic growth (Goal 8), industry, innovation and infrastructure (Goal 9) and sustainable cities and communities (Goal 11).

Secondly, due to its nature and activity, the company considers that it can also favour the achievement of the targets associated with the goals of responsible consumption and production (Goal 12) and climate action (Goal 13).

These five areas of action are contemplated in its Sustainability Plan, as well as in its objectives for 2030: achieving carbon neutrality, promoting circularity and generating 'zero waste', supporting smart mobility and generating 'local value'.

Goals and relevant matters for stakeholders	Targets	2020 contribution
<div></div> <div>Training and professional development</div> <div>Pride in belonging</div> <div>Diversification</div>	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors	<p>Generation of stable employment. Correos hired 4,005 people as permanent employees and called for the coverage of another 3,421 jobs.</p> <p>Specific training. The companies of the Correos Group gave courses on digital tools, cybersecurity, Big Data or personal skills, to support the offer of new products and services, promote internationalization and improve customer service.</p> <p>Improvement of professional qualification. Correos promoted the approval in the Council of Ministers of the professional qualification of 'home delivery and collection service', a benchmark for the development of vocational training qualifications to train new distribution professionals, in order to provide a better service to citizens and companies.</p> <p>New working models. During the confinement, the companies of the Correos Group extended the remote working option to nearly 2,000 professionals.</p> <p>Talent management. The 'Clic' programme, the performance appraisal system and the 'Young Talents' programme made it possible to identify key people and functions for the strategic needs of the company, as well as to continue attracting and developing internal and external talent.</p>

<div data-bbox="351 563 533 745"><p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p></div> <div data-bbox="351 826 589 1054"><p>Innovation and new technologies</p><p>Strategic partnerships and international participation</p><p>Collaborative projects</p></div>	<p>9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p>	<p>Infrastructures for cross-border trade. Correos resumed the construction of the Rampa 7 logistic international centre, at the Adolfo Suárez Madrid-Barajas Airport, a strategic project for the future of international logistics.</p> <p>Territorial presence. The post office network ensures universal access to postal services, while contributing, with its capillarity, to territorial cohesion and the economic development of citizens and companies, both in urban and rural areas.</p> <p>Access to financial services. The post office network offers Correos Cash service, to facilitate basic banking transactions in environments without nearby financial branches. A new agreement also allowed incorporating the option of receiving money through postmen and women at any address in Spain.</p> <p>Services for the Administration. With the provision of the Virtual Registration Office for Entities (ORVE), the post offices act as an entry register for the immediate admission and dispatch of digitised documents, addressed by citizens to all types of Administrations. Likewise, the network sells environmental badges from the General Directorate for Traffic or train tickets, allows the payment of bills from basic service companies or facilitates the payment of municipal taxes.</p> <p>Introduction of AI in bidding processes. Correos began to apply Artificial Intelligence and blockchain technology to its contractual activity, to optimize the bidding processes.</p> <p>Digital access. Correos Telecom continued to offer sites in the Correos' post offices for telecommunications companies to deploy the technology necessary to bring fibre optic to homes. Thanks to their territorial presence, the post offices thus facilitate digital coverage in all types of areas. CorreosLabs. Through CorreosLabs, Correos' innovation centre, the company continued fostering the incubation of ideas, the exchange of knowledge and the development of alternative business models for Spanish economic development.</p> <p>Lehnica Challenge. Correos convened the third edition of this acceleration programme for new innovative companies, in areas such as emerging technologies, logistics, public services or social innovation, with which new development opportunities are generated.</p>
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Customer satisfaction
and adaptation to their
needs

Energy efficiency and
consumption

Eco products and
circular economy

Emissions and climate
change

11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

11.6. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

Accessible and safe post offices. Correos' post offices incorporated the option of requesting a prior appointment, with which the customer can telematically select the day and time to be attended immediately, increasing their security during the pandemic.

Secure means of payment. Correos Prepago cards facilitate the secure payment of purchases made in physical and digital shops, as well as secure cash withdrawals at ATMs and Correos post offices, without the need of a bank account. In 2020, the new Correos Prepago Social Assistance card enabled public administrations, organisations and social entities to provide financial assistance to vulnerable families during the pandemic.

Electric vehicles and use of alternative fuels. Correos has the largest own electric fleet in Spain, which in 2020 incorporated another 600 motorcycles and 215 electric vans and cars. The company also evaluates other alternative fuels, such as liquefied petroleum gas (LPG) or compressed natural gas (CNG), both in the long-haul fleet and in the one destined for last-mile delivery. In total, Correos has a fleet of eco-efficient vehicles made up of 1,279 means of transport (electric, hybrid and natural gas).

100% renewable electricity consumption. The companies of the Correos Group acquire 100% of their electrical energy from fully renewable energy sources. Other energy efficiency measures implemented include the application of a sustainable purchasing policy, especially for the supply of energy and transport, the replacement of lighting systems in the centres with LED technology, the implementation of energy efficiency in the workplace in order to reduce the consumption of networked computer equipment or the awareness-raising among employees.

Improvement of air quality in cities. Correos contributes to the reduction of the emission into the atmosphere of NOx, particles and CO2 through the incorporation of technologies that facilitate effective delivery at the first attempt, the expansion of the Citypaq lockers network or the optimization of routes, as well as through efficient driving and the use of vehicles with alternative fuels to those derived from petroleum. Correos is also the Spanish company that travels the most kilometres on (deliveries with zero emissions), thanks to its more than 30,000 postal workers.

Sustainable mobility. The Correos Group leads the European SENATOR project that in the coming years will seek to develop a new urban logistics model, through that offers planning, logistics governance and shared, low-emission distribution solutions.

Response to COVID-19. During the health emergency, the companies of the Correos Group put themselves at the service of society. Under the maxim 'Help in any way we can', the mobilization of all workers, and especially 3,292 volunteers from Correos, allowed the support of nearly 500 solidarity initiatives, giving logistical and human support to health workers, the elderly, vulnerable families, schoolchildren and all those groups that needed it.



Responsible and green purchasing

Eco products and circular economy

12.7. Promote public procurement practices that are sustainable, in accordance with national policies and priorities.

Circular economy. Correos launched a new Circular Economy Action Plan to meet its target of zero waste by 2030. Its purpose is to increase the valorisation of resources, through the creation of new products or the adaptation of existing ones.

Responsible hiring. Correos Group contributes to the Spanish economy by hiring 98% of domestic suppliers. Bidders for contracts must ensure compliance with the Group's General Code of Conduct and the principles of the United Nations Global Compact. Likewise, all the specifications include clauses on environmental, social and innovation and development criteria.

Responsible consumption. The Forest Line offers customers a responsible consumption alternative. This packaging is manufactured with completely recyclable materials and has a sustainable management certificate. A part of its sale is allocated to finance reforestation projects, as well as to prevent forest fires.

Proximity consumption with Correos Market. The Correos Market online sales portal was created with the commitment to generate new business opportunities in the rural world and contribute to providing solutions to the demographic challenge. At the end of 2020, it had 756 active producers and more than 5,500 registered users.

Social impact. The Rounding Up with an Impact programme allows customers who so wish to round up the final amount of their purchase made with a bank card to make a donation to various social or environmental initiatives. In 2020 the programme helped finance medical research against COVID-19 and the reduction of the digital and educational gap in rural schools.

Sustainable way. The company promoted, within its line of services for the Camino de Santiago, initiatives that encourage the preservation of the human, cultural and environmental heritage of the Pilgrim Routes through safe and sustainable tourism.



Emissions and climate change

13.2. Integrate climate change measures into national policies, strategies and planning.

SMMS project. Correos is a member of the Sustainability Measurement and Management System (SMMS) international programme, promoted by International Post Corporation (IPC). Its objective is to influence the sustainability performance of postal operators, in line with the most relevant Sustainable Development Goals for the sector.

Correos Forests. The commercialization of sustainable products, such as the ecological packaging Forest Line, favours the financing of reforestation and fire prevention projects. In 2020, the funds from its sale allowed to intervene in an area of 6 hectares in El Garraf Park (Barcelona), together with WWF Spain.

Collaborative solutions for the neutralization of emissions. The Correos Compensa project allows offsetting the emissions of shipments that customers contract in the post office network, supporting mitigation and absorption actions through blockchain technology. During 2020, more than 5,400 tons of CO2 were offset through these projects that also promote social benefits.

Awareness about climate change. The company supports various projects, in collaboration with associations, foundations and other third sector entities, to raise awareness about climate change, such as participation in Earth Hour or the donation of computer equipment for its reuse.



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+ The companies of the Correos Group



GRI 102-4, 102-6



The Correos Group is one of the leading providers of physical, digital and parcel communications in Spain. The Group's parent company, Correos, is Spain's leading postal company and one of the leading companies in the business parcels sector, thanks to the excellence and reliability of its service, human capital and physical and digital infrastructures. It is also the operator designated by law to provide Spain's Universal Postal Service, with criteria of efficiency, quality and affordability, contributing to the sustainability of postal communications for all of the general public. Correos complements its activity with that of its subsidiaries:

Correos Express

Correos Express, dedicated to the express delivery of parcels for the B2B (business-to-business) and B2C (business-to-consumer) segments.

Correos Nexea

Correos Nexea, specialised in multichannel solutions for physical and digital mass company communications.

Correos Telecom

Correos Telecom, responsible for the management and marketing of Correos telecommunications infrastructures, as well as providing all other Group companies with technological support.

Correos Express

Correos Express Portugal

Correos Express Portugal, a subsidiary of Correos Express, with which the Group offers integrated express parcel services in the Iberian market.

Correos also has stakes in the Chinese companies KCG eCommerce Solutions and K Parcel, joint ventures with Asian operators Kerry Logistics Network Limited and Global Freight Systems (GFS). These shared companies carry out the integrated management of outbound parcels originating in China and Hong Kong, focusing their activity on international flows derived from e-commerce.



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+ Business environment

 GRI 102-4, 102-6

The pandemic, birth of a new economic crisis

The 2020 financial year was undoubtedly one of the most complex and challenging of recent decades. The effects of the COVID-19 pandemic were felt in all spheres of public and private life, including the business environment.

In Spain, one of the worst affected European economies since its inception, there was a historic fall in GDP – 11% for the year as a whole – despite a sharp upturn in activity in the third quarter. The most immediate consequences have been job losses, the disappearance of many SMEs and a reduction in consumption.

The latest economic projections suggest that euro zone GDP will not return to its pre-crisis level until mid-2022, although growth could resume during 2021, boosted by European recovery funds and the expected improvement in the health situation.¹

¹ Banco de España (2021). *Economic bulletin. Fourth quarter of 2020.*

The digitalisation of society

The above circumstances accelerated trends such as the digitalisation of consumption, production, public administration and, above all, personal and commercial communications, shortening their widespread implementation by decades. This process has only intensified the decades-long substitution of physical communications, accentuating the decline in postal volumes in 2020, which was double that observed in 2019.

Due to the traditional linkage of postal demand to economic developments and unstoppable digitalisation, the decline in letter mail and marketing is expected to remain significant during 2021. In contrast, the digital services offered by the Correos Group are also expected to grow in response to society's new needs.





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Correos' public service role

Correos is the only company in the postal market that provides national coverage to citizens, companies and administrations. Likewise, as the designated operator for the provision of the Universal Postal Service, it promotes territorial cohesion and equal access to postal communications.

This role of the company as the backbone of the territory and facilitator of communications and commercial exchanges was reinforced last year, especially during the period of lockdown, when postal and parcel service became more than ever an essential service for society.

Despite this, the mobility restriction had a particular impact on the service and on meeting the quality objectives for on-time delivery set by postal regulations. In strict observance of health protocols and prioritising the safety of workers, Correos adopted various organisational measures, such as adapting the collection, sorting and

delivery processes or reducing the capacity and opening hours in the post office network, in accordance with the recommendations of the competent authorities.

Last year, the company's collaboration in the regional elections in the Basque Country and Galicia also posed an enormous additional challenge, not only due to the provision of technological, material and human resources for the proper fulfilment of public service obligations, but also due to the need to adapt the operational processes of the distribution and post offices networks to the new healthcare requirements.





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The fracturing of supply chains

The global economic slowdown and problems in global supply chains, mainly due to mobility constraints, also led to a significant slowdown in domestic and international trade traffic, with a major impact on the parcel and logistics sector. Cross-border trade, especially with China, was disrupted or delayed for months, impacting on delivery times in the sector.

Also, operators had to bear higher operational costs, due to new health requirements and the scarcity of air transport routes. This, combined with a decline in B2B deliveries, replaced by B2C deliveries, had an impact on margins in the sector.

In this complex context, the European Union agreed to postpone until 1 July 2021 the entry into force of the measures provided for in Directive 2017/2455², for the elimination of the VAT exemption for

extra-EU imports of low-value commercial consignments and the implementation of important changes to the customs clearance of such consignments. In addition to this transformation of the European customs framework, there are the changes resulting from Brexit, with the introduction of new requirements and controls for cross-border shipments between the UK and the continent from 2021.

² Directive (EU) 2017/2455 of 5 December 2017 amending Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods.



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The consolidation of e-commerce and new forms of delivery

Restrictions on mobility, fear of contagion and the need for companies to find new ways to sell their products or services also spurred the rise of e-commerce. In order to avoid the need for contact, consumers used the online channel as their primary mode of purchase, accelerating its mass adoption, even among shoppers that were using e-commerce for the first time.

During the most stringent lockdown period (second quarter), although e-commerce turnover only grew by 0.2% year-on-year (due to the fall in tourism sales), the volume of transactions set a new record, with more than 244 million transactions³.

This process, which is expected to continue in the future, forced the parcel sector to expand and adapt its structures and infrastructure to a higher volume of unanticipated activity. In this context, new non-home delivery systems (such as Correos post office and Citypaq parcel box networks) brought an added advantage.

Thus, 2020 was the year in which delivery to automatic parcel terminals was consolidated in Spain, both due to the greater acceptance of customers, who appreciated the possibility of collecting their deliveries in uncrowded places and times, and due to the encouragement of

local administrations, interested in promoting sustainable delivery in urban areas.

Also, an atypical Christmas campaign (being the most digital, early and prolonged so far), anticipated by large e-commerce vendors to stimulate sales, forced parcel operators to bring forward the reinforcement of their workforces, but also allowed extension in a few

15% of online shoppers want to receive their order on the same day



2 out of every 3 citizen who sent a parcel use the Grupo Correos Group services



63% of citizens shopped online in 2020



³ Spanish National Commission on Markets and Competition (08/01/2021). *'E-commerce exceeds 12.0 billion euros in Spain in the second quarter of 2020'*.



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weeks of the deadline to meet such a usually concentrated demand. This helped the sector to reach record volumes in this period.

At the same time, large domestic and foreign e-commerce vendors continued to push for the development of their own delivery networks in Spain, not only to reduce their dependence on transport providers, but also to ensure full coverage of their logistical needs during these peaks of increased commercial activity.

Correos, being aware of the climate cost of the most urgent parcel deliveries, tries to make its customers aware of the responsible use of this type of services.

A sustainable parcel service

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The pandemic has spurred growing environmental awareness among consumers. The realisation of the connection between the environment and human health has led to the consumption of more environmentally friendly services, including parcel services. This, coupled with European 'green recovery' plans, led companies in the sector to accelerate their sustainable mobility and energy efficiency projects.

However, lockdown also drove increased demand for same-day delivery, a business segment in which more and more sharing economy platforms and local courier companies are operating. Although some of these companies offer to deliver by 'green' means of transport, the environmental impact of this type of delivery is usually greater (increased number of trips, with half-loaded vehicles). In this sense,





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The evolution of telecommunications demand

As with the parcel delivery market, the Spanish telecommunications sector is characterised by a high concentration of supply and intense multi-service competition. In 2020, despite the higher demand for domestic use of telephony and internet due to the confinement, the fall in the B2B segment (which represents around 30% of the business of companies in the sector), due to the economic difficulties of SMEs, had an impact on the sector's turnover.

As a result, the downward trend in revenues of previous years continued, due to the narrowing of margins, in a scenario of greater price sensitivity of consumers.

In the B2C segment, operators' commercial efforts have for years focused on the sale of convergent packages, combining fixed and mobile connections (associated telephony and broadband services) and also, increasingly, pay-TV services.

The Correos Group, through its subsidiary Correos Telecom, offers the main companies in the sector wholesale services (infrastructure rental, dark fibre, high-capacity connectivity and sites), which are particularly useful for strengthening the networks of these operators, as well as its own Internet access and public cloud services. As part of its objective to diversify its business and make infrastructure profitable, the Group is configuring its own retail service offering (with telephony and

pay-TV), which it expects to start marketing in 2021, completing its catalogue of services in this sector.

Finally, the entry into force in 2021 of Law 4/2020⁴ has created the Tax on Certain Digital Services (known as the 'Google tax'). The various services taxed by this new tax figure include online intermediation services. This category includes some of the digital solutions offered by Correos, although for the time being they are exempt as they do not meet the minimum revenue threshold set by the regulations.

⁴ Law 4/2020 of 15 October on the Tax on Certain Digital Services.



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+ Objectives and strategy

GRI 102-15

The Correos Group's strategy is based on strengthening public service; diversification (mainly through parcel delivery, digital services and retail business) and international expansion.

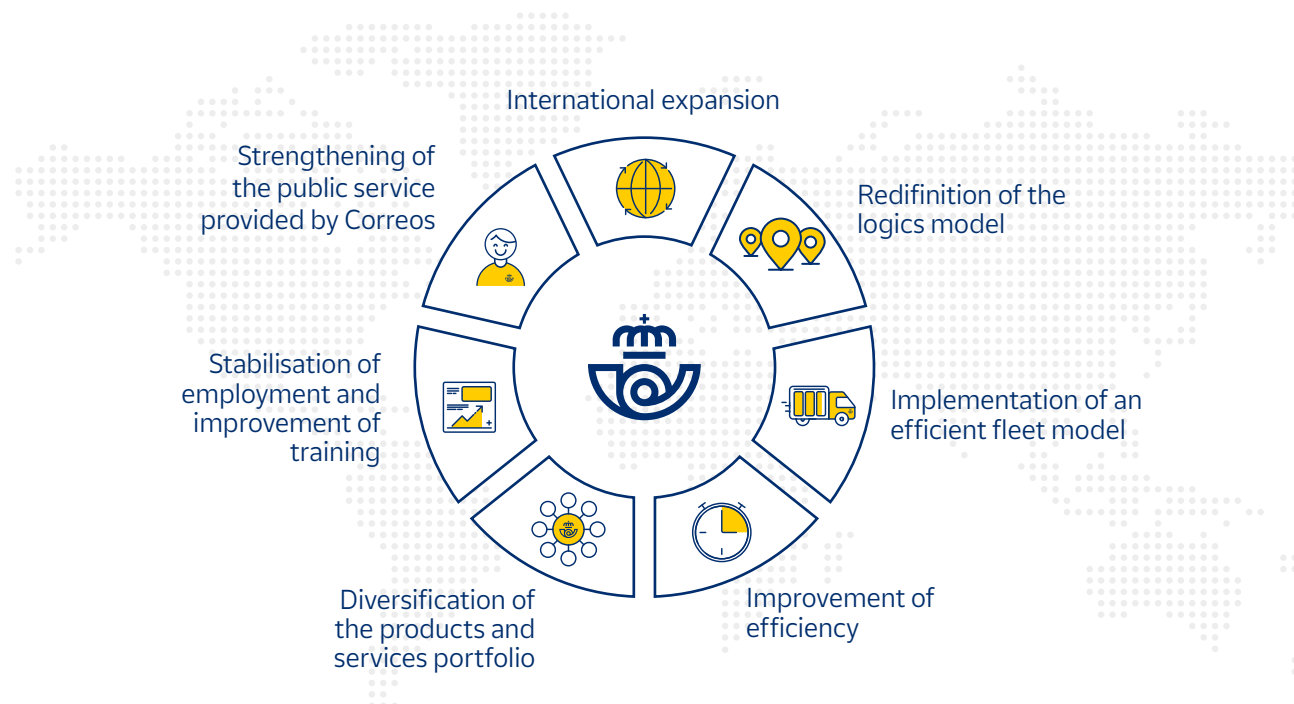
The achievement of these objectives is structured around seven lines of action, aimed at sustaining revenue growth, improving efficiency, optimising costs and positioning the Group as a benchmark operator in the parcel market.

Last year, the Correos Group revised its new strategic plan 2020-2023, which was scheduled to be implemented in the first quarter of 2020, to adapt it to the new market conditions resulting from the COVID-19 pandemic and its economic effects. The Group has thus updated its roadmap for the coming years, identifying and addressing new risks and opportunities in

order to consolidate the transformation process and ensure long-term business sustainability.



Strategic lines of action





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+ Future trends



GRI 102-11, 102-15, 103-1

The outbreak of the pandemic has accelerated the materialisation of some trends predicted for the coming decades, while delaying the evolution of others. In this context of 'new normality', the Correos Group identifies various external factors with a potential short, medium or long-term impact on its activity and on the markets in which it operates, which may represent both a challenge and an opportunity.

In the short and medium term

Challenges for economic recovery

- New mobility and activity restrictions
- Declining consumption and significant public and private indebtedness
- Disappearance of companies
- Financial and liquidity risks
- Political tensions and polarisation
- Slowdown in international trade flows
- Need for greater public-private collaboration
- Strengthening of supply chains





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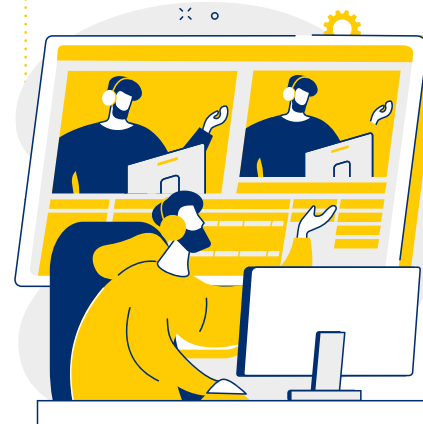
Climate emergency

- ▶ Urgent demand for urban logistics and sustainable mobility solutions
- ▶ Accelerating the energy transition
- ▶ Materialisation of infectious disease risk
- ▶ Boosting the circular economy and sustainable packaging
- ▶ Intensification of Spain's climate vulnerability
- ▶ Increased decarbonisation requirements
- ▶ Strengthening of environmental sustainability policies in the public sector



Digitalisation of the economy and society

- ▶ Drastic reduction of postal communications
- ▶ Comprehensive digitalisation of personal communications, with the incorporation of the 'non-native' population
- ▶ Widening of the digital divide
- ▶ Massive application of robotics, IoT, blockchain, AI and cloud computing at all stages of the logistics chain
- ▶ Prioritisation of cybersecurity and new concerns about the protection of personal data
- ▶ New impulse to eGovernment
- ▶ 5G, Big Data and autonomous driving development
- ▶ Expansion of the collaborative economy



More informed and aware consumers

- ▶ Full adoption of the digital economy and expansion of e-commerce
- ▶ Health security concerns
- ▶ Increased preference for local and sustainable consumption
- ▶ Increased price sensitivity
- ▶ Questioning globalisation
- ▶ Revival of a sense of community
- ▶ Increased demand for corporate transparency and sustainability

Demographic and social challenges

- ▶ Population ageing
- ▶ Increasing concentration of citizens in urban environments
- ▶ Rural depopulation and the loss of services in these areas
- ▶ Sustainable urbanism and smart cities
- ▶ Increasing social inequality





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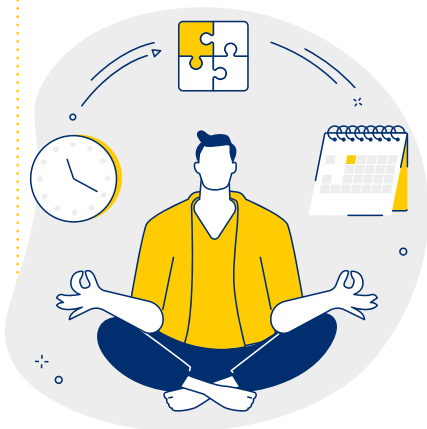
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Resilient and responsible companies

- ▶ The growing role of business in responding to societal challenges
- ▶ Increased use of tele working
- ▶ Importance of employee health, safety and well-being
- ▶ Greater challenges in attracting and retaining business talent, especially specialised profiles
- ▶ Growing importance of continuous enterprise risk management and innovation



In the medium / long term

Legal and geopolitical developments

- ▶ Regulatory changes in the international and Spanish sphere
- ▶ Transformation of Universal Postal Service obligations in Europe
- ▶ Macroeconomic and geopolitical uncertainty
- ▶ Transformation of the European taxation and customs framework
- ▶ Transfer of economic hegemony to rising Asian powers
- ▶ Rising of protectionism

Market transformation

- ▶ Business concentration in the digital market
- ▶ Blurring of the boundaries between logistics and e-commerce business
- ▶ Increased use of 3D printing
- ▶ Development of the silver economy





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+ Generated and distributed economic value



GRI 201-1, 201-4

The economic effects of the pandemic during 2020, with an unprecedented decline in business activity and consumption and an increase in operating costs, had a negative impact on the income statement of all Group companies.

In addition to the drop in postal volumes, which was double that seen in 2019, and the decline in parcel volumes at Correos, there were additional costs for the purchase of protective equipment and the adaptation of offices to the new health recommendations. This caused the Group's net turnover to fall by 12.9% to 1,975.2 million and to end the year with a net profit of -264.2 million, compared to a profit of 13.4 million in 2019.

Despite the decline in activity and turnover during the year, the Correos Group ensured the maintenance of employment, while at the same time accelerating the diversification process. As a result of the above effects, however, one-off financing needs had to be met by means of a credit line of 605 million euros, the amount drawn down at year-end standing at 327 million.

In 2020, the Group used tax credits for this financial year, in accordance with the regulations on corporate income tax, from tax losses generated

in previous years, and therefore the resulting aggregate income for corporate income tax for the year is 102.3 million euros.

Correos received 705,000 euros in aid linked to training and European projects for the promotion of security, efficiency and sustainability in which the company participates. Correos Telecom, for its part, obtained subsidies linked to European projects, amounting to 29,000 euros.





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+ Risk management



GRI

102-11, 102-15, 102-30

In 2020, the Correos Group implemented a new integrated risk management (ERM) system, in accordance with the COSO II methodology, following a comprehensive review of its corporate risk map and the adoption of some of the CNMV's recommendations for sound risk management. This system is aimed at identifying, controlling, preventing and ensuring an adequate response to risks that arise.

The activities of the different companies of the Group are conditioned by factors that are common to their sectors and by exclusive impacts that only affect each one of them. Among the most relevant are strategic, operational, employment, environmental, reputational, legal, fiscal or financial risks.

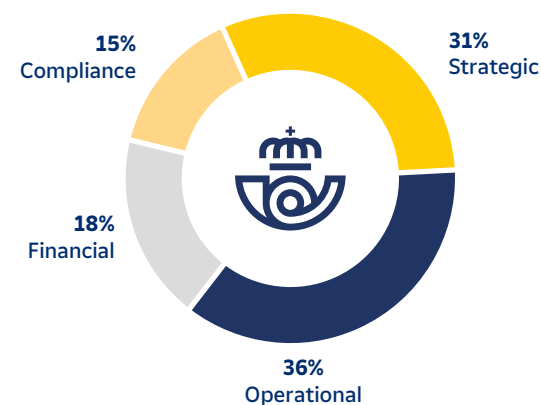
The strategic risk is due to, among other factors, the progressive decline in postal activity due to electronic substitution, increased competition, changes in the economic environment, the protection and profitability of innovation, the need for alliances or the emergence of disruptive technologies that lead to rapid changes in demand.

Operational risk, in turn, reflects the structural complexity of the Group, the necessity for an agile incorporation of new resources and equipment

to increase efficiency in the processing and delivery processes, the speed of adaptation of the production model to new demands, changes in international trade flows or the challenges of personal data management and cyber security.

As the employer of more than 52,000 professionals, the Correos Group also faces an occupational risk linked to the need to maintain a presence throughout the country, to the difficulties associated with rigid recruitment procedures, to health and safety at work, especially in the current climate, or to the ability to retain talent.

Correos Group risk types





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Equally significant is the environmental risk, due to the impact of the extensive infrastructure network and the vehicle fleet, the growing national and international regulations, as well as the future demands arising from the commitments made by Spain and the European Union. Reputational risk is associated with unforeseen changes in the Group's relations with its various stakeholders.

Legal risks include those associated with non-compliance with regulations or codes of good governance and ethics by managers and employees, in terms of recruitment, use of funds, accountability, adoption of agreements, use of information or conflicts of interest, among others. To these risks we must add other risks associated with possible changes in sectoral regulations and in the very operation of the company.

Lastly, Group companies are exposed to financial risks, including credit, liquidity and market risks, which in turn include interest rate, exchange rate and other price risks.





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+ Relationship with customers

The companies of the Correos Group permanently offer customers commercial advice and specialised attention through different channels, including the commercial and after-sales network, the post office network, the telephone channel, mobile applications for customers, the corporate website and social networks.

The Group has widely accessible procedures in place to exercise the right to lodge complaints and claims, as well as to make enquiries on any matter related to the provision of services.

Correos Group's offices also make available to users, besides its own electronic customer service forms, official consumer complaints and claims forms from the respective Autonomous Communities.

The Correos customer service system makes a distinction between:

- Service complaints, which include enquiries and complaints related to deliveries or service in post offices.
- Product claims, relating to delays, damage, loss or other incidents relating to a product, which are subject to compensation.

During the previous financial year, Correos dealt with 137,927 service claims and 459,281 product claims, representing 323 claims per million





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shipments processed. The percentage of these claims that were resolved with compensation decreased from 20% to 12%.

The subsidiaries of the Group have their own customer service systems and complaints and claims procedures. The indicators of the

management of the Group companies in this matter are the following:



	Correos		Correos Express ¹		Correos Express Portugal		Correos Nexea		Correos Telecom	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Complaints and claims	597,208	402,587	582,532	281,692	10,235	2,875	170	146	4	2
Complaints (Service claims)	137,927	128,278	1,481	1,433	ND	ND	145	115	4	2
Claims (Product claims)	459,281	274,309	581,051	434,619	10,235	2,875	25	31	0	0
Claims resolved with compensation (%)	12	20	7	11	13	58	7	6	0	0

¹ In 2020 Correos Express has adopted a new claims tracking methodology. The data for the financial year 2019 has been restated to allow for comparability.



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Managing excellence in the company's operations

The Correos Group has a quality management system based on the UNE-EN ISO 9001:2015 standard, through which the cycle of continuous improvement is applied to all activities and processes. Thus, in the case of Correos, both the post office network and the customer service and 23 operational centres of different types are certified in accordance with this standard. Similarly, last year all Correos Express agencies and Correos Nexea operational centres renewed their certification, as did Correos Telecom's fibre optic infrastructure business.

Correos also uses the Excellence League, a tool that provides all workplaces with individualised information on their performance and contribution to business objectives. The results of this continuous assessment also enable the company to identify the best-performing post offices, head offices, centres and units each year.

The company also uses the LEAN continuous improvement system, which aims to achieve maximum efficiency in its processes in order to provide maximum value to its customers.



Certifications of Correos Group

ISO 27001 INFORMATION SECURITY



Information systems for the services provided through the Correos website



Information systems for the personalised document-management solutions provided by Correos Nexea

ISO 14001 ENVIRONMENTAL MANAGEMENT SISTEM



19 automated processing centres and the integrated logistics centre (CLI) of Barcelona
1 Mass admission centre
2 International processing centres



16 Main post offices



4 Operating centres of Correos Express



2 Operating centres of Correos Nexea
FSC and PEFC of Correos Nexea



Commercialisation and maintenance of Correos Telecom's network of optic fibre infrastructure

ISO 9001 QUALITY MANAGEMENT



Customer service



19 Automated processing centres and the integrated logistics centre (CLI) of Barcelona
1 Mass admission centre
3 International processing centres



2.102 Post offices



56 Operating centres of Correos Express



2 Operating centres of Correos Nexea



Integral management of Correos Telecom's coommunication network





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Development of the customer service channels

In 2020, the website **www.correos.es** received around 350.5 million visits. Through this channel, 728,164 enquiries were dealt with, 30.0% more than in the previous financial year. Correos also dealt with 3.7 million queries over the phone.

In view of the continuous growth of the website as a preferred channel for commercial attention, a new returns portal was incorporated which, through a simple and intuitive interface, makes it easier for customers to personally manage their reverse logistics shipments, as well as a collection portal for online requests for this type of service. New information on digital fraud was also published to help customers prevent and protect their electronic transactions.

The company also improved the technical service to users of the Citypaq terminal network and continued to digitise various customer service processes, through automation and text analytics, for greater agility in resolving queries and incidents. It also began using business intelligence tools to provide customers with more information on the status of their shipments, incidents and claims.

Last year, 76.2% of Correos' post office users expressed satisfaction with the service they received, 1.9 percentage points more than in 2019.⁵ In total, these establishments served more than 84 million visits, which is 19% less than in 2019, due to the exceptional situation caused by COVID-19. For the same reason, the post office network set up a new appointment request service through the website and the Correos mobile app, which allows users from vulnerable groups to request a priority appointment during off-peak hours.

76.2% of Correos' post office users were satisfied with the service they received

⁵ Spanish National Commission on Markets and Competition (2020). *CNMC Households Panel. First half of 2020. Postal Sector.*





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The subsidiary Correos Express incorporated new functionalities in its customer service system, such as the reverse logistics module, with which companies manage their campaigns autonomously, so that their end customers can deposit their returns at Correos post offices for delivery within 24 hours. It also created a 'web traffic light', which catalogues shipments by days of permanence with incident, for a more intuitive and agile control by the customer, and a re-dispatch module, for the online request for the redirection of goods to a different province from the one where they were originally consigned.

In addition, an automatic claims management process was implemented, reducing the time taken to report and process incidents related to damage to shipments, and delivery to Citypaq lockers was added as an option available in the Flexible Delivery service.

Evaluation of customer satisfaction

Every year, Correos prepares a Net Recommendation Index by conducting surveys of contract customers, post office users and addressees (at home, in offices or Citypaq), in order to find out how they rate their experience with the service provided. In 2020, this study included all Group companies for the first time.

Although the health situation hampered the normal provision of business, affecting delivery times and customer satisfaction, the company's overall recommendation remained positive. Correos achieved a score of 9.2, with delivery and office staff again being the most highly rated (27.5 and 25.7 respectively).

With regard to the evaluation carried out for the Group's subsidiaries, the recommendation index achieved by Correos Telecom (75.0) is particularly noteworthy, thanks to 79.2% of prescribers (those who give the company a rating of between 9 and 10).





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+ Human Team



GRI 102-11, 102-15



SDG 8

Comprehensive people management is one of the essential elements of the strategy of the Correos Group, one of the largest public groups in terms of size and human capital. Its main employment impacts are related to the quality and stability of employment, training and professional development, attraction and retention of talent, diversity, and occupational health and safety.

These impacts are managed through a policy whose lines of action and monitoring indicators are designed in accordance with current labour legislation and in line with the main reference frameworks in the Spanish public sector and the international postal sector.

Employment consolidation



GRI 102-41, 203-2, 402-1, 403-4, 413-1

In 2020, the Correos Group had an average workforce of 52,456 (FTE). The parent company, Correos, contributed the largest proportion, with 50,822 professionals, 84% of whom were non-civil servant staff and 16% were civil servant staff.

Average staff (Full Time Equivalent)	2020	2019
Correos	50,822	53,041
Correos Express	1,271	1,191
Correos Express Portugal	136	214
Correos Nexea	189	199
Correos Telecom	38	44

Development of the 2018-2020 multi-year agreement

As part of the multi-year agreement 2018-2020, signed between Correos and the trade unions to strengthen the public postal service and the business project, the following measures were promoted during the past financial year:



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1. Remuneration update. In accordance with the agreement, Correos applied the wage increases set for 2020, retroactively from 1 January, after obtaining authorisation from the Ministry of Finance and the Commission for the Monitoring of Collective Bargaining of Public Enterprises. At the end of 2020, 0.25% of the additional 2019 funds and 0.3% of the 2020 funds were still pending approval.

2. Quality of employment for the stabilisation and replacement of 11,200 jobs by 2020. One of the main components of the agreement was Correos' commitment to stable employment and the professional development of its employees. As part of the temporary employment consolidation process, 4,005 people were hired as permanent employees in July last year, in distribution, sorting and customer service

positions, following the selection process that began in January. This call included the replacement rates for 2017, 2018 and the stabilisation plan provided for in the multi-annual agreement.

In addition, a new call for applications was launched in December to fill 3,421 operational positions, with selection tests to be held during 2021, depending on the evolution of the pandemic. These positions will be distributed throughout all Spanish provinces, reflecting the national implementation and capillarity of the company. Moreover, the high number of applications received (close to 150,000 people) is an incentive for Correos and a recognition of its quality as an employer and an attractive place to work.

Similarly, the transfer competition made it possible to meet the functional or geographical mobility expectations of 3,005 professionals in distribution, classification and office positions, through the four new assignments that took place in 2020.

On the other hand, as a consequence of the health situation, the internal promotion process for civil servant staff planned for 2020, with an offer of 395 places for groups A1, A2, C1 and C2, had to be postponed. Following the publication of the terms and conditions of the calls for applications in December, the selective tests are scheduled to take place in the first half of 2021.

3. Improvement in working conditions. Last year, the negotiating committee for the 2nd Correos Equality Plan

In 2020, 4,005 new permanent staff were recruited and a further 3,421 operational posts were made available for 2021



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continued to work on the development of this instrument, which will enable the promotion of new management models and an action plan to reinforce effective equality of treatment and opportunities.

With respect to employment stability policies in the Group's subsidiaries, last year Correos Express consolidated 232 jobs, Correos Nexea another 4, while Correos Telecom added a new recruit and converted another 6 jobs into permanent employment.

Organising the social dialogue

Correos has a 'Framework agreement on labour relations', in force since March 2000, which establishes, among other aspects, the essential criteria for permanent dialogue between unions and companies.

This agreement regulates dialogue with union sections at the state level, implemented throughout the State, through its general secretaries and state executives and, in the territorial scope, through the provincial secretaries and executive bodies, in addition to the unitary organs (Works councils and Staff boards).

The document also states to the composition of the highest workforce bargaining bodies of workers under ordinary employment contracts (the Negotiating committee, made up of 12 members— and civil servants contracts –the Sectoral committee, made up of 18 members—.

Lines of action of the 2018-2020 multiannual agreement





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For its part, the collective agreement of the Correos workforce includes the general principles of union participation and collective bargaining, and the functions of central joint committees (for central employment, social action, training, equality, working time, transfer system and occupational health) and provincial joint committees (on employment and working time, together with the provincial committees for security and health).

The agreement contains a specific section on the safety, health and occupational risk prevention policy, the own prevention plan and service, the prevention delegates and the information and consultation rights in this matter (channelled through the occupational health state committee and provincial health and safety committees, with joint representation of the company and unions).

As for the Group's subsidiaries, Correos Express has 42 centres providing legal representation for workers, of which 4 are set up as works councils. In the remaining subsidiaries, the dialogue is carried out through 85 staff delegates. In the area of occupational risk prevention, 42 work centres have prevention delegates, and a health and safety committee has been set up in 4 of these centres.

Collective agreements applicable in Correos Express include those for road freight transport in the provinces where the company's centres are located (currently 48) and the collective agreement for the freight forwarding sector in Madrid, in addition to the II General Agreement for road freight transport companies at the state level.

In the operating centres of Correos Nexea, trade union representation is constituted through a works council, and the sectoral agreement for the graphic arts applies⁶. At Correos Telecom, employees have not promoted their union representation and company-employee relations are channelled directly through the area managers, who take up their proposals.

In 2020, the percentage of Correos employees covered by a collective agreement was 84%, 100% for Correos Express and Correos Express Portugal, 97% for Correos Nexea, while Correos Telecom does not have a collective agreement.

► Organisation and flexibility of working time

Last year, the main new legislation affecting the organisation of working time in Group companies was Royal Decree-Law 28/2020⁷, which regulates the development of remote work.

In order to respond to the need to offer more flexible and agile working models, facilitating the achievement of professional goals and fostering a culture of co-responsibility, flexibility and trust, Correos introduced a remote working programme in early 2020. The remote working pilot project involved 40 employees at Correos headquarters.

However, the state of alarm decree in March led to the programme being extended to more than 1,800 professionals in the technical-administrative structure, at headquarters and territorial areas.

⁶ State collective agreement for the graphic arts, paper handling, cardboard handling, publishing and auxiliary industries

⁷ Royal Decree-Law 28/2020 of 22nd September on remote working.



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Since the application of the extraordinary measures envisaged in Royal Decree 463/2020⁸, remote working has been the preferred form of work for these professionals, and Correos has had to adapt these situations to the legal framework derived from Royal Decree-Law 28/2020.

The company initiated the design of a global telecommuting programme, a proposal for which was presented to union representatives at the end of the year, adapted to the new regulations. This proposal will have to be negotiated in order to agree on the criteria and conditions governing remote working, prior to the opening of the voluntary accession process for technical-administrative professionals.

Apart from the above, a wide variety of working hours coexist in Correos, given the heterogeneous nature of the services provided. Insofar as the organisation of work and the obligations of public service provision allow, the company

makes it possible to work a continuous working day, from Monday to Friday in morning, afternoon or evening shifts, with the majority of employees working this type of working day.

In order to achieve a proper reconciliation of personal and professional life and the development of efficient work, the collective agreement includes the negotiation, participation and information competencies of the working time committee. Likewise, any substantial modification of the days, schedules and/or shifts, is subject to examination by the central employment committee or the provincial employment committees.

At Correos Express and Correos Nexea, operational staff work round the clock in morning, afternoon and evening shifts, while management and supervisory staff work split shifts.

At the Correos Telecom subsidiary, working hours are flexible, with the

⁸ Royal Decree 463/2020, of 14 March, declaring the state of alert for the management of the health crisis caused by COVID-19.



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organisation of working time geared towards project management. For this reason, and in order to facilitate work-life balance, the subsidiary envisaged remote working in certain situations. Since March 2020, due to the health situation, this working mode has been extended to all staff.

Correos Express and Correos Nexea also adopted the remote working option in all positions where it was possible to implement it, establishing departmental attendance schedules where physical attendance was necessary. In compliance with the provisions of Royal Decree-Law 28/2020, in 2021 the subsidiaries will enter into negotiations with trade union representatives to regulate this type of work.





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Supporting talent and professional development

 GRI 404-3, 405-1

The Correos Group has a talent management policy, the purpose of which is to identify those people and functions that are key to the company's strategic needs, as well as to attract and develop talent, both internally and externally. In Correos, this model is articulated through:

1. The 'Click' programme. In the 2019-2021 talent cycle, 3 career development pathways were established: 'Grow', 'Boost' and 'Transform', tailored to the strategic business requirements and professional needs of employees.

Within this programme, the figure of the 'Click Ambassador' was created, which offers the collaborators of the 'Grow' and 'Boost' groups the possibility of acting as a connection with the different business areas, for the conception and

development of new significant learning experiences.

The participants on the 'Grow' route were supported in the implementation of their individual action plans, as well as in the development of their personal competences, through initiatives such as 'Are you up for the challenge?'. These professionals also shared their knowledge and experiences at Correos through the 'Grow' group sessions and the 'Journey Talks' (inspirational videos created as a team and shared in the company).

The 'Transform' and 'Boost' groups received individual coaching sessions. Development interviews were also conducted with employees of the 'Transform' route in the different geographical areas in order to plan future actions.

The first edition of the internal mentoring programme was also launched, with 40 participants, including mentors and mentees. These sessions were aimed at high-potential female employees

identified in the 'Boost' and 'Transform' routes, which are part of the '*Correos en Femenino*' programme (which aims to promote a higher proportion of women in leadership positions). 25 managers also took part in the executive coaching programme.

The 'Click' programme also allows for the identification of internal talent, for their participation in the company's cross-cutting strategic projects, while at the same time enhancing their strengths and acquiring new skills. In 2020 a coach supported the team members working on the **SENATOR project**.

Finally, four virtual workshops on mindfulness were held throughout the year, an initiative within the framework of the 'Healthy Company' project, and four sessions with a stress trainer, to consciously activate habits to improve stress management, both in the personal and professional environment.

2. The performance appraisal system. This instrument allows the identification of internal talent



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and greater alignment of individual performance with corporate objectives, also facilitating more effective selection, promotion, training and professional development plans. In 2020 this programme incorporated a greater number of professionals (up to 5.1% of the staff), with the inclusion of the entire technical-administrative structure.

Due to the health crisis, the evaluation schedule had to be adjusted. In this context, where remote working had

to be encouraged, the performance appraisal system became even more of a key tool for day-to-day management, teamwork and the contribution of each person to the company's objectives.

The Group's subsidiaries also have performance evaluation systems, which in Correos Nexea is applied to the management level (2.7% of the total number of employees), in Correos Express to 13.6% of its professionals and in the case of Correos Telecom, to the entire workforce.

nationalities, carried out curricular and extracurricular training placements, thanks to the more than 30 collaboration agreements in force with academic and university institutions. They were also able to complement their training project with guided visits to work centres, workshops to improve their employability and days to learn about the activity of some of the company's relevant areas or projects (#Start the day).

The Correos Express and Correos Telecom subsidiaries also have integration programmes for young talent, through agreements with universities or vocational training centres, in which 14 and 4 students participated, respectively.

As part of the '*Correos en femenino*' programme, focused on the visibility of women's talent, two new sessions were held on transformational leadership and values, as well as on personal branding. In addition, a survey was carried out among 345 female

20 high-potential
female employees
took part in the
internal mentoring
programme

3. The 'Young Talents' programme.

Aimed at university students who wish to complement their academic training with practical work experience, this initiative aims to increase their employability, while allowing Group companies to enrich themselves with new knowledge and ideas, as well as diverse cultural perspectives.

Last year 82 students, of 8 different



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employees who work as middle managers in the company's territorial areas, to find out the obstacles they identify in their professional development.

In 2020, the '*Talentiza tu perfil*' project continued to be developed to improve the positioning of Correos as a quality employer brand on professional social networks, mainly LinkedIn, through the company's employees.

With respect to the implementation of remote working, a support guide was provided to managers to help them manage their teams remotely, and the experience of executives, middle management and technical-administrative collaborators was evaluated.

Selection processes, due to the health situation, candidate assessment procedures were fully digitised, using interviews, tests and online group dynamics, favouring a positive candidate experience (as supported by surveys), while minimising health risks.

► Encouraging internal promotion

The Correos Group considers internal promotion as the main component for cultivating and retaining talent, through professional development plans, prioritising the filling of these positions with internal candidates who fit the required profile. The selective and labour mobility processes developed last year included:

- The coverage of 67% of the posts offered by internal promotion, also prioritising diversity and promoting parity between women and men selected.
- The substitutes programme, which trains professionals from operational positions to temporarily fill unfilled team leader positions in offices, distribution and logistics. Last year, nearly 3,000 applications were received for the selection process that will culminate in 2021. The plan has resulted in close to 100 permanent appointments, which proves its usefulness for the swift and efficient filling of these types of positions.

The welcoming and monitoring programme, designed to provide training to new employees or those changing posts within the company, saw the participation of 308 employees. Through the monitoring milestones defined for the first six months of these incorporations, the degree of satisfaction in the process, the adaptation to the work team and the adequate provision of means, as well as possible obstacles during the trial period, were evaluated.

To support new employees in operational positions, all temporary or new staff have access to the online Colearning environment for the voluntary display of information on tools, processes and applications, which allows them to learn about these positions prior to carrying out the associated functions, and which was accessed by more than 9,500 people.



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As part of the project to measure the overall employee lifecycle at Correos, the experience of candidates in recruitment processes was assessed through questionnaires to more than 4,000 people. The results of this sample made it possible to improve communications with participants and to adapt procedures at a time of particular importance, as the selective tests have been moved to the digital environment.

In addition, exit interviews were conducted with professionals who were part of the performance appraisal system to identify the main risk factors for talent loss.





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Training for new strategic challenges

GRI 404-1

The Correos Group's training policy is aimed at responding to the strategic needs of the business and the professional development of its employees, through specific and individualised itineraries.

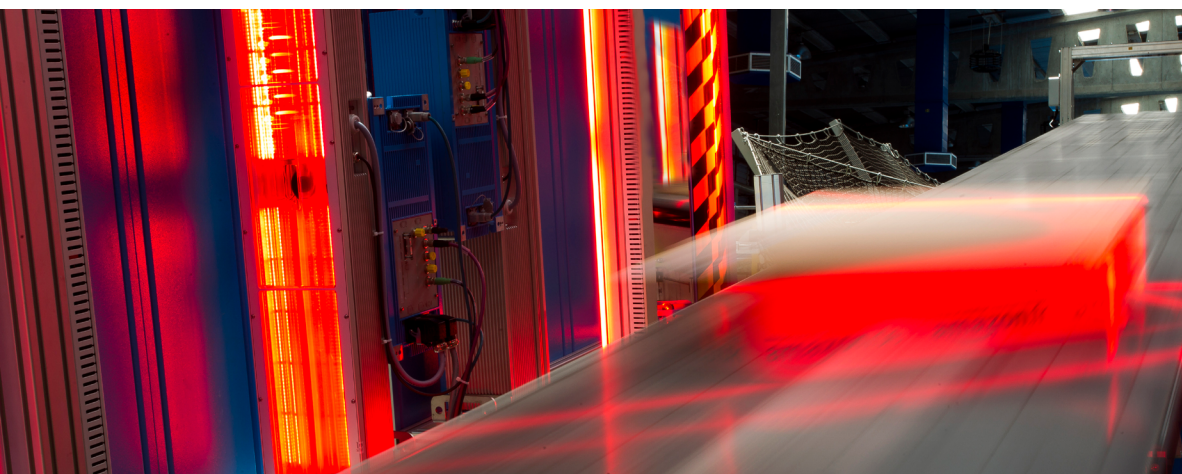
In 2020, Correos carried out 345 training actions, with a total of 316,583 participants and more than 1.6 million training hours (in classroom, distance and on-the-job training). Since March 2020, training has been provided online, through the Correos virtual campus,

and on-site, through virtual classrooms with the various tools available to professionals (Teams, Zoom, etc.). The rating for the courses given during the year remained at 8.6 out of 10.

The performance appraisal system offered individualised training pathways to 1,551 people. In addition, all groups received specific training to ensure the correct performance of business processes in each position, including training in skills, applications and regulations. As part of the open calls, 20,000 places were also offered for the course 'The importance of the customer', on meeting the needs of internal and external customers.

The company also provided employees with specialised training areas such as:

- The 'Product School', a continuous self-learning space on the virtual campus, which includes training pills on the commercial offer, a collaborative environment for participation, as well as video tutorials for the post office network on its main products and sales techniques.
- The 'Sales School', aimed specifically at expanding and standardising the training of sales managers. In 2020, it provided specific training to the commercial customer service team to facilitate the implementation of the new management model.
- The 'Trainers' School', which enables the training of company professionals to lead internal training actions.





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- The 'Leadership School', which provides middle management with tools and resources to improve people management in their units and which was extended in 2020 as a particularly useful tool during the pandemic. Last year 739 students passed the training.
- The 'Knowledge Experts' project, based on the collaboration of company professionals with extensive experience in certain areas, for the creation and updating of educational content.
- The accompaniment in post offices, logistics and distribution programme, to promote the transfer of knowledge and adoption of best practices among their managers.
- The spokespersons project, which has trained a multidisciplinary team of people to support the company's communication and institutional representation in specialised areas.
- The 'Managerial environment' platform, with contents on management, personal development, competences and strategy, from recognised authors and business universities. This platform is available to all the executives and participants of the 'Click' talent programme.

Last year, specific training actions were also carried out on the prevention of occupational risks derived from COVID-19 for all staff, emotional management for occupational risk prevention professionals, as well as on the transport of dangerous goods by air, anti-competitive practices and ISO certifications.

As part of the technology adoption and upgrading training programme, nearly 4,800 people were trained in the Office 365 system. Interactive virtual sessions on use cases specific to each activity, as well as best practices, were also organised through the Teams platform for 173 middle managers.

Meanwhile, the company offered training programmes that could be taken into account in selection processes, such as the employment consolidation programme (with 10,385 students), the programme for substitutes in head offices and distribution units (with 13,869 participants), the call for new employment exchanges (with 6,628 participants) and the transfer competition (with 2,928 professionals).

As for the Group's subsidiaries, Correos Express developed courses on criminal risk prevention, anti-competitive practices, ISO 45001 certification, customs management and international trade, cybersecurity, Big Data, carbon footprint calculation and management and dynamic delivery management. The aim of these training actions was to facilitate the adaptation of new recruits, as well as to strengthen the company's commercial and internationalisation objectives. Correos Express Portugal, for its part, provided training on prohibited goods regulations and cybersecurity procedures.

For its part, Correos Nexea offered training actions on digital tools (document management platform, electronic signature and Internet security) and on the main operational processes (FSC and PEFC chain of custody, information security, financial analysis).

Finally, Correos gained approval from the Council of Ministers in 2020

for the professional qualification for the 'home delivery and collection service', which in the postal sector corresponds to the work of a sorting and delivery agent, through a partnership with the National Institute for Qualifications (INCUAL) of the Ministry of Education.

In June, its incorporation into Spain's National Catalogue of Professions was authorised, so that from that date onwards it will serve as a reference for the development of vocational training qualifications to train new distribution professionals, in order to provide a better service to citizens and companies.



Correos pushed for the approval of the professional qualification for the 'home delivery and collection service' by the Council of Ministers



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Internal communication and engagement

The corporate intranet, Conecta, is the main communication channel for employees, with more than 7.7 million visits per year. This is the space where relevant information on the company's management, business model, new plans and projects and corporate values can be consulted and shared.

Last year, more than 590 national company news items were published in Conecta (more than double the number of the previous year), of which around 220 were related to solidarity initiatives to help vulnerable groups or on the front line of the fight against COVID-19 and another 60 were related to measures to tackle the pandemic at Correos.

Another of the main internal communication channels is the mass emailing platform 'Correos Informa', which disseminated more than 670 news items, as well as daily

messages with recommendations to avoid contagion.

The contents disseminated through 'Correos Informa' and Conecta included more than 85 audiovisual information (videos or links to publications on the intranet itself, on other websites or on the **Correos profile on Youtube**), together with photographs, infographics and links to other documents.

In addition, during the year, 387 zonal or local notes were published, which were also posted on the notice boards of all the company's operational centres, along with 67 videos of corporate content.

In order to foster internal communication and collaboration in a remote working context, a new hotline was also established with managers and decision-makers, both at headquarters and in the regional areas, through regular emails. In these emails, essential and truthful information on topics about which false news could be spread was sent for dissemination to their direct collaborators.

The Correos Group's in-house magazine, CONECTAD@S, published a special monographic issue entitled '#Para eso estamos. Ayudar en todo lo que podamos' (#That's why we are here. Helping in any way we can), in recognition of all the company's professionals, for their work in 2020 and their support to citizens, administrations, companies and NGOs.

In the first months of the year, two 'Meetings with the Chairman' were organised, attended by around 50 employees, managers in the distribution area from all over the country, to propose improvements and boost their role of coordination and communication with the people in their sphere of influence. This initiative will be taken up again in the future, depending on the health situation.

Other participation campaigns aimed at professionals or their families included the photography competition associated with the *Camino de Santiago*, also open to people outside Correos, or the drawing competition for children who are relatives of employees, as well as the promotion of their collaboration in solidarity races and social

awareness events.

Finally, the company organises annual recognition and continuous improvement programmes that include national awards for excellence, environmental commitment awards, Artemisa awards for the activity of commercial managers and customer service, Atenea awards for people and their best practices and the solidarity award for commitment to social projects.

The Group's subsidiaries also have suggestion boxes and other communication channels, such as regular meetings with managers, notice boards, personalised letters and emails. Correos Telecom has an employee portal, where news of interest is published (in addition to being disseminated by email) and contributions are collected.





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Diverse and inclusive management



GRI 102-12, 401-2, 401-3, 405-1, 405-2

Correos, a pioneer in the recruitment of women in Spain, employed 26,577 women in 2020, representing 52% of its total workforce (also 52% of the Correos Group's workforce).

The entry into force of Royal Decree 901/2020⁹, Royal Decree 902/2020¹⁰ and Royal Decree-Law 6/2019¹¹ has led to the adaptation of current equality plans and equality diagnoses and the incorporation of new obligations for Group companies, such as the maintenance of a remuneration register for all professionals.

Correos has an equality plan, which is currently under review, the contents of which include a protocol against sexual, work-related or psychological harassment, with the aim of preventing and resolving

situations of this type that may arise.

Correos' remuneration policy guarantees wage equality between women and men in jobs of equal value. In this sense, there is no salary gap. The salary scale and concepts of civil servants are those set for the rest of the public sector and published annually, which are reflected in the remuneration tables of workers under ordinary employment contracts.

Meanwhile, the current revision of the Correos Express equality plan includes specific lines of action to ensure equal opportunities, through promotion, professional development and training; to promote the reconciliation of work and family life; to extend protection measures for female workers in situations of gender violence; and to strengthen communication and awareness of equality issues. The subsidiary also has a protocol against sexual and gender-based harassment.

Correos Nexea also drew up an Equality Plan (which integrates the protocol against

sexual and workplace harassment it previously had), setting up the negotiating committee in October 2019. The outbreak of the pandemic prevented its approval by the equality committee until October 2020, after which it was registered. Correos Express Portugal and Correos Telecom, since they are not included in the scope of application of this regulation, do not have specific plans, although they promote management that promotes equal opportunities.

In addition, the Code of Conduct to which all Group companies subscribe establishes measures to prevent any type of discrimination or harassment and to guarantee equal treatment and opportunities.

Correos also involves specific policies for helping and protecting the victims of gender-based violence, encouraging quick handling of incidents that guarantees confidentiality, with measures such as the reduction of the working day and consideration of the absences of the victim;

⁹ Royal Decree 901/2020 of 13 October, regulating equality plans and their registration and amending Royal Decree 713/2010, of 28 May, on the registration and deposit of collective labour agreements..

¹⁰ Royal Decree 902/2020, of 13 October, on equal pay between men and women.

¹¹ Royal Decree-Law 6/2019, of 1 March, on urgent measures to guarantee equal treatment and opportunities for women and men in employment and occupation.



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leave as a result of gender-based violence and the guarantee of work relocation.

Since 2008, Correos has been a member of the 'Network of Companies for a Society Free of Gender Violence', promoted by the Government Office for Gender Violence, supporting various awareness-raising campaigns. As part of this collaboration, the company was one of the sponsors of the 7th solidarity race against gender violence.

Work-life balance

With regard to policies on the right to digital disconnection¹², the companies of the Correos Group do not have a specific protocol. However, the proposal for a postal telecommuting programme contains a number of measures to guarantee this right. In 2020, a number of communications were also produced to raise awareness of this and other aspects of remote working.

The company promotes measures to reconcile family, personal and professional lives through training and awareness-raising activities, as well as through measures included in its internal regulations. The latter, applicable to all employees, in many cases provide for improvements with respect to current labour legislation (extension of breastfeeding leave, reduction of working hours to care for seriously ill family members or minors, leave of absence, etc.).

Given the health crisis situation, other organisational measures were also adopted regarding shifts, flexibility and/or adaptability of working hours, as well as the aforementioned option of remote working for

those professionals whose activity allowed it, paying special attention to the granting of leave and leave of absence linked to personal or family situations arising from this particular context.

During the health emergency, Correos has adopted organisational measures on flexitime, flexibility and remote working



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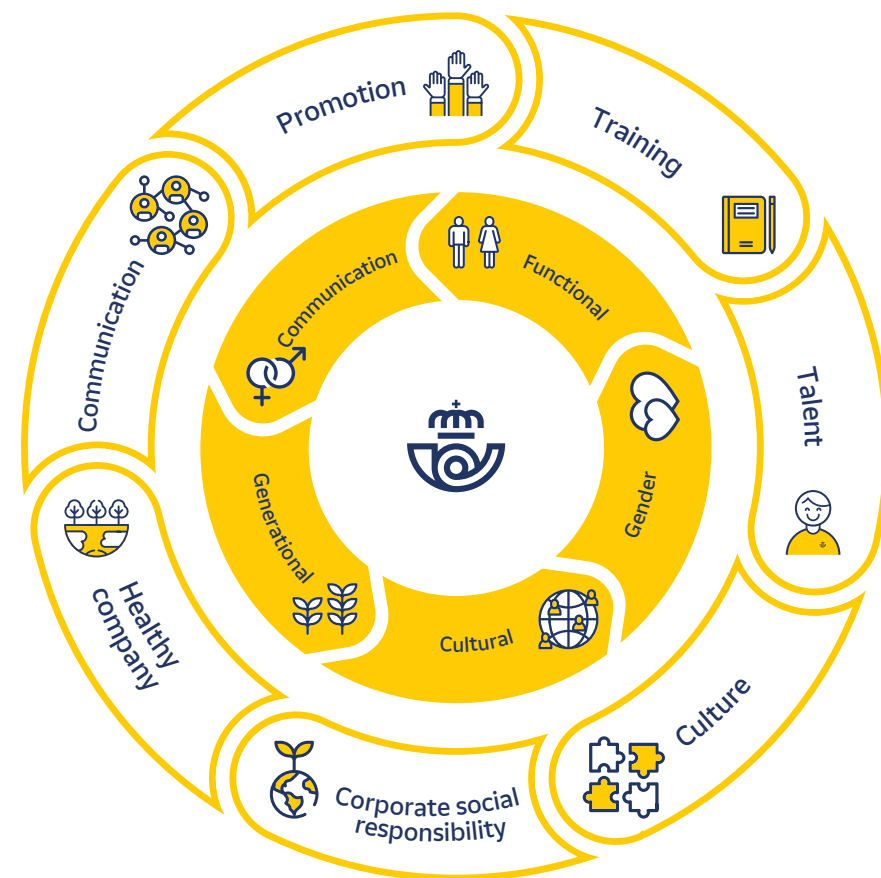
Diversity and inclusion agenda

Correos actively promotes an inclusive work environment, through diversity, and aims to foster among its professionals a management model and leadership style that favours a plurality of ideas, experiences and perspectives.

As a public company, it aims to reflect an increasingly diverse, heterogeneous, global and inclusive society, promoting equal treatment and opportunities for all people.

The company has therefore established a diversity and inclusion agenda, which complements the measures contained in the collective bargaining agreement, the general agreement for civil servant staff and the equality plan. Through this roadmap, the company acts along five lines of action (gender, generational, functional, cultural and LGTBI diversity), based on seven areas of work:

- Career development, to identify and address possible inequalities.
- Diversity training throughout the employee's life cycle.
- Promoting talent 'without labels'.
- Creating an inclusive culture.
- Promotion of corporate social responsibility, as well as the achievement of the 2030 Agenda, the promotion of women and





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solutions to the demographic challenge.

- Health promotion, with a commitment towards being a 'healthy company'.
- Internal – and external – communication and awareness-raising through, among other initiatives, specific diversity content on the corporate intranet and the new 'Diversity and Inclusion Dialogues' space.

This plan is global (acting on several dimensions), transversal (impacting all areas of the company), social and committed to internal and external initiatives that support diversity and inclusion, including the Sustainable Development Goals.

Since 2019, Correos has been a member of the Business Network for LGTBI Diversity and Inclusion (REDI), the first public company to assume its objective of promoting the management of diversity and inclusion of this group in the workplace, as well as the European Diversity Charter, a code of conduct in which its signatories commit to respect social differences and to implement specific policies in favour of a working environment free of prejudice.

During the past year, he also collaborated in the study 'Senior workers in European companies' of the Observatory of Demography and Generational Diversity of the Instituto de Empresa. The company took part in the 'Target Gender Equality' accelerator programme, an initiative of the United Nations Global Compact, which aims to enable companies to set and achieve ambitious targets in terms of women's

representation and leadership at all levels.

It also continued to participate in the 'Generacciona' initiative for research and training in generational diversity and to share its good practices with Red Acoge and the Intrama top 30 consultancy firm.

In 2020 Correos launched its first LGTBI stamp on the occasion of Pride Day, which was accompanied by the '#NoSoloAmarillo' awareness campaign, whereby several post boxes, vans and post offices were decorated with signs and stickers featuring the rainbow flag.

In addition, the first gender- and LGTBI-inclusive language guidelines were published on the corporate intranet (the first document of its kind to be produced by a public company), to encourage their internal use and generate working environments respectful of differences.

During the past year, 13,818 people were also trained in the 'Diversos con sello propio' (Diverse people with our own stamp) course. This training action focused on the concepts of diversity and inclusion, the actions being carried out by Correos and the benefits that an adequate management of diversity brings at a personal and work level.

Other initiatives undertaken to disseminate the diversity agenda at Correos included the dissemination of content through internal and external communication channels to coincide with various events such as International Women's Day, International Breast Cancer Day, International Day for the Elimination of Violence against Women and International Rural Women's Day. Coinciding with the latter date, the President of Correos participated in the largest online meeting of



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rural women organised by FADEMUR (Federation of Rural Women's Associations), under the slogan 'Women in family farming: gender equality and leadership'.

In 2020, Correos Group companies integrated 1,007 people with functional diversity into their workforce (926 in 2019), collaborating, as a measure contemplated by the regulations¹³, with **Foundations, Special Employment Centres and Occupational Centres**, which promote their full integration into the labour market.

Correos formalises temporary contracts for the promotion of employment of people with functional diversity, for their potential conversion into permanent contracts through the different calls for the consolidation of employment, subject to the provisions of the different Budgetary Laws and within the limits authorised by the Ministry of Finance.

At the end of the year, Correos had 33 employees with temporary employment promotion contracts, after 50 employees belonging to this group were hired in July on permanent contracts as part of the employment consolidation program. In addition, under the last call for permanent staff, a further 40 posts are expected to be filled by the end of 2021 by recruiting people from this group.

► Social benefits for employees

Correos Group's social action programme contributes to improving the social and professional well-being of its employees and work-life balance. In 2020, 12,500 employees and their families applied for financial assistance for medical treatment, university studies, early childhood education, care for children with disabilities and death. Permanent staff were able to take advantage of advances and interest-free loans.

Employees also have a preferential offer of life and accident insurance policies, as well as a web platform for promotions and discounts on leisure, culture, health, sports equipment and consumer goods products and services.

Finally, Correos has a pension plan for its workers. However, since 2012, in compliance of Royal Decree 20/2011¹⁴, the company makes no contributions to that plan, although employees make them voluntarily. The Group's subsidiaries do not have pension plans.

¹³ Royal Legislative Decree 1/2013, of 29 November, approving the consolidated text of the General Law on the Rights of persons with disabilities and their social inclusion.

¹⁴ Royal Decree-Law 20/2011, of 30 December, on urgent budgetary, fiscal and financial measures for the correction of the public deficit.



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Safe and healthy working environment

GRI 103-2, 103-3, 403-1, 403-2, 403-5, 403-6

Occupational health and safety is a fundamental element of the company's corporate risk management policy, in which the integration of a preventative culture model at all levels of the organisation is prioritised through information and ongoing employee training.

Correos applies an essentially internal preventive management policy, with its own occupational risk prevention service, equipped with a central and peripheral structure, in each of the company's regions.

In 2020, the activity of the in-house prevention service focused on managing the effects of the health emergency by continuously updating prevention recommendations and guidelines to ensure maximum protection of employees and customers.

Correos carried out a specific risk assessment, defining the protocols and means of individual and collective protection necessary for the different jobs. This assessment was continuously updated throughout the year, in line with regulatory changes, health recommendations and the evolution of the pandemic. The company also periodically adapted the measures specifically aimed at professionals identified as sensitive groups, in accordance with the indications of the Ministry of Health.





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In this regard, the protocol for dealing with possible cases of COVID-19, the information manuals for each position and the informative videos were updated and made available to employees on the corporate intranet. Other actions carried out included:

- The adoption of measures for flexibility and adaptation of the working day during the state of alarm, in order to facilitate personal and work reconciliation, and the promotion of remote working in those positions where this was permitted.
- The reduction or suspension of non-essential travel, meetings, training, presentations and face-to-face events.
- Providing workers with means of personal protection, informing them of their correct use, fitting and removal (hydroalcoholic gel, gloves and masks). To this end, nearly 14.7 million FFP2 type masks, more than 425,000 litres of hydroalcoholic gel, more than 92,000 litres of disinfectant gel, nearly 24.8 million gloves, 7,630 methacrylate screens for customer service posts,

2,060 face shields and 4,000 COVID-19 waste bins were purchased.

- The installation of partitions at customer service points to prevent contact between employees and customers, and the provision of hydroalcoholic hand hygiene gel for the latter.
- Adaptation of delivery units, post offices, processing centres and administrative buildings to comply with the interpersonal distance, by relocating or removing furniture, as well as redistributing work spaces.
- Signposting of workplaces, indicating permitted capacities, preventive measures, safety distances, etc.
- The reinforcement of daily cleaning and continuous disinfection of all elements, means of work and vehicles, as well as ventilation and air conditioning measures appropriate to the characteristics and intensity of use of the workplaces.





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- The holding of 19 meetings of the State Commission on Occupational Health, for monitoring, consultation and trade union participation in the evolution of the health crisis. This workers' participatory body also updated its composition, following the trade union election process in February 2020. In addition, 12 meetings of the Provincial Health and Safety Committees were convened.

For the effectiveness of these organisational, collective and individual protection measures, the awareness and involvement of all professionals was essential. In this regard, various informative and training actions were carried out during the year to remind people of the importance of prevention.

As a result, the company has passed more than 60 labour inspections since the state of emergency was declared. In addition, both Correos and Correos Express obtained **AENOR certification** which recognises that the preventive measures, procedures and action protocols implemented against the risk of COVID-19 are in line with the instructions of the competent health authorities in this area.

This accreditation represents added value in terms of health and safety for all employees, as well as for all customers, suppliers, collaborators and, in general, for all citizens who place their trust in the Correos Group on a daily basis.

Correos and Correos Express
obtained COVID-19 certification
from AENOR certifying their
strict compliance with official
health recommendations



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Effective preventative management

In addition to managing the effects of the pandemic, Correos continued to develop other actions for the proper identification and prevention of the various occupational risks, such as:

- Specific training in this area, with 98,263 participations and 143,646 teaching hours, including instruction in risk prevention and effective management of personal protective equipment (PPE) for 1,578 middle managers. Training activities were also provided on prevention (66,921 attendances) and psychosocial management of COVID-19 (2,427 students).
- The delivery of 85,622 health and safety sheets to 29,663 employees, including specific information by job and work centre on risks, preventive measures and protocols for emergency situations.
- Risk assessment in 227 centres, as well as a total of 91 psychosocial risk assessments and 85 specific studies (noise, ergonomics, etc.) and 167 emergency plans.
- The development of the project for the implementation of semi-automatic defibrillators in centres, which included the installation of 23 additional devices.

- The completion of 3 site risk assessments on possible exposure to explosive atmospheres and 5 work equipment assessments, as well as the modification of the emergency plan procedure, as part of the continuous review process.
- The assessment of the occupational safety of various prototypes analysed by the company, such as delivery trolleys, 3-wheeled electric motorbikes or sensorised vehicles.
- The development of a pilot project for the evaluation of safety footwear by a sample of workers.
- 17,043 preventive medical examinations, adapted to different positions and personal circumstances, and flu vaccinations for groups at risk.
- The dissemination of awareness and education campaigns to employees, through internal communication channels and the 'Atenea Award', in the occupational risk prevention category.

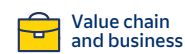
The Group's subsidiaries, for their part, have their own occupational risk prevention systems, the management of which is integrated at all organisational levels. Accordingly, Correos Telecom's occupational risk prevention plan has been extended to its suppliers, once again achieving a zero occupational accident rate in 2020. The subsidiary continued to carry out annual voluntary medical examinations of its employees and provide regular information on healthy habits.



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The preventive actions developed by Correos Express included carrying out occupational risk assessments in the new work centres or the automation and rotation of posts to reduce the risk of overexertion. In addition to these, preventive measures have been applied against COVID-19, such as the drawing up of a specific protocol, the provision of masks and hydroalcoholic gels to all professionals and the reorganisation of spaces in centres.

In 2020, the Group's subsidiaries also provided specific courses on risk prevention in relation to COVID-19 or remote working. Correos Express also offered its professionals specific training actions depending on the position and work centre, such as cargo handling, road safety or efficient driving, with 4,789 hours of training. It also carried out information and awareness campaigns on healthy eating, postural hygiene and healthy lifestyle habits.

► Comprehensive occupational health

Correos contributes to occupational health with a comprehensive approach that not only provides a healthy and safe working environment, but also promotes all aspects related to overall well-being through three lines of action: physical well-being, emotional well-being and the health and safety employees.

As part of its 'Healthy Company' project, Correos promotes life habits that contribute to improving the health of its employees from a multidisciplinary perspective. As part of this initiative, an awareness and information campaign was developed in 2020 to contribute to smoking cessation, with a motivational conference given by the Spanish Association Against Cancer.





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Labour indicators

GRI 102-7, 102-8, 401-2, 401-3, 403-9, 403-10, 404-1, 405-1, 405-2

The main labour indicators of the Correos Group are:

	Correos		Correos Express ¹		Correos Express Portugal ¹		Correos Nexea ¹		Correos Telecom ¹	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Employees by gender										
Women	26,577	27,519	374	344	36	57	77	83	11	11
Men	24,245	25,522	897	847	100	157	112	116	27	33
Employees by age										
Until 35	5,948	6,656	223	186	37	72	39	42	4	5
From 36 to 45	12,068	12,650	353	358	54	83	70	75	17	20
From 46 to 60	29,456	30,745	643	605	39	54	73	73	16	16
More than 61	3,350	2,990	51	41	6	5	7	9	1	2
Employees by nationality										
National	50,647	52,860	1,231	1,153	133	209	ND	ND	38	44
Other nationalities	175	181	40	38	3	5	ND	ND	0	0

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Management and non-management staff	145	145	23	18	4	6	6	5	1	1
Senior technical staff and managers	450	443	21	21	26	34	13	11	5	5
Mid-level technical and managerial staff	831	841	473	454	59	105	38	38	31	37
Middle management staff	5,959	6,078	204	213	-	-	0	0	-	-
Operational staff	43,356	45,438	544	480	48	69	130	142	1	1
General services staff	81	96	6	5	-	-	2	2	-	-

1 In some cases, the sum of the employment figures of Correos Express, Correos Express Portugal, Correos Nexea and Correos Telecom is altered to the decimal places.

2 The breakdown of staff by professional categories for 2019 and 2020 has been reformulated, according to the professional categories used to calculate the gender wage gap.

3 In Correos Express Portugal, the category Senior technical staff and managers includes middle managers.



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	Correos ¹		Correos Express ¹		Correos Express Portugal		Correos Nexea ¹		Correos Telecom ¹	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Employees by contract type and gender										
Permanent staff										
Women	18,453	17,934	274	258	36	57	55	55	8	8
Men	17,146	17,211	647	627	100	157	89	79	24	27
Temporary staff										
Women	8,125	9,585	101	85	0	0	22	28	3	3
Men	7,099	8,311	249	220	0	0	24	37	4	6
Employees by type of work day and gender										
Full-time										
Women	23,929	24,694	277	252	36	57	76	82	11	11
Men	22,127	23,235	784	750	96	152	112	111	27	33
Part-time										
Women	2,649	2,825	97	92	0	0	1	1	0	0
Men	2,118	2,287	113	97	4	5	0	5	0	0

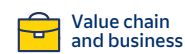
1 In some cases, the sum of the employment figures of Correos Express, Correos Express Portugal, Correos Nexea and Correos Telecom is altered to the decimal places.



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	Correos ¹		Correos Express ¹		Correos Express Portugal		Correos Nexea		Correos Telecom ¹	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Employees by contract type and age										
Permanent staff										
Until 35	1,808	1,596	74	65	37	72	18	20	1	2
From 36 to 45	7,367	6,941	262	266	54	83	61	56	15	18
From 46 to 60	23,523	24,032	536	513	39	54	59	50	16	14
More than 61	2,901	2,577	49	41	6	5	6	7	1	1
Temporary staff										
Until 35	4,140	5,060	150	121	0	0	21	22	1	3
From 36 to 45	4,702	5,709	91	92	0	0	9	19	5	2
From 46 to 60	5,933	6,714	108	92	0	0	14	23	1	2
More than 61	449	1,596	1	0	0	0	1	2	0	1
Employees by type of work day and age										
Full-time										
Until 35	4,344	4,899	158	125	37	71	39	39	4	5
From 36 to 45	10,665	11,136	277	287	51	80	70	72	17	20
From 46 to 60	27,838	29,037	582	555	38	53	72	73	16	16
More than 61	3,209	2,857	44	35	6	5	7	9	1	2

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Until 35	1,604	1,757	66	61	0	1	0	3	0	0
From 36 to 45	1,404	1,514	76	72	3	3	1	3	0	0
From 46 to 60	1,618	1,708	62	50	1	1	0	0	0	0
More than 61	141	4,899	6	125	0	0	0	0	0	0

1 In some cases, the sum of the employment figures of Correos Express, Correos Express Portugal, Correos Nexea and Correos Telecom is altered to the decimal places.

	Correos ¹		Correos Express		Correos Express Portugal ¹		Correos Nexea ¹		Correos Telecom ¹	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Employees by contract type and professional category										
Permanent staff										
Management and non-management staff	143	142	21	15	4	6	6	5	1	1
Senior technical staff and managers	431	410	14	14	26	34	11	11	5	5
Mid-level technical and managerial staff	796	797	359	340	59	105	23	23	25	27
Middle management staff	5,886	5,998	182	189	-	-	0	0	-	-

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Operational staff	28,289	27,733	340	322	48	69	104	93	1	1
General services staff	54	66	4	5	-	-	1	1	-	-
Temporary staff										
Management and non-management staff	3	3	2	3	0	0	0	0	0	0
Senior technical staff and managers	19	33	7	7	0	0	2	1	0	9
Mid-level technical and managerial staff	35	44	113	114	0	0	16	15	6	0
Middle management staff	73	81	21	24	-	-	0	0	-	-
Operational staff	15,067	17,705	204	158	0	0	26	48	0	0
General services staff	27	30	2	0	-	-	1	1	-	-
Employees by type of work day and professional category										
Full-time										
Management and non-management staff	145	144	23	18	4	6	6	5	1	1
Senior technical staff and managers	449	442	20	18	24	34	13	12	5	5
Mid-level technical and managerial staff	831	841	390	376	59	101	37	38	31	37

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Middle management staff	5,959	6,078	199	208	-	-	0	0	-	-
Operational staff	38,612	40,352	424	378	46	68	130	135	1	1
General services staff	61	72	5	5	-	-	2	2	-	-
Part-time										
Management and non-management staff	1	1	20	0	0	0	0	0	0	0
Senior technical staff and managers	1	1	390	2	2	0	0	0	0	0
Mid-level technical and managerial staff	0	0	199	83	0	4	1	0	0	0
Middle management staff	1	0,46	424	5	0	-	0	0	-	-
Operational staff	4,744	5,087	5	120	2	1	0	6	0	0
General services staff	20	23	23	0	0	-	0	0	-	-

1 In some cases, the sum of the employment figures of Correos Express, Correos Express Portugal, Correos Nexea and Correos Telecom is altered to the decimal places.

2 The breakdown of staff by professional categories for 2019 and 2020 has been reformulated, according to the professional categories used to calculate the gender wage gap.

3 In Correos Express Portugal, the category Senior technical personnel and managers includes middle managers.



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	Correos		Correos Express		Correos Express Portugal		Correos Nexea		Correos Telecom	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Dismissals by gender (%) ¹										
Women	0.03	0.05	1.34	0.58	0.00	29.82	1.31	1.20	0.00	0.00
Men	0.07	0.08	0.78	1.42	18.00	22.29	2.68	0.00	0.00	0.00
Dismissals by age (%)										
Until 35	0.12	0.06	0.89	1.61	8.00	25.00	2.57	0.00	0.00	0.00
From 36 to 45	0.07	0.07	2.27	1.67	15.00	27.71	1.43	0.00	0.00	0.00
From 46 to 60	0.03	0.07	0.31	0.83	27.00	18.52	1.38	1.37	0.00	0.00
More than 61	0.00	0.03	0.00	0.00	29.00	20.00	13.81	0.00	0.00	0.00
Dismissals by professional category (%) ²										
Management and non-management staff	1.38	6.20	4.35	10.99	25.00	0.00	0.00	18.28	0.00	0.00
Senior technical staff and managers	0.44	0.23	9.39	0.00	10.00	23.53	15.81	0.00	0.00	0.00
Mid-level technical and managerial staff	0.00	0.36	0.63	0.66	8.00	26.67	0.00	0.00	0.00	0.00
Middle management staff	0.10	0.03	0.98	1.88	-	-	0.00	0.00	-	-
Operational staff	0.03	0.04	0.74	1.04	20.00	23.19	1.54	0.00	0.00	0.00
General services staff	0.00	0.00	0.00	0.00	-	-	0.00	0.00	-	-

1 Dismissals= number of dismissals of (women, men) / collective total (women, men)

2 The figures for Correos Express Portugal correspond to the whole of the 2019 financial year, including the period prior to its acquisition by Correos Express.



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Correos	2020			2019		
	Men	Women	Gender wage gap (%)	Men	Women	Gender wage gap (%)
Average remuneration by professional category and gender (thousands of euros) ^{1 4}						
Management and non-management staff ^{2 3}	75,544	71,893	4.84	76,027	73,232	3.68
Senior technical staff and managers	41,944	41,163	1.86	40,977	40,201	1.89
Mid-level technical and managerial staff	33,620	33,651	-0.09	32,904	32,759	0.44
Middle management staff	23,700	23,695	0.04	23,182	23,235	-0.19
Operational staff	19,207	19,132	0.39	18,801	18,716	0.45
General services staff	14,696	14,696	0.00	14,390	14,390	0.00
Average remuneration by age and gender (thousands of euros)						
Until 35	19,347	19,342	0.03	18,942	18,916	0.13
From 36 to 45	19,794	19,567	1.09	19,349	19,115	1.07
From 46 to 60	19,895	19,480	1.96	19,431	19,023	2.02
More than 61	20,467	19,272	5.42	19,882	18,818	4.94

1 Average remuneration by professional classification (not including personal wage items, such as those related to seniority, residence, annual campaigns or vehicle contribution), according to public sector wage tables.

2 Management staff included in Royal Decree 451/2012, of March 5, which regulates the remuneration regime for top managers and executives in the public business sector and other entities.

3 Calculation made with real remunerations, for not having direct equivalence in salary scales of the public sector.

4 The professional categories used have been modified in 2020 to adapt them to the requirements of Royal Decree 902/2020. The 2019 financial year has been reformulated in accordance with this new classification to allow comparability.



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Correos Express	2020			2019		
	Men	Women	Gender wage gap (%)	Men	Women	Gender wage gap (%)
Average remuneration by professional category and gender (thousands of euros) ¹						
Management and non-management staff	71,370	54,410	23.76	72,250	57,360	20.61
Senior technical staff and managers	38,272	35,726	6.65	34,584	36,107	-4.40
Mid-level technical and managerial staff	26,878	24,892	7.39	28,236	24,581	12.94
Middle management staff	31,738	33,354	-5.09	32,483	33,415	-2.87
Operational staff	21,127	18,560	12.15	20,663	17,258	16.48
General services staff	27,302	23,420	14.22	27,598	27,940	-1.24
Average remuneration by age and gender (thousands of euros)						
Until 35	21,000	20,960	0.19	17,150	16,700	2.62
From 36 to 45	24,390	24,560	-0.70	21,550	21,070	2.23
From 46 to 60	27,470	26,000	5.35	25,110	23,070	8.12
More than 61	25,140	21,660	13.84	22,230	22,070	0.72

¹ The professional categories used have been modified in 2020 to adapt them to the requirements of Royal Decree 902/2020. The 2019 financial year has been reformulated in accordance with this new classification to allow comparability.



Correos Express Portugal	2020			2019		
	Men	Women	Gender wage gap (%)	Men	Women	Gender wage gap (%)
Average remuneration by professional category and gender (thousands of euros) ¹						
Management and non-management staff	33,222	16,345	50.80	14,625	13,704	6.30
Senior technical staff and managers	25,394	26,758	-5.37	21,596	22,015	-1.94
Mid-level technical and managerial staff	11,221	11,778	-4.96	22,819	13,319	41.63
Middle management staff	-	-	-	-	-	-
Operational staff	9,796	-	-	9,741	-	-
General services staff	-	-	-	-	-	-
Average remuneration by age and gender (thousands of euros)						
Until 35	12,507	13,386	-7.02	11,744	11,958	-1.82
From 36 to 45	12,072	13,896	-15.11	10,939	13,872	-26.82
From 46 to 60	14,737	15,521	-5.32	11,883	11,366	4.35
More than 61	23,020	-	-	9,676	13,300	-37.45

¹The professional categories used have been modified in 2020 to adapt them to the requirements of Royal Decree 902/2020. The 2019 financial year has been reformulated in accordance with this new classification to allow comparability.



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Correos Nexea	2020			2019		
	Men	Women	Gender wage gap (%)	Men	Women	Gender wage gap (%)
Average remuneration by professional category and gender (thousands of euros) ¹						
Management and non-management staff	59,403	-	-	59,976	52,954	11.71
Senior technical staff and managers	35,176	37,422	-6.39	32,720	39,404	-20.43
Mid-level technical and managerial staff	24,951	22,053	11.62	21,148	18,491	12.57
Middle management staff	-	-	-	-	-	-
Operational staff	19,066	14,495	23.98	15,095	12,787	15.29
General services staff	27,807	-	-	26,937	-	-
Average remuneration by age and gender (thousands of euros)						
Until 35	18,831	13,860	26.40	15,749	15,208	3.44
From 36 to 45	23,231	18,918	18.57	22,581	18,454	18.28
From 46 to 60	25,688	15,746	38.70	23,489	17,833	24.08
More than 61	46,777	17,620	62.33	49,888	16,042	67.84

1 The professional categories used have been modified in 2020 to adapt them to the requirements of Royal Decree 902/2020. The 2019 financial year has been reformulated in accordance with this new classification to allow comparability.



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Correos Telecom	2020			2019		
	Men	Women	Gender wage gap (%)	Men	Women	Gender wage gap (%)
Average remuneration by professional category and gender (thousands of euros) ¹						
Management and non-management staff	-	-	-	-	-	-
Senior technical staff and managers	-	-	-	-	-	-
Mid-level technical and managerial staff	-	-	-	-	-	-
Middle management staff	-	-	-	-	-	-
Operational staff	-	-	-	-	-	-
General services staff	-	-	-	-	-	-
Average remuneration by age and gender (thousands of euros)						
Until 35	-	-	-	-	-	-
From 36 to 45	42,802	34,812	18.67	42,206	37,309	11.60
From 46 to 60	50,861	44,539	12.43	46,991	41,221	12.28
More than 61	-	-	-	-	-	-

1 The professional categories used have been modified in 2020 to adapt them to the requirements of Royal Decree 902/2020. The 2019 financial year has been reformulated in accordance with this new classification to allow comparability.

2 It is not possible to break down remuneration by professional classification and gender since, due to the low proportion of women in some professional categories, these could be clearly identifiable, not allowing their personal data to be preserved, in accordance with the regulations in force.



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	Correos		Correos Express		Correos Express Portugal		Correos Nexea		Correos Telecom	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Average training hours by professional category ¹										
Management and non-management staff	69.0	72.1	31.7	23.2	ND	ND	6.7	21.4	27.0	20.0
Senior technical staff and managers	44.9	75.4	11.1	9.5	ND	ND	15.0	35.9	38.4	56.6
Mid-level technical and managerial staff	39.1	54.4	8.4	6.5	ND	ND	6.7	3.3	46.6	23.9
Middle management staff	40.1	54.2	6.8	10.2	ND	ND	0.0	0.0	-	-
Operational staff	21.4	31.3	3.2	3.4	ND	ND	4.5	3.0	30.0	4.0
General services staff	2.4	4.7	3.8	3.1	ND	ND	5.0	8.0	-	-
Average training hours by gender										
Women	25.51	36.78	29.1	19.7	14.2	ND	4.2	4.3	34.7	29.3
Men	21.41	30.93	21.0	17.4	10.0	ND	6.9	4.7	50.2	24.9

¹ The breakdown of staff by professional categories for 2019 and 2020 has been reformulated, according to the professional categories used to calculate the gender wage gap.



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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2018
Paternity or maternity leave by gender ¹										
Women	367	269	7	11	0	ND	0	2	0	0
Men ²	570	485	22	25	2	ND	1	1	0	0

1 100% of the employees who benefited from paternity/maternity leave returned to their job when it was completed.

2 Includes both paternity leave and assignment of maternity leave.

	Correos		Correos Express		Correos Express Portugal		Correos Nexea		Correos Telecom	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Workplace accident frequency index ¹	27.1	29.6	19.6	13.7	26.4	19.3	14.7	ND	0.00	0.0
Índice de gravedad Workplace accident severity index ²	5.4	1.1	0.4	0.4	0.6	0.9	0.6	ND	0.00	0.0
Absenteeism (thousands of days) ^{3 4}	1.716.3	1.123.7	25.5	19.5	ND	ND	3.3	2.9	0.0	0.0

1 IF = [Number of accidents with sick leave (excluding in itinere and relapses) / Number of effective hours worked]*106.

2 IG= [Number of days lost due to occupational accidents within the working day (including 'Aggravating factors due to death/permanent disability of the worker') / Number of effective hours worked]*103.

3 Actual days lost due to medical absenteeism (common illness + occupational accident) / 1000

4 La evolución del absentismo por causa médica durante 2020 se ha visto afectada por las bajas debidas a COVID-19. Solo las cifras de Correos Nexea no incluyen las bajas médicas por COVID-19.



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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Occupational accident by gender ¹										
Women										
Deaths ²	1	1	0	0	0	0	0	0	0	0
Very serious accidents	0	0	0	0	0	1	0	0	0	0
Serious accidents	4	5	0	0	0	0	0	0	0	0
Minor accidents	1,787	1,999	8	12	0	0	2	3	0	0
Accidents with sick leave	1,792	2,005	8	12	0	1	2	3	0	0
Men										
Deaths ²	2	1	0	0	0	0	0	0	0	0
Very serious accidents	0	1	0	0	1	4	0	0	0	0
Serious accidents	6	7	0	0	2	2	0	0	0	0
Minor accidents	1,417	1,819	45	34	0	0	6	1	1	0
Accidents with sick leave	1,425	1,828	45	34	3	6	6	1	1	0

1 Number of accidents with sick leave (in day + in itinere)

2 Deaths in 2019 at Correos due to non-traumatic pathologies due to physiological causes during the working day.

3 In 2020, Correos Group companies did not register any cases of occupational disease.

4 The evolution of medical absenteeism during 2020 has been affected by absences due to COVID-19. Only the figures for Correos Nexea do not include medical leave due to COVID-19.



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+ Environmental sustainability



SDG 11, 12 and 13

The transport sector accounts for a quarter of total greenhouse gas emissions. The European Green Deal aims to reduce these emissions by 90% and achieve total neutrality by 2050. With this objective in mind, the European Union plans to implement various lines of action for the coming decades, among which those relating to urban mobility (reduction of emissions and vehicle congestion) and zero-emission mobility (elimination of exemptions for air and maritime fuels and promotion of alternative fuels) are of particular relevance to the Correos Group.

The European Recovery Plan Next Generation EU, in its programme for the Ecological Transition, also includes sustainable and intelligent mobility as one of its fields of action, promoting means of transport, fuels and infrastructures with a lower environmental impact.

In Spain, during 2020, various regulations were initiated or completed, in line with European environmental objectives. Thus, the future Climate Change and Energy Transition Law will foreseeably promote the greater penetration of renewable gases, the creation of low-emission zones in all cities with more than 50,000 inhabitants, the increase in infrastructures for electric vehicles and the consolidation of sustainable logistics chains.

For its part, the Integrated National Energy and Climate Plan for 2021-2030 (NECP) has defined targets for the reduction of greenhouse gas emissions, the penetration of renewable energies and energy efficiency. The plan calls for diffuse sectors, such as transport, to contribute 39% to overall mitigation by 2030. Another driving force behind decarbonisation will be the share of renewables in mobility, which will reach 28% by 2030, through electrification.





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Correos' commitments for 2030



GRI

102-11, 102-15, 305-5, 305-7, 308-2

In conjunction with the 2019 Climate Summit held in Madrid, Correos revealed the additional commitments it has made to sustainability for 2030, in the belief that more ambitious climate change targets need to be adopted. These objectives are:

- Reaching total neutrality in CO₂ emissions.
- Promoting circularity, in order to become a company that generates 'zero waste'.
- Promoting smart mobility, to the point where at least 50% of the fleet uses alternative technologies.
- Generating 'local value'.

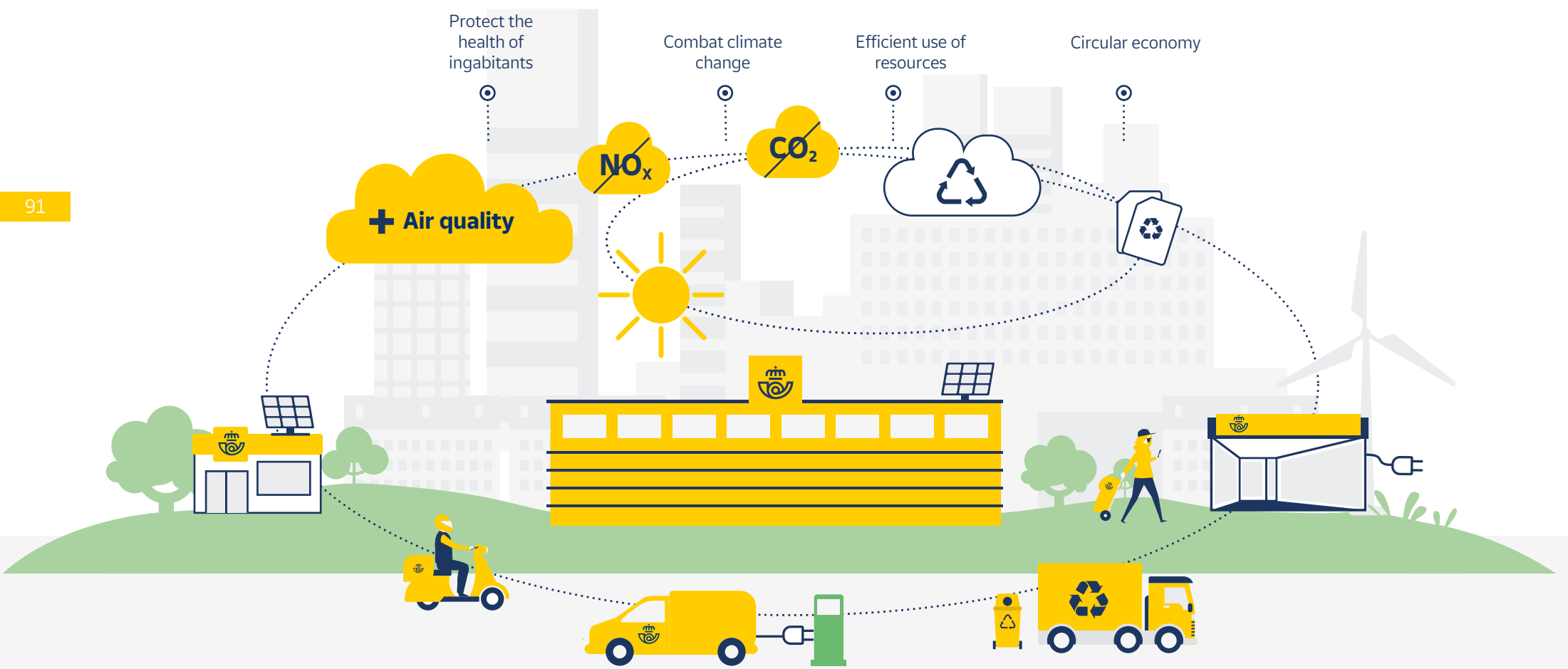
These commitments are aligned with the company's main lines of environmental action, with a focus on its main impacts:

- Improving the air quality of cities (cutting nitrogen oxide (NOx) and PM10 particulate emissions), thus helping to protect the health of inhabitants.

- Combating climate change (reducing carbon dioxide (CO₂) emissions).
- Consuming sustainably (making efficient use of resources) and promoting a circular economy.



Management of environmental impacts





Management of environmental impacts

The most significant short-, medium- and long-term impacts of Correos on the environment include:

- The generation of CO₂, NO_x and PM10 emissions.
- Energy consumption.
- Waste generation.

These impacts are reviewed and evaluated on an annual basis and contrasted with the main international (COP, SDG, EU legislation) and national reference frameworks (regulations and recommendations, business initiatives and partnerships).

In this way, policies and investments in this area can be orientated towards initiatives that are likely to enable greater risk mitigation, thus maximising the precautionary principle.

Given their different areas of activity, the Group's subsidiaries have their own environmental management systems, designed to assess, prevent or mitigate their main impacts:

- The consumption of natural resources, as well as the generation of waste and emissions (linked to air conditioning) in their workplaces, in the case of Correos Express.
- The use of natural resources (mainly paper) and the generation of waste by Correos Nexea.
- Fuel consumption, CO₂ emissions and noise (linked to travel in commercial and operational activities), as well as waste generation in works carried out, for Correos Telecom.

In 2020, none of the Group's companies faced significant fines or penalties for non-compliance with environmental regulations.





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2014-2020 General Sustainability Plan



GRI

301-1, 302-4, 305-5

Last year Correos completed its 2014-2020 Sustainability Master Plan, the main framework for managing the company's environmental risks.

During this period, the main lines of action developed to meet the objectives set by the Plan have included the implementation of a more efficient distribution model, with the incorporation into the fleet of more than 1,000 electric and gas vehicles and training in efficient driving, raising awareness among employees and measures in centres to increase efficiency in the use of natural resources, the promotion of 'green' contracting and the introduction of circular economy criteria in the supply and development of products. Last year, Correos internally audited the degree of achievement of the sustainability and energy consumption objectives of this Plan.

In 2020, Correos began work on its new sustainability plan, which will take into account the new environmental commitments undertaken for 2030, as well as the changes experienced in recent years in the context in which the company operates.





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Objective 2020

Reducing scope 1.2 and 3 CO₂ emissions by 15% compared to 2013

Reducing scope 1 and 2 CO₂ emissions by 35% compared to 2008

Limit the increase in total emissions per shipment to 2% compared to 2013

Objective 2020

Reducing energy consumption in the company's buildings by 25% compared to 2009

Objective 2020

Improving waste management in the main work centres.

Reduction of CO₂ emissions



Energy efficiency



Waste management



Measures adopted

A more efficient distribution model. The procurement of more than 1,000 electric and gas-powered vehicles

Awareness raising among employees. Training in efficient driving Eco Challenge. Environmental commitment award

'Green' procurement and contracting. Guide to energy saving and more efficient technologies in centres. Energy audits.



Measures adopted

Optimisation of the energy needs of centres. Replacement of lighting and air-conditioning systems. Individualised consumption control. Energy audits.

Awareness raising among employees.



Measures adopted

Implementation of a waste concentration model in centres.



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Environmental assessment and certification procedures



GRI 102-12, 301-1, 302-4

The environmental management systems of Correos Group companies enable the planning, prioritisation and monitoring of projects, as well as the monitoring and evaluation of risks and opportunities in this area.

These systems have been certified according to the standard UNE-EN ISO 14001:2015 'Environmental Management Systems':

- In 38 Correos processing centres and post offices.
- In 4 Correos Express operating centres, those with the highest volume of activity. In 2020, Correos Express also calculated and verified its carbon footprint for the first time, in accordance with the UNE-EN ISO 14064-1:2012 'Greenhouse gases' standard, for scopes 1, 2 and 3.
- In the two Correos Nexea centres, which are also complemented by **PEFC and FSC certificates**, which ensure the correct traceability of paper and cardboard of sustainable origin used in their activity. In 2020, the subsidiary also registered in the 'Register of Carbon Footprint, Offsetting and Carbon Dioxide Absorption Projects'

of the Ministry for Ecological Transition and the Demographic Challenge.

- At Correos Telecom, applied to marketing, design, operations and the maintenance of the fibre telecommunications infrastructure network.



The monitoring of measures to reduce Correos' CO₂ emissions is also based on:

- The voluntary disclosure of emissions to CDP, an international framework for measuring the performance of companies and cities around the world in their management of climate change. In 2020, Correos achieved category B under this greenhouse emissions reporting scheme.
- The environmental report according to the standards of the international consortium Climate Disclosure Standards Board (CDSB).





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- The use of the Universal Postal Union's *Online Solution for Carbon Analysis and Reporting* (OSCAR) environmental diagnostic and monitoring tool.
- Verification of the results of CO₂ emissions management according to the UNE-EN ISO 14064- 1:2012 'Greenhouse Gases' standard.
- Registration in the 'Register of Carbon Footprint, Offsetting and Carbon Dioxide Absorption Projects' of the Ministry for Ecological Transition and the Demographic Challenge.
- Participation in *Lean&Green*, the largest European platform for business collaboration to reduce greenhouse gas emissions, led in Spain by AECOC.
- Joining the Green Growth Group, an association for public-private collaboration in areas such as climate change mitigation and adaptation, decarbonisation of the economy and the promotion of a circular economy.
- Participation in CONAMA's environmental working groups on ecosystem services: Solutions to depopulation through sustainability and the rural-urban debate: Social and economic revitalisation

Correos is also a member of the *Sustainability Measurement and Management System* (SMMS) project, promoted by International Post Corporation since 2019, as an evolution of its previous CO₂ emissions reduction programme (EMMS).

The SMMS project aims to influence the sustainability performance of postal operators by monitoring seven areas (occupational health and safety, professional development and learning, resource efficiency, climate change management, air quality, circular economy and sustainable procurement). These lines of action are aligned with the five Sustainable Development Goals most relevant to the postal sector (SDGs 8, 9, 11, 12 and 13).

Correos reported a solid performance last year, ranking first in the Learning and development group and scoring above average in the Health and safety and Climate change groups, in addition to the positive evolution in recent years in CO₂ emissions reduction (more than 65% since 2009), with the former EMMS programme.

In 2020, the company once again participated in *Green Postal Day*, a day promoted by the members of the *International Post Corporation*, which recognises the progress made in reducing the carbon footprint of the sector. This date is part of the European Mobility Week, which Correos also joined, sharing its best practices.



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Climate change adaptation and mitigation risks

Posts have identified their climate change-related risks, both physical (adaptation) and transitional (mitigation). Physical risks are those directly caused by meteorological or climatic aspects, such as extreme temperatures or heavy rainfall, which may affect the means of transport or the company's operational and customer service infrastructures.

Transition risks arise from changes in the regulatory, technological or market context and affect transport, IT systems and the products and services offered, as well as the perception of the company by its stakeholders.

The assessment of these risks is based on the potential impacts of climate change in Spain, according to the baseline scenario RCP 8.5 of the Intergovernmental Panel on Climate Change (IPCC). This scenario

considers an increase in greenhouse gas emissions over time, i.e. without mitigation measures, and represents the most pessimistic scenario presented by the IPCC report.

The choice of this scenario is based on the search for long-term sustainability, so that Correos develops strategies that can be effective and long-lasting in any climate change environment.

In this sense, the postal sector's CO₂ emissions reduction commitment, corresponding to the International Post Corporation's EMMS programme in which Correos has participated, was the first sectoral target to be recognised by Science Based Targets as a science-based target to help avoid global warming by more than 2°C by the year 2100.





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Reducing distribution emissions



GRI 305-5, 305-7



One of the main environmental footprints of Correos is in the transport and delivery of postal items in the last mile, which involves the emission of NO_x, particles and CO₂ into the atmosphere. The policies developed to mitigate these effects are designed to:

- Reduce the number of kilometres travelled and the number of trips during delivery, by incorporating technologies that facilitate effective delivery on the first attempt, expanding the CityPac locker network or optimising routes.
- Make these kilometres 'greener', through efficient driving and the use of vehicles that use alternative fuels to petroleum-based fuels. In addition, Correos travels more kilometres on foot (deliveries with zero emissions) than any other Spanish company, thanks to its more than 30,000 postal workers.

Promoting efficient driving

Efficient driving is a key factor in reducing energy consumption, extending the life of vehicles and further reducing the number of accidents. To this end, the company is participating in the *Autonomous Ready Spain* (Mobileye) project, promoted by the Directorate General of Traffic and the Barcelona City Council, to reduce road accidents by incorporating ADAS (advanced driver assistance systems) technology.

At the beginning of 2020, a new edition of the 'Eco Challenge' was held, with which Correos selects the most efficient and sustainable driver in Spain. The evaluation of the participants is based on their driving efficiency during their working day, based on fuel consumption and distances travelled. The winner, along with a co-driver, was scheduled to represent the company at the IPC Drivers' Challenge, an international competition organised by International Post Corporation, to be held in March in the Netherlands. The outbreak of the pandemic meant that this event had to be postponed.

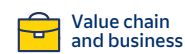
On the other hand, the introduction of telecommuting at the company's main administrative sites, also due to the pandemic, had an impact on the reduction of emissions associated with employee travel. Last year Correos also initiated the development of a smart mobility plan, which will be applied to journeys made by staff, suppliers and customers.



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► Electric mobility models

Since 1996, Correos has been evaluating and incorporating means of transport that use alternative fuels to those derived from oil. In 2020, the company doubled its electric fleet, the largest in the industry, with the addition of 600 motorbikes and 215 electric vans and passenger cars.

In total, the fleet of eco-efficient vehicles is made up of 1,279 means of transport (electric, hybrid and natural gas), most of which are used for home deliveries in urban environments and historic centres, where the circulation of traditional combustion vehicles is increasingly restricted by municipal mobility regulations.

This measure is reinforced by the fact that the company only purchases 100% renewable energy for the electricity supply of its delivery units for their operation of eco-efficient vehicles, thus contributing to creating areas of reduced emissions.

The integral logistics centre of Barcelona (CLI) is also a space with zero emissions, since it uses 100% renewable electricity and biomass for its heating and hot water systems. The headquarters of Correos in Madrid has also been equipped with recharging points for the electric vehicles used by the employees of that centre.

The company also collaborates with a number of local authorities to ensure that its activities generate minimum environmental impact and contribute to achieving the emission reduction targets of Spain's main cities.

► New logistics model for more liveable cities

In recent years, more and more municipalities are adhering to European environmental policies, promoting air quality and pollutant gas emission reduction plans. Likewise, the management of loading and unloading, vehicle congestion, traffic accidents or inefficient overlapping distribution networks are common problems faced by cities, in a context of increasing demand for home deliveries by citizens.

Faced with these challenges, since 2020 the Correos Group has been leading the international SENATOR project, funded by the European Union, which aims to develop a new urban logistics model that offers planning, logistics governance and shared, low-emission distribution solutions.

To this end, the project will develop a smart grid operator, supported by a technology platform, which will act on four levels in an integrated manner, considering demand, fleet and its multimodal options, smart route planning and urban infrastructure analysis.

Its development will make it possible to optimise freight delivery services in urban areas, thus reducing the number and distance of delivery routes. This will be done using real-time information, predictions and optimisation of planning, based on Artificial Intelligence algorithms. The platform will also connect freight delivery services with pick-up points and integrate all freight flow requirements into urban planning.



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The objectives of the SENATOR project also include reducing CO2 emissions by 10% and noise levels, promoting a common logistics operating framework in line with new European regulations and focused on ensuring fair working conditions for last mile delivery services, as well as promoting more citizen-centric and socially inclusive logistics services.

In this collaborative project, selected within the European framework Horizon 2020 and with a duration of four years, involves representatives from five countries, including city councils such as those of Zaragoza and Dublin, universities such as Deusto and various technology companies such as Dotgis (one of the winners of the 'Lehnica Challenge', the Correos entrepreneurship programme).

► Alternative technologies for transport

The company is also evaluating other alternative fuels, such as liquefied petroleum gas (LPG) or compressed natural gas (CNG), both in the long-haul fleet and in the last mile delivery fleet.

To this end, since 2017 Correos has been participating in the ECO-GATE programme, co-financed by the European Union, in which it evaluates the use, in daily operations, of compressed natural gas (CNG) vans, converted or native, for medium-distance and last mile transport, comparing their performance with that of diesel vehicles. The data provided by this study can be analysed and disseminated from 2021 onwards.

► Correos Express eco-efficient delivery model

The subsidiary Correos Express has been developing the 'Environmentally Friendly and Sustainable Alternative Means of Delivery' (MARES) programme, for the use of eco-efficient means of distribution to reduce the impact of its activity on the environment. As part of this project, the company has created the figure of the delivery assistant, a collaboration with suppliers who deliver the last mile on foot.

With the aim of minimising the consumption of fossil fuels, the company also promotes the contracting of ecological routes with suppliers, carried out with electric motorbikes and bicycles,



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to provide service to the Madrid CTM (Madrid transport centre), Madrid CTC (Coslada transport centre) and Barcelona centres. Through dynamic delivery management technology, which optimises delivery operations, Correos Express also contributes to reducing the generation of CO₂ emissions and the consumption of resources by the subcontracted fleet.

Since 2019, the headquarters of Correos Express have also been equipped with recharging points for the electric vehicles used by the employees of that centre. In 2020, additional points were installed at the Madrid CTC facilities in order to analyse the future viability of delivery by this type of transport.

In 2020 Correos Express started a pilot project, in collaboration with the company Vectalia and the city councils of Pamplona, Teruel, Murcia and Alicante, to create a clean, sustainable and local urban home parcel delivery service.

This initiative consists of the establishment of logistics spaces or hubs in car parks or bus stations in urban centres, from which an ecological Correos Express vehicle carries out last-mile distribution. To do this, the subsidiary uses an electric Scoobic moped (developed by one of the winning companies of the 'Lehnica Challenge', Correos' entrepreneurship programme), with a load capacity of up to 400 kg. This pilot programme will be further developed in 2021 to analyse its impact on mobility and air quality in cities.

Finally, after calculating and verifying the carbon footprint of its activity, in accordance with the UNE-EN ISO 14064-1:2012 'Greenhouse gases' standard, in 2021 Correos Express plans to register in the 'Registry of carbon footprint, compensation and carbon dioxide absorption projects' of the Ministry for Ecological Transition and the Demographic Challenge and create an emissions calculator.

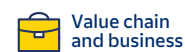




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Sustainable use of natural resources



GRI 301-1, 302-1, 302-4, 303-5



For years, the companies of the Correos Group have been purchasing 100% of their electricity from fully renewable energy sources.

Given that Correos has work centres all over the country, optimising the energy needs of these buildings is also essential to reduce the company's environmental footprint. To this end, the energy efficiency measures implemented include:

- The promotion of a sustainable purchasing policy, especially for the supply of energy and transport.
- The replacement of lighting systems in centres with LED technology.
- The implementation of energy efficiency in the workplace in order to reduce the consumption of networked computer equipment.
- Awareness-raising among employees through:
 - The organisation of an annual 'Environmental Commitment Award' to identify best practices in energy efficiency in the company's buildings.

- The dissemination of consumption reports from the main work centres, through the corporate Intranet, for individualised monitoring of progress made.

- The dissemination of the Energy Saving and Efficiency Guide, available on the corporate intranet, and environmental awareness through internal communication channels.

- Participation in Earth Hour, the largest global environmental event promoted by WWF, which in 2020 had the slogan #FightForYourNature. The company participated with the symbolic switching off of lights in offices, delivery units and workplaces, as well as internal and external dissemination of the initiative.

The subsidiaries Correos Express and Correos Nexea also have efficiency policies on resource consumption (water or energy) in their operating centres, by raising awareness among their employees.

Correos Express has an awareness programme, which includes information leaflets, posters and workshops at all the centres that have UNE-EN ISO 14001:2015 certification, as well as environmental training for new employees in positions of responsibility.

In 2020, the subsidiary launched the 'Sustainable Commitment' campaign to reduce the environmental impact on the environment, with small everyday gestures, such as saving water, recycling or



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consuming energy responsibly. As part of this initiative, the company gave sustainable bags to all its professionals, to help reduce plastic consumption.

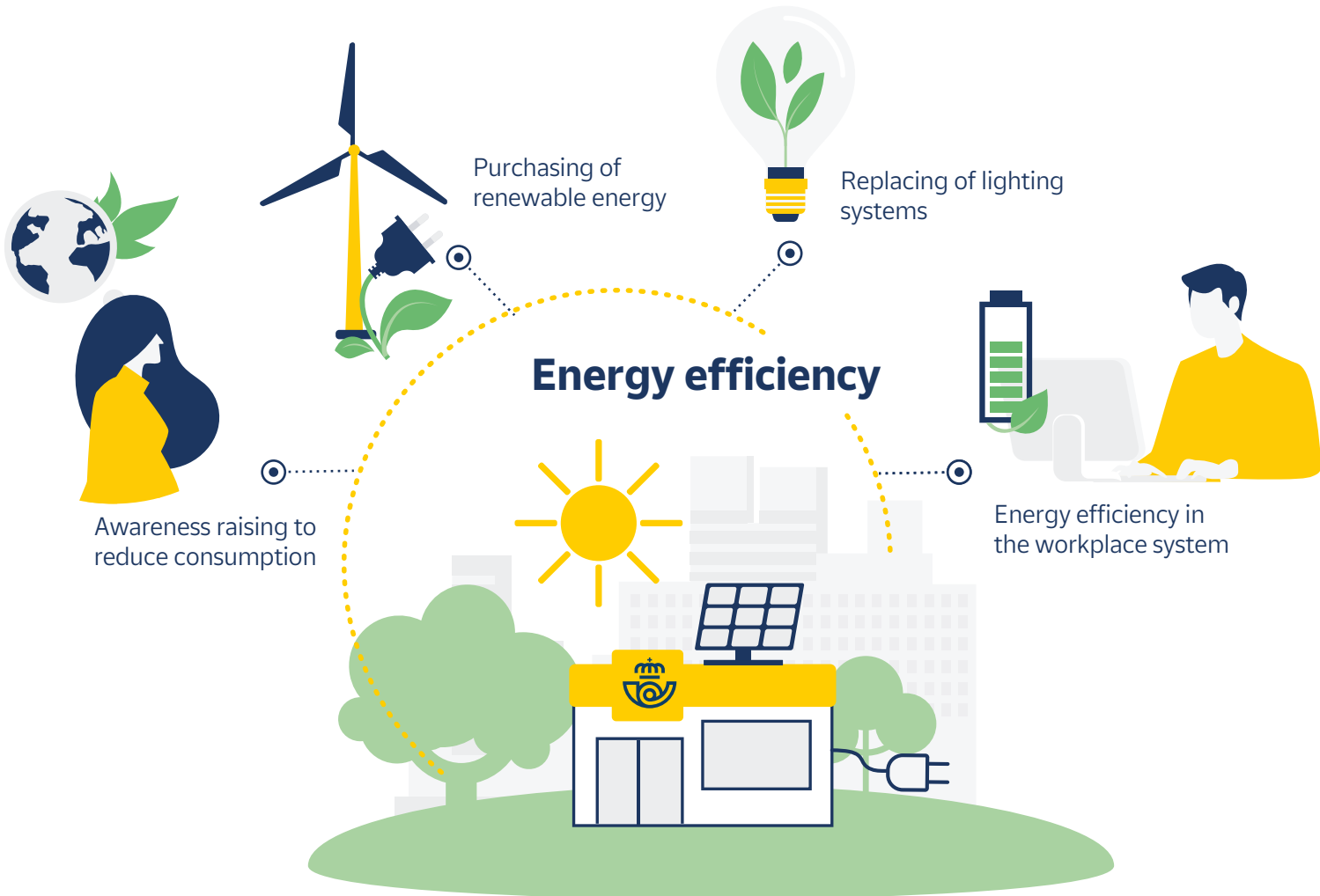
Correos Express also prioritises the efficient use of natural resources in the manufacture of commercial and promotional materials, using, for example, recycled paper or cardboard and sustainable inks in its customer welcome packs, which also include seeds used to promote the cultivation of a plant.

Owing to its activity, the main raw material used by Correos Nexea is paper. For this reason, for years the company has been using FSC- and PEFC-certified paper from sustainable sources in its printing and enveloping services, an option that is increasingly in demand from its customers.

The subsidiary also continued to develop its energy efficiency programme in 2020, by replacing lighting systems with LED technology and raising awareness among its professionals about responsible consumption, both of energy and water, through various campaigns such as those developed on the occasion of World Nature Day and Recycling Day.

Correos Telecom, for its part, disseminates the Group's Energy Efficiency and Savings Guide through its 'employee portal'. In 2020, it also held information and awareness-raising days for its employees and provided training on environmental regulations to the heads of its regional offices.







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Circular economy and waste management



GRI 304-3, 306-2

Another environmental line of action contemplated by Correos is to promote a circular economy, optimising the management and recycling of waste generated in its offices, administrative buildings and logistics centres.

In 2020, the company launched the new Circular Economy Action Plan, which aims to increase the valorisation of resources, through the creation of new products or the adaptation of existing ones, with actions focused on:

- Increasing the durability of products and elements used in the workplace and encourage their reuse.
- Conducting life-cycle analyses of the main products and services in order to reduce the carbon footprint.
- Eliminating single-use plastic from post offices.
- Encouraging digitisation to reduce the use of paper in all operations.

- Promoting the implementation of additional activities during reverse logistics operations in order to optimise journeys.
- Increasing the percentage of recycled material in packaging.
- Reducing landfill waste to meet Correos' target of zero waste by 2030.

As a first step, a pilot project for the use of multi-service bags made from 100% recycled and recyclable plastic was carried out in 2020. Correos also formed an alliance with the Globechain platform to donate the contents of declared abandoned shipments (in accordance with the provisions of Law 15/2009¹⁵) to various NGOs, achieving a social purpose while allowing the revaluation of these goods. Correos Express also donates a portion of the abandoned goods, in accordance with the regulations.

¹⁵ Law 15/2009 of 11 November on the contract of land transport of goods.



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► Defence and protection of biodiversity

Correos also promotes the circular economy by promoting recycling and contributing to biodiversity protection projects. Accordingly, the Forest Line offers customers a responsible consumption alternative. This packaging, sold in Correos' post office network, is manufactured with completely recyclable materials and has a sustainable management certificate. Part of the money is also used to finance reforestation projects, as well as forest fire prevention.

The actions developed as part of the Forest Line aim to promote the reforestation of the national territory and to raise society's awareness of the importance of preserving environmental values and biodiversity. In 2020, in collaboration with WWF Spain's forest landscape restoration programme, an environmental characterisation project was carried out in the Garraf Park, located in the municipality of Begues (Barcelona), intervening in an area of approximately 6 hectares, protected under the Plan for Areas of Natural Interest (PEIN).

Also in 2020, the Correos Forests were selected as one of the #101 Climate Initiatives, promoted by ECODES and the Spanish Global Compact Network.

On the occasion of World Environment Day, Correos issued a solidarity stamp dedicated to the protection of nature. The company donated 3% of the total proceeds from the sale to WWF Spain's biodiversity defence project.

Last year a project was also developed together with ASFOSO (Asociación Forestal de Soria), called 'IncendiosZero Cinturones contra el Fuego'. This initiative was carried out in the 'Sabinas Sierra de Cabrejas' area, in the town of Villaciervos, Soria, and its aim was to prevent forest fires.

Although the reduction of CO₂ emissions is the main objective of Correos Correos to achieve neutrality by 2030, another tool used for this purpose are the emission compensation programmes, through the acquisition of carbon credits in the voluntary emissions market.





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The Correos Compensa project, developed in collaboration with the startup Climate Trade and selected by the UNFCCC-Action Hub, allows offsetting the emissions of shipments that customers contract in the office network, supporting mitigation and absorption projects through blockchain. This technology guarantees that the credits purchased by Correos go directly to the project developer, ensuring a unique and secure process.

During 2020, more than 5,400 tonnes of CO₂ were offset through these projects, certified by bodies such as the United Nations Framework Convention on Climate Change and verified by the Spanish Climate Change Office.

Correos Compensa also promotes additional social benefits for the communities in the vicinity of the offset projects. These benefits include improved employment opportunities, improved air or water quality, biodiversity conservation, as well as access to energy, health and education services.

The programmes supported in 2020

aimed to boost renewable electricity generation with minimal environmental and social impact in Nortelândia (Brazil), promote energy transition and green jobs in Oaxaca (Mexico), prevent deforestation of Amazonian forests in Madre de Dios (Peru) or promote reforestation of the Alto Tajo Natural Park (Spain).

With respect to the Group's subsidiaries, as with Correos, the impact of their operating centres on biodiversity is limited and does not in any way affect protected areas. In the case of Correos Telecom, one of the main objectives of its environmental management policy is the efficient use of natural resources and the appropriate management of the waste generated by its activity, promoting environmental control of the works carried out by its suppliers, so as to minimise the impact on the surrounding countryside and biodiversity.

In this regard, in the first quarter of 2021, the subsidiary will begin work to adapt the high-voltage power line in Fuentealbilla (Albacete) to ensure the protection of birdlife, which is particularly sensitive

to electrocutions, in this area of great ecological importance and to guarantee full compliance with environmental regulations.

Correos Compensa
managed to offset more
than 5,400 t of CO₂



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Environmental indicators

GRI 301-1, 302-1, 303-5, 305-1, 305-2, 305-3, 305-7

CO₂ emission indicators will be included in the Annual Report integrated part of the Correos 2020 Group, whose publication is scheduled in June 2021. As they are not available, as of the date of formulation of the this

Statement of non-financial information, these indicators referred to As of fiscal year 2020, the data for the last available fiscal year are included.

	Correos		Correos Express ¹		Correos Nexea ²		Correos Telecom ³	
	2019	2018	2019	2018	2019	2018	2019	2018
Greenhouse gas emissions (tCO ₂)								
Direct (Scope 1) ⁴	39,347	38,956	ND	ND	221	ND	29	29
Indirect (scope 2)	2,986	2,292	ND	ND	ND	ND	NA	NA
Other indirect emissions (Scope 3)	127,819	119,655	ND	ND	ND	ND	ND	ND
Emissions per item (g CO ₂ /item)	17.5	15.2	ND	ND	NA	NA	NA	NA

CO₂ emissions are calculated using the GHC Protocol and verified in accordance with standard UNE-EN ISO 14064-1:2012 'Greenhouse gases'.

¹ Correos Express emissions for 2020 will be included in the Correos 2020 Group Integrated Annual Report.

² Correos Nexea's greenhouse gas emissions do not constitute a significant impact.

³ Correos Telecom does not generate its own scope 2 emissions as it shares its buildings with the Correos parent company.

⁴ The 2018 Scope 1 emissions figure for Correos has been updated, in line with the data obtained after the completion of the external verification process.



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	Correos ¹		Correos Express ²		Correos Nexea ³		Correos Telecom ³	
	2020	2019	2020	2019	2020	2019	2020	2019
Other atmospheric emissions (kg)								
SOx	206	229	NA	NA	NA	NA	NA	NA
NOx	130,531	138,511	NA	NA	NA	NA	NA	NA
Particulates	12,048	12,857	NA	NA	NA	NA	NA	NA

Emissions are calculated using the CORINAIR methodology based on billed consumptions

¹ Correos Express does not generate SOx, NOx and particulate emissions as it does not have its own fleet of vehicles and the air-conditioning systems at its operating centers are electric.

² Emissions of SOx, NOx and particles do not constitute a relevant impact of Correos Nexea and Correos Telecom.

	Correos ¹		Correos Express		Correos Express Portugal		Correos Nexea		Correos Telecom ²	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Raw materials consumption										
Water (m ³)	315,553	355,211	14,045	13,023	ND	ND	1,526	1,827	NA	NA
Paper (Kg)	648,170	742,803	66,716	63,805	ND	ND	3,452,426	5,989,783	ND	ND
Ink (units)	12,845	18,064	1,223	953	ND	ND	1,320	2,369	ND	ND

Consumptions is calculated from the billing amount.

¹ Estimated consumption data of Correos.

² Correos Telecom does not measure water consumption, since it shares its buildings with Correos.



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	Correos ¹		Correos Express ²		Correo Express Portugal		Correos Nexea		Correos Telecom ³	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Energy consumption (Gj)										
Electricity	456,758	489,045	23,930	21,202	ND	ND	8,562	10,728	3,449	3,659
Natural gas	74,351	77,145	NA	NA	ND	ND	2,343	3,920	NA	NA
Gasoil C	42,867	45,652	NA	NA	ND	ND	NA	NA	NA	NA
Automotive diesel	341,142	357,989	NA	NA	ND	ND	NA	NA	311	500
Petrol	46,952	57,176	NA	NA	ND	ND	NA	NA	NA	NA
Others (carbon, butane and propane)	274	282	NA	NA	ND	ND	NA	NA	NA	NA

Consumptions are calculated from the billing amount and the certificates that guarantee renewable origin.

¹ Correos has reviewed historical consumption data for other energy sources (coal, propane and butane). Data for 2019 have been restated to allow for comparability. The data for the rest of the 2019 consumption has also been updated in line with the latest revision.

² Correos Express does not consume fossil fuels, since it does not have its own fleet of vehicles.

³ The electricity consumption of Correos Telecom corresponds to the locations available on the market.



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	Correos ¹		Correos Express		Correos Express Portugal		Correos Nexea		Correos Telecom ²	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Wasted generated (kg)										
Non dangerous	ND	ND	926,361	390,119	ND	ND	258,783	437,691	NA	NA
Dangerous	ND	ND	156	226	ND	ND	643	1,508	NA	NA

¹ As the contracting of a new waste manager has been delayed due to the pandemic, Correos does not expect to report its waste until 2021.

² Correos Telecom does not manage its waste, since it shares its buildings with the Correos parent company.

Resources for the prevention of environmental hazards (thousands of euros)	Correos		Correos Express		Correos Express Portugal		Correos Nexea		Correos Telecom	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Expenses	4,192.1	1,478.8	234.8	102.0	ND	ND	14.0	7.3	0.7	8.9
Investments	4,765.2	3,681.9	0	0	ND	ND	0	0	0	0
Grants	390.0	12.0	0	0	ND	ND	0	0	0	0



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+ Social contribution of Correos Group

GRI 203-2

SDG 12

Correos is aware of the relevance of its social impact and the influence that its policies can have on the response to society's major challenges, without forgetting its role as a facilitator of communications and economic exchanges for businesses and citizens, in its capacity as operator in charge of providing the Universal Postal Service.

As a public sector company, the company aims to generate both an economic and social return from its activity by supporting the development of the Spanish business fabric, especially in rural areas, encouraging the sustainable and inclusive progress of the entire population and promoting innovation and entrepreneurship.

Corporate social responsibility and sustainability policy

Correos' Corporate Social Responsibility and Sustainability Plan includes three main lines of action, identified as the main levers with which the

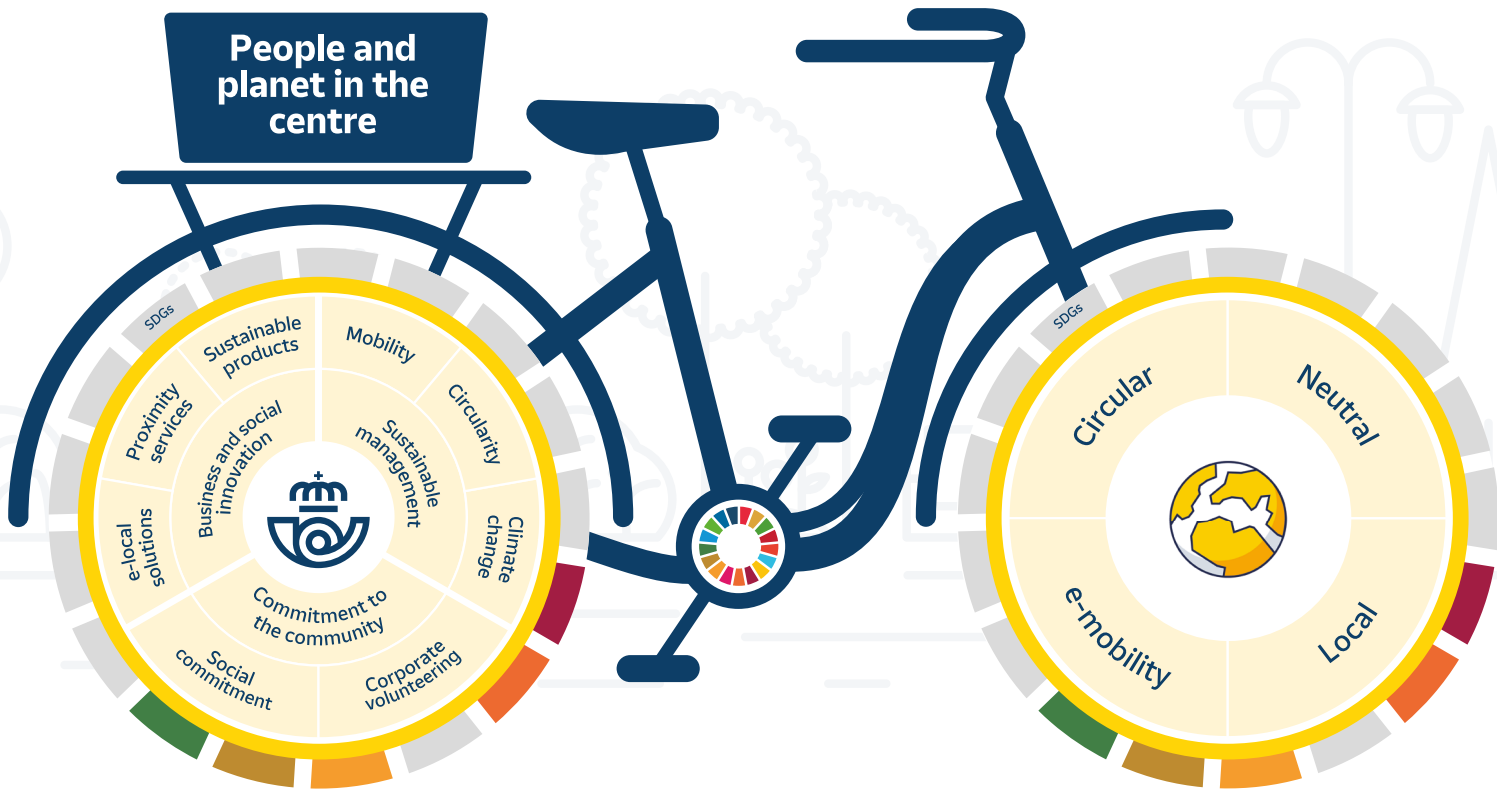
company can generate the greatest positive impact on its diverse range of stakeholders:

- Business and social innovation, through the design and marketing of sustainable products and services, aimed at responding to the main social and environmental challenges (rural depopulation, the digital divide, climate change, etc.).
- Relationship with the community, through actions with a local impact to promote progress and social integration, in collaboration with various associations and entities.
- Sustainable management, through internal policies for people development, diversity, responsibility in the supply chain, environmental protection or good governance.

These three lines also seek to influence two cross-cutting themes: the contribution to the Sustainable Development Goals (SDGs) promoted by the United Nations and the response to the demographic challenge facing Spain.



Sustainability plan





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Correos' contribution to Agenda 2030

Companies providing public services are in a privileged position to promote the achievement of Agenda 2030. Accordingly, Correos has identified its potential contribution to the Sustainable Development Goals, in order to develop those policies which have the greatest impact on their fulfilment.

In addition, it promotes its internal and external dissemination to facilitate its widespread knowledge and thus accelerate its adoption by workers, companies and citizens. Thus, through internal communication channels, the company regularly publicises the SDGs and its contribution to their achievement, encouraging employees to increase the positive impact through their personal contribution.

In 2020 Correos also took part in the celebration of the fifth anniversary of the

SDGs, with the incorporation of its good practices into the Spanish Global Compact Network's SDG 2020 publication, especially focused on promoting diversity, decent work and gender equality, in line with SDGs 10, 8 and 5.

As part of its participation in Forética, a corporate social responsibility and sustainability association, Correos continued to contribute to the work carried out by the CSR Action Group in Public Companies, which is focused on promoting transparency and contributing to Agenda 2030. It also continued to collaborate with Forética's Transparency, Good Governance and Integrity Cluster.





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Business and social innovation



GRI 203-2, 413-1

One of the sustainability commitments assumed by Correos for 2030 is to generate 'local value', to act on the immediate environment, addressing social challenges such as 'Empty Spain' and the demographic challenge (rural depopulation and urban concentration, population ageing, disappearance of rural services, digital or educational gap, etc.) and diversity (gender, generational, LGTBI, cultural and functional).

The achievement of this commitment is articulated through various actions, both in the field of community engagement and business and social innovation. With regard to this last line of action, the main initiatives developed by Correos include:

- The marketing of sustainable products, such as the **Forest Line** of ecological packaging, which promotes the financing of reforestation and fire prevention projects.
- The development of collaborative solutions, such as the emission-neutral shipping **Correos Compensa**.
- Promoting social innovation, with the call for the social category in the **Lehnica Challenge**, Correos' entrepreneurship support programme (due to the pandemic, the announcement of the 2020 winners and the announcement of the 2021 call had to be postponed).

- The creation of proximity services to address the demographic challenge, such as the e-commerce platform for local producers **Correos Market**, which helps to curb rural depopulation and increase opportunities in these environments; Correos Cash, which facilitates access to financial services in rural areas; the electronic registration solution ORVE or the sale of train tickets, among others.

Through Correos Market, the company supported the creation of an '**edible forest**', a carbon footprint reduction project to reforest land in the municipality of Ugena (Toledo) with native fruit trees and bushes to promote ecological and regenerative cultivation. Funded through a crowdfunding campaign, people who made micro-donations for this project received products from Correos Market as a thank you.

The collaboration started last year with the Royal Academy of Gastronomy, which also aimed to promote the revitalisation of the local economy and sustainability, promoting the quality of the gastronomic products sold at Correos Market.

In addition, following the success of the pilot project in 2019, **the Rounding Up with an Impact** programme was extended to the entire branch network last year. This proposal allows customers who so wish to round up the final amount of their purchase made with a bank card to make a donation to various social or environmental initiatives.

Thanks to your contribution, two significant projects were funded last year:

Link to related information
within the report

Forest Line
Correos Compensa
Lehnica challenge
Correos Market



Link web
[Edible forest](#)
[Rounding up with an impact](#)



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- Medical research against COVID-19 (with more than 415,000 donations), supporting IrsiCaixa's work in the development of drugs, antibodies and a vaccine against the new coronavirus and other similar future threats.

- Bridging the digital and educational divide in rural schools (with more than 316,000 donations), in collaboration with Ayuda en acción, which aims to ensure the resilience of rural public schools, to face the crisis caused by COVID-19 and to accompany them in their digital transformation process.

of the environmental surroundings of the Pilgrim Routes, the protection of the rural territory and the promotion of local and neighbourhood commerce, as measures to stop rural depopulation and protect the natural heritage.

Rounding Up with
an Impact helped to
allocate more than
190,000 euros to
scientific and social
projects

In 2021 Correos will select new projects with a positive social and/or environmental impact, with which customers can continue to collaborate. One of the first is 'Not a single home without energy' through which ECODES aims to improve the energy efficiency of Spanish households and tackle energy poverty.

The company also promotes, within its line of services for the Camino de Santiago, initiatives that encourage the preservation



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Community relationship



GRI 102-43, 203-2

With a day-to-day presence in the country through its close to 30,000 postal workers and almost 2,400 post offices, Correos meets the communication needs of all citizens, regardless of their place of residence or income, with an efficient and quality service.

The company maintains communication channels with local and regional Authorities, professional and consumer associations, academic institutions and citizens' platforms in order to understand their needs and explore possible areas of collaboration.

All of this is carried out to provide a quality service to all citizens and, at the same time, support initiatives that are related more to Correos' corporate purpose and its corporate social responsibility objectives.

Correos also supports a number of projects, in collaboration with associations, foundations and other third sector entities, which have a relevant local impact and whose objectives are focused on four areas of action:

- Education and children: through the sale of articles in favour of various NGOs.
- Diversity and inclusion: with initiatives especially aimed in 2020 at

women and the LGTBI community, such as joining the campaign against gender violence or participating, on the occasion of International Women's Day, in the multigenerational campaign for women's rights and an equal future #GenerationEquality, promoted by the United Nations.

- Raising awareness of climate change: by participating in Earth Hour or donating computer equipment for its reuse. In 2020, 30 computer equipment, in perfect condition and reconditioned, were delivered to the social services of the Logroño City Council, destined to three projects with minors.
- Promoting volunteering among the Group's employees: with the reforestation days of the Forest Line, campaigns to collect letters to the Three Wise Men and food for the Food Banks and toy collection. Last year, due to the pandemic, some of these face-to-face activities were temporarily suspended.

With the aim of contributing to reversing depopulation and promoting entrepreneurship in rural areas, in 2020 the company joined the second edition of the Holapueblo Project, together with Red Eléctrica de España and AlmaNatura. This social innovation project helps entrepreneurs to set up and develop their business ideas in the rural world, connecting them through a digital platform with villages in search of new inhabitants.

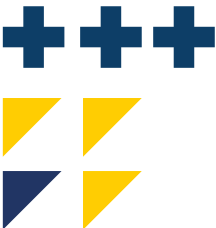
Holapueblo is responding to the Sustainable Development Goals by establishing new entrepreneurs in rural areas, promoting

the development of environmentally sustainable businesses, generating a positive impact on rural communities and reactivating the economic activity of the territory. Correos' participation will allow it to reach a greater number of entrepreneurs and municipalities, thanks to its capillarity and physical presence throughout the country.

The company also signed a collaboration agreement with the EOI Foundation to promote initiatives that foster innovation, coworking, the revitalisation of the local economy, corporate social responsibility, sustainability, as well as research and training. In addition, since last year it has collaborated with the HERMES Institute foundation, dedicated to identifying, disseminating and defending the rights of digital citizenship and extending public freedoms and civil rights to new social and economic spheres.

Finally, for years the company has been promoting the 'Correos con el arte' initiative, which aims to bring art closer to the citizens who visit the offices every day,

as well as to support local artists by giving them a space to exhibit their work. Last year, free exhibitions of painting, sculpture and photography were organised in offices in Madrid, Malaga and Huelva, among other cities.





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Contributions to foundations and non-profit entities



GRI 102-12, 102-13, 103-2, 405-1



In 2020, Correos made financial contributions of close to 138,000 euros to contribute to projects related to the defence of children, vulnerable groups, environmental protection and social awareness, developed by foundations and non-profit organisations. The Group's subsidiaries did not make any financial contributions during the year.

In addition, Correos collaborated with different associations and organisations by selling solidarity products in its network of post offices and by providing spaces for the dissemination of their activities (the latter had to be temporarily suspended due to the health situation):



UNICEF, for the sale of Christmas cards, notebooks, pens, bracelets or diaries. Objective: To support various projects for the protection of children's rights.



Spanish Red Cross, for the marketing of shares in the Extraordinary Christmas Draw and the Gold Draw. Objective: To support the programmes carried out by this organisation in developing countries.



Grow Up Playing Foundation and Radio Nacional de España, for the sale of pens and notebooks for the 'A Toy, A Dream' campaign. Objective: To provide toys to poor children in Latin America, Africa and the Middle East, as well as Spain, and to create children's play centres in schools, hospitals and other community centres.



**ALDEAS
INFANTILES SOS**

SOS Children's Villages: for the provision of spaces in post offices to publicise its work. Objective: To disseminate the activities carried out by this NGO for the integration of children and young people in vulnerable situations into society and family.



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Correos also contributed to promote the holistic development of differently abled people through ordinary work that is consistent with each individual, by purchasing goods and services from 33 special employment and occupational centres. To this same end, the company cooperates with La Caixa's 'Incorpora' programme for the integration of this group of people and the provision of work experience.

For its part, the subsidiary Correos Express took part, together with the Pinardi Foundation, the Spanish Red Cross and the Acción contra el Hambre Foundation, in the 'Lanzaderas de empleo' project. Its aim is to enable people at risk of social exclusion to obtain a comprehensive job qualification through theoretical and practical training. It also contracted the management of part of its telephone service with Ilunion's special employment centre.

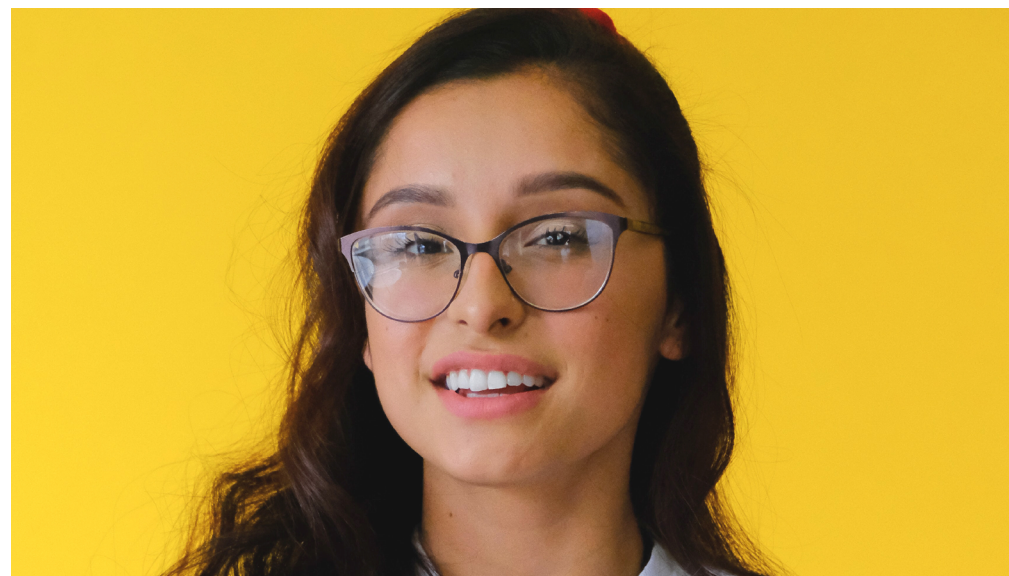
The subsidiary also collaborated with the Aladina Foundation to collect toys for children hospitalised in different centres in the Madrid region.

Lastly, Correos Express has an agreement with the Spanish Federation of Optical Sector Associations (FEDAO), which includes its participation in the information, awareness and prevention activities in the field of visual health developed by the Vision and Life association (such as the 'Seeing is Learning' campaign, which promotes eye examinations for children to avoid school failure, or the publication of the White Paper on.

In 2020, in view of the alarming growth of eye problems during confinement revealed by a study by the association, the Correos

Group participated in the dissemination of an **awareness campaign**, which urged citizens to check the state of their visual health during the summer.

Regarding the universal accessibility of people with disabilities to the services provided, Correos has developed in recent years a policy of physical accessibility to its public service centres, whereby all its new offices have been adapted to avoid the existence of architectural barriers. A large number of these establishments also offer assisted hearing devices for people with impaired hearing.





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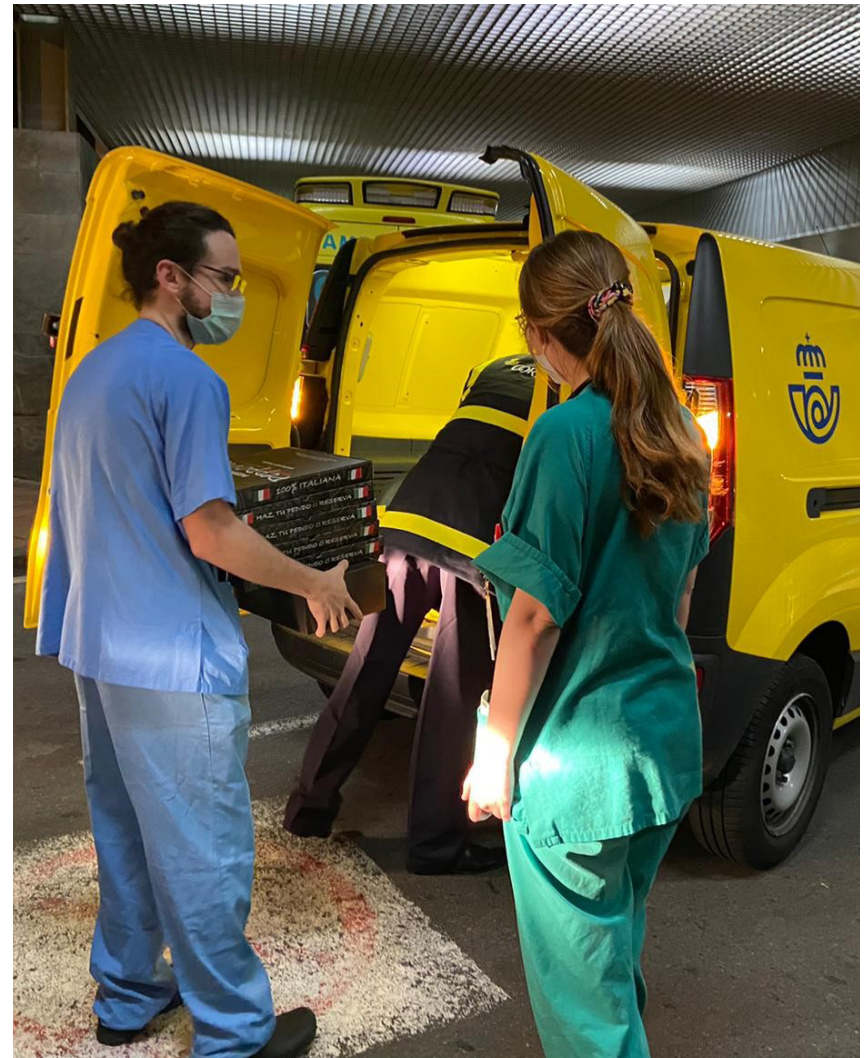
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Help in any way we can

The health emergency triggered in 2020 by the outbreak of the COVID-19 pandemic and its subsequent social and economic consequences demanded agile and supportive business responses. Once again demonstrating its vocation for public service, Correos has put itself at the service of society, beyond the development of its usual activity, to deliver everything necessary to citizens, the most vulnerable groups and those professionals who were carrying out essential work in the most critical moments.

The exemplary mobilisation of all workers, especially 3,292 volunteers, from the very beginning of the pandemic, created a genuine solidarity network, under the maxim 'Help in any way we can'. During the ten weeks of confinement, these Correos volunteers took part in nearly 500 solidarity initiatives, providing logistical and human support to health workers, the elderly, vulnerable families, schoolchildren and all those groups who needed it.

By the end of May, Correos had managed thousands of solidarity shipments that reached more than 815,000 beneficiaries, distributed more than 942,000 kg of food and delivered more than 1.2 million health or protection items, collaborating with more than 360 companies, 190 social entities and 150 public administrations.





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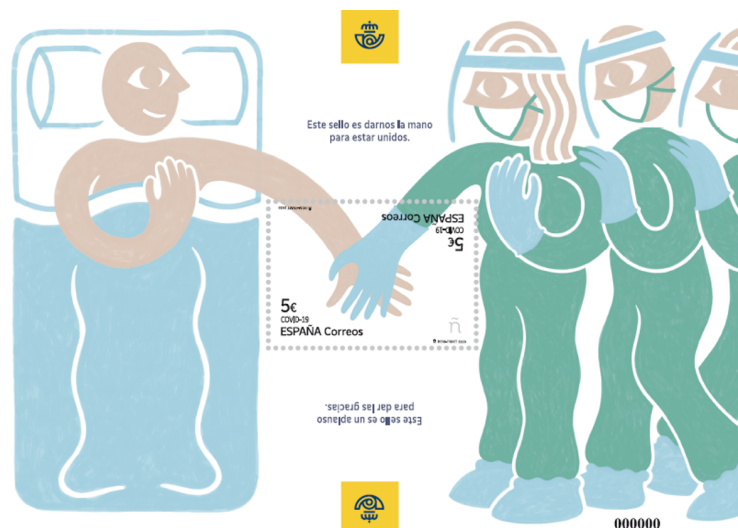
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The company also joined solidarity initiatives such as #ChefsforSpain, led by chef José Andrés together with his NGO World Central Kitchen, distributing menus to medicalised hotels and thousands of families in need, or #Food4Heroes, to deliver menus and other products to healthcare staff in hospitals and residences, police stations and fire stations. It also collaborated with various administrations and with the NGO Ayuda en acción in the distribution and delivery of prepaid Correos Mastercard cards, which enabled people in situations of economic vulnerability to access aid to purchase food or pharmaceutical products.

Correos also issued a stamp to pay tribute to health professionals, with the slogan **'The best applause is to continue to be responsible'**. This stamp was part of the COVID-Héroes del siglo XXI (COVID-Heroes of the 21st century) set, a collection of 24 postage stamps, produced as a philatelic testimony to the generosity of Spanish society and especially of the groups that have been at the forefront of the fight against the pandemic.

For its part, Correos Express delivered more than 15 tonnes of medical supplies to the main hospitals, donated by companies and individuals, to avoid shortages during the first months of the pandemic. It also established agreements with certain customers, as well as with IMSERSO and Caritas, for the nationwide distribution of medical supplies free of charge, and set up an emergency service for the collection of shipments from private homes.

Finally, since March 2020, both Correos and Correos Express have been implementing a 'secure contactless delivery' protocol for both collection and delivery to ensure the safety of employees and customers.


Link web
[Stamp to pay tribute to health professionals](#)




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Sponsorships

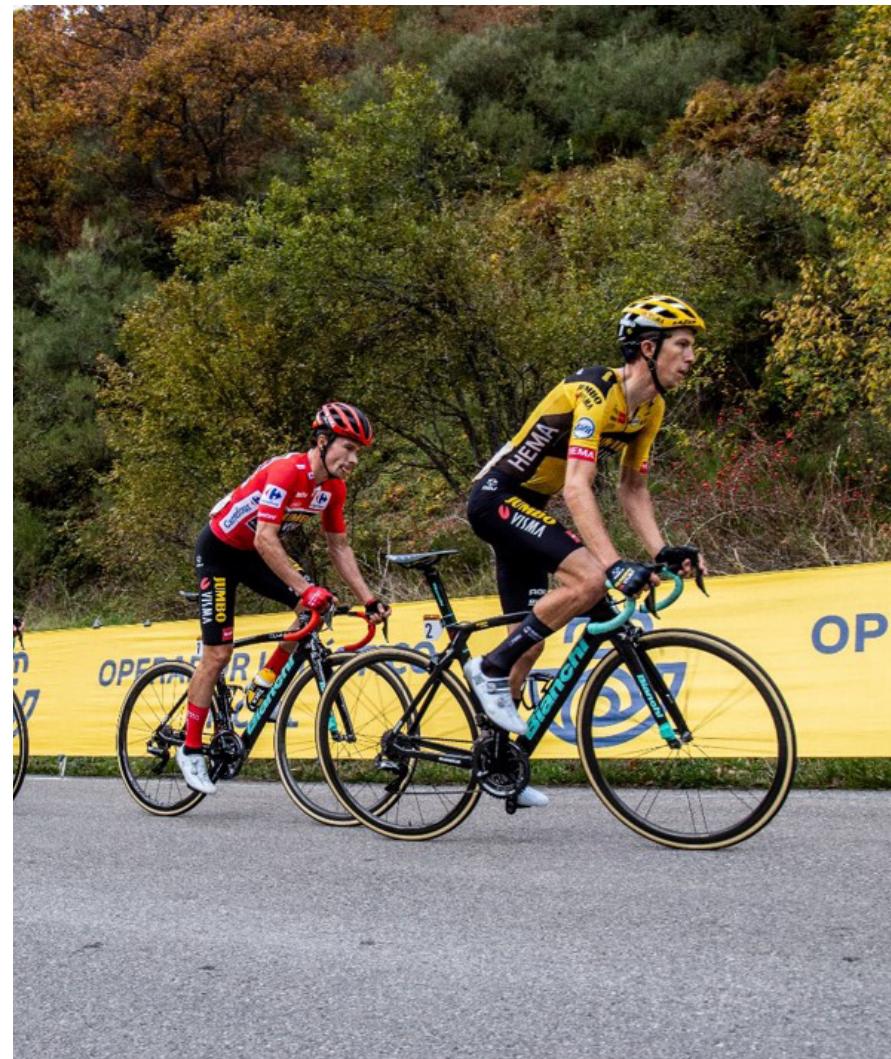


GRI 102-12, 102-13

Correos thinks that supporting culture, art, the values of sport and entrepreneurship is also an effective instrument to promote awareness-raising, solidarity and social inclusion. In 2020, Correos supported a number of initiatives through:

- 8 sport sponsorships from Correos and 2 from Correos Express, highlighting the support to the The Spanish Olympic Team, via the Association of Olympic Sports (ADO), the Association of Olympic and Paralympic Sports (ADOP) and the Spanish Handball Federation.
- 6 cultural and institutional Correos sponsorships, such as the contribution to the Royal Hispanic Academy of Philately and Postal History or the Third Meeting of the Senior Economic Officials
- 6 Correos commercial sponsorship of sectoral events dedicated to parcels, direct marketing or digital services, such as ESHOW-EFORUM or Marketplaces Connection.

The Group's subsidiaries made no sponsorships during the year.





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Main associations and organisations in which the Correos Group participates

GRI 102-12, 102-13

Last year, the companies of the Correos Group were members of the following associations or bodies:

Businesses

- A-Digital (Spanish Association of Digital Economy)
- AEA (*Asociación Española de Anunciantes*) [Spanish Advertisers' Association]
- AECOC (Association of Manufacturers and Distributors)
- AEERC (Spanish Association of Customer Relationship Experts)
- AESPLA (*Asociación Española de Servicios de Prevención Laboral*) [Spanish Association of Occupational Health & Safety Services]
- Ametic (*Asociación de Empresas de Electrónica, Tecnologías de la Información, Telecomunicaciones y Contenidos Digitales*) [Association of electronics, information technologies, telecommunications and digital contents companies]
- @asLAN (association of companies from the ICT sector)
- Spanish Marketing Association
- AUSAPE (SAP Users Association Spain)
- AUTELSI (*Asociación Española de Usuarios de Telecomunicaciones y de la Sociedad de la Información*) [Spanish Telecommunications

Users and Information Society Association] (Correos was a member of the Board of Directors)

- AUTOCONTROL
- CEUSS (*Confederación Empresarial de Usuarios de Seguridad y Servicios*) [Business Confederation of Security and Services Users] (Correos held the General Secretariat)
- Leading Spanish Brands Forum
- Efitec Forum (*Financial Institutions and Technology*)
- *Fundación Consejo España China* (Spain China Council Foundation)
- PRL Innovation
- Silicon Alley Madrid (association of companies from the ICT sector)
- SMART CITY CLUSTER
- UNE (*Asociación Española de Normalización*) [Spanish Standardisation Association]
- UNO (*Organización Empresarial de Logística y Transporte*) [Business Organization of Logistics and Transport]

Sustainability and good governance

- AEDIVE (*Asociación Empresarial para el Desarrollo e Impulso del Vehículo Eléctrico*) [Business Association for the Development and Promotion of Electric Vehicles]
- Forética
- SERES Foundation. Society and Responsible Company.
- GASNAM (*Asociación Ibérica del Gas Natural para la Movilidad*) [Iberian Association of Natural Gas for Mobility]
- GECV (Spanish Group for Green Growth)
- Institute of Internal Auditors
- 'Network of companies for a society free of gender violence',



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Government Office for Gender Violence

- United Nations Global Compact Network Spain
- LGTBI Business Network for Diversity and Inclusion (REDI)

International organisations and partnerships

- IPC (International Post Corporation). An international body comprising the 25 most prominent postal operators.
- Kahala Post Group. Business Alliance with postal operators from Australia, China, South Korea, Hong Kong, Japan, United States, United Kingdom, France, Thailand and Canada
- PostEurop. The company chairs the European Affairs Committee and its Working Group of Data Protection.
- PuMed (Postal Union for the Mediterranean). Correos belongs to its Management Committee
- UPAEP (Postal Union of the Americas, Spain and Portugal). Correos is the cochair of the Philately Work Group. Besides, Spain participates in the Management Board, as first vice chair.
- UPU (Universal Postal Union). Correos is a member of the Postal Operations Council and co-chairs the Remuneration Integration Group. It is also a member of the Management Boards of the Direct Marketing Advisory Board and the .POST Group. The company is part of the Contact Committee with the World Customs Organisation.





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+ Corporate governance and ethical compliance

Correos Group's structure and organisation



GRI 102-5, 102-18



SDG 12



Sociedad Estatal Correos y Telégrafos S.A., S.M.E. (Correos) is a limited company under public ownership. Its sole shareholder is the Sociedad Estatal de Participaciones Industriales (SEPI), under the Ministry of Finance.

It is the parent company of the Correos Group and has a 100% holding in the subsidiaries Correos Express Paquetería Urgente, S.A., S.M.E.; Nexea Gestión Documental, S.A., S.M.E. and Correos Telecom, S.A., S.M.E. It also owns a 35% stake in the Chinese companies KCG eCommerce Solutions and K Parcel.

Correos Express Paquetería Urgente, S.A., S.M.E. owns 51% of CEP-Correos Express Portugal, S.A., which in turn has a wholly-owned subsidiary, CEP II-Correos Express Portugal, S.A.

Correos is a commercial company governed by private law, except in matters in which budgetary, accounting, financial control and procurement regulations apply to it as a company that is part of the public business sector.¹⁶



¹⁶ In accordance with the provisions of Article 3 of General Budgetary Law 47/2003 of 26 November in coordination with Article 166 of Law 33/2003 of 3 November on Public Authority Assets.



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Correos' governing bodies



GRI

102-18, 102-23, 102-25, 102-30, 405-1

Correos' governing bodies are the General Meeting of Shareholders and the Governing Board:

The company is managed by the Board of Directors, its Chairman and the Executive Committee, whose powers are set out in the **Articles of Association** and in the **Board of Directors' Regulations**, a document that represents an additional commitment to the integration of good practices and rules of good governance in the functioning of this body.

In addition, the Audit and Control Committee advises the Board on economic matters, financial and non-financial risk management and internal audit.

The appointment of male and female directors takes into consideration not only compliance with the legal and statutory requirements of the post, but also the knowledge, prestige and professional experience provided for the exercise of their functions, in addition to ensuring a balanced presence of men and women.

Directors must possess recognised moral solvency and a sense of responsibility, accredited by a track record of ethical conduct, not have been involved in circumstances in which their participation on the Board could jeopardise the interests of the Company, and act with

integrity and responsibility in the exercise of their duties.

The Board of Directors' Regulations specify all the situations that may involve conflicts of interest, in order to prevent them from materialising. Thus, a director may not be a director of more than two companies, in accordance with the regulations on senior officers of the State General Administration, as well as on incompatibilities of personnel in the service of the Public Administrations, unless they have obtained the express authorisation of the Council of Ministers. In addition, the Regulations stipulate that directors affected by proposals for appointment, re-election or removal must abstain from taking part in deliberations and voting on such proposals.

Correos, despite not being a listed company, has adopted some of the recommendations of the Good Governance Code for Listed Companies of the National Securities Market Commission (CNMV) and has a risk control system that ensures a general management framework appropriate to the threats and uncertainties inherent in the business processes and the environment in which it operates.

By 2020 the company had 33% women on the Board of Directors. In addition, 12 of the 13 directors were independent.



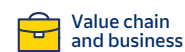
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General meeting of shareholders



Chairman

The Chairman of the Governing Board is also the Executive Chairman of Correos and of all of its governing bodies. This person is responsible for management and administration functions, for representing management bodies and for executing the resolutions that they adopt.



Governing Board

Composed of a minimum of 12 and maximum of 15 members, who serve for a maximum period of five years, with the possibility of re-election. They are appointed and removed by the General Meeting of Shareholders. The Governing Board usually meets monthly to oversee the management of the company.



Executive Committee

The Executive Committee consists of the Chairman and four members of the Governing Board. It may exercise each and every one of the powers of the Governing Board, except for those which, by law, cannot be delegated.



Audit and Control Committee

Composed of three independent members of the Governing Board, the Audit and Control Committee has no executive functions. It is responsible for informing and advising the Board on economic and financial matters and on risk control and internal auditing.





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The composition of the Governing Board of the S. E. Correos y Telégrafos, S.A., S.M.E. as of 31 December 2020 was as follows:

- D. Juan Manuel Serrano
Chief Executive Officer and President
- D. José Ángel Partearroyo
Proprietary Director
- D. Juan Manuel Algaba Gonzalo
Independent External Director
- D. David Benito Astudillo
Independent External Director
- D^{ra}. Marta Fano González
Independent External Director
- D. Luis Gonzaga Serrano de Toledo
Independent External Director
- D. Aquilino González Hernando
Independent External Director
- D^{ra}. Noelia M^a Gutiérrez Retuerto
Independent External Director
- D. Juan Emilio Maíllo Belda
Independent External Director
- D. Jaime Pérez de la Cruz
Independent External Director
- D^{ra}. M^a José Pérez Ruiz
Independent External Director
- D. Alberto Requena Navarro
Independent External Director
- D. Tomás Suárez-Inclán González
Independent External Director
- D^{ra}. Belén Triana Reyes
Independent External Director
- D^{ra}. Belén Villar Sánchez
Independent External Director
- D. Julio González García
Secretary non-member of the Board
- D. José Luis Pérez Pastor
Vice Secretary non-member of the Board

33% of the Board
of Directors are
women



Governing bodies of Correos Group subsidiaries



GRI 102-18, 102-23, 102-30, 102-35, 405-1

The governing bodies of the Group's subsidiaries are the General Meeting of Shareholders and the Governing Board.

Board members of the subsidiaries, whose positions are not remunerated, are chosen from among members of the management team of Correos and SEPI Group, ensuring equal representation between men and women. The minimum and maximum number of members of the Boards of Directors of each of the subsidiaries is:

- From 6 to 12 in Correos Express.
- From 4 to 12 in Correos Nexea.
- From 4 to 8 in Correos Telecom.

The subsidiaries (with the exception of Correos Express Portugal) also have their respective Audit and Control Committees for guidance on economic-financial matters, financial and non-financial risk control and internal audit.

The composition of the respective Governing Boards of the subsidiaries of Correos Group at 31 December 2020 was as follows:

Correos Express Paquetería Urgente, S.A., S.M.E.

- D. Avelino Castro López. Presidente
- D. Julio González García
- D^a. Beatriz González López
- D. Juan López Pulido
- D^a. Eva Pavo López
- D^a. Dolores Revilla Huerta
- D. Domingo Sebastián Bello
- D^a. Ana Medina Arespachoga. Secretary non-member of the board

CEP- Correos Express Portugal, S.A.

- D. Avelino Castro López. Presidente
- D. Juan López Pulido
- D. Julio González García
- D. Luís Manuel Dionísio Marqués
- D. Nuno Filipe Pereira Rangel

Nexea Gestión Documental, S.A., S.M.E.

- D. Enrique Ramírez Palacín. Presidente
- D^a. Elena Gil Valentín
- D. Javier León Corrales
- D^a. Eva Pavo López
- D. José Luis Pérez Pastor
- D^a. Dolores Revilla Huerta
- D^a. Ana Medina Arespachoga. Secretary non-member of the board



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Correos Telecom, S.A., S.M.E.

- D. José Luis Pérez Pastor. Presidente
- D. José Luis Alonso Nistal
- D^a. Elena Gil Valentín
- D^a. Beatriz González López
- D. Alvar Maté Araus
- D^a. Ana Medina Arespacochaga. Secretary non-member of the board

The Board of Directors of Correos holds an ordinary meeting once a month, with 48 hours' notice being given. The Board is validly constituted when a majority of the directors are present or represented.

	Governing Board meetings	Percentage of councillors in attendance	Audit and Control Committee meetings
Correos	18	100%	5
Correos Express	18	100%	2
Correos Express Portugal ¹	4	100%	-
Correos Nexea	13	100%	2
Correos Telecom	13	100%	2

¹ Correos Express Portugal does not have an Audit and Control Committee



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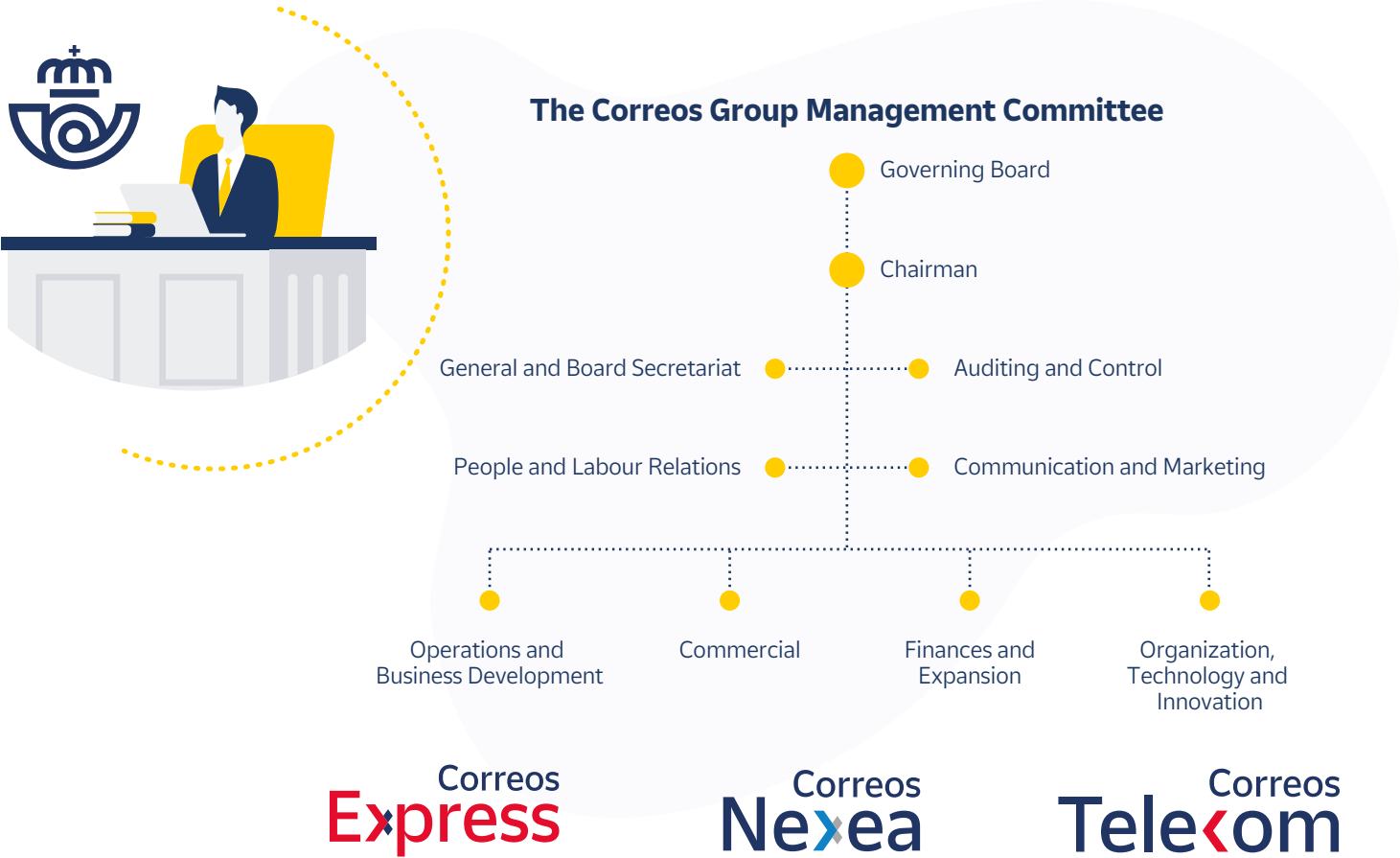
Responsibilities of the Management Committee

The Correos Group Management Committee is an internal collegiate body that aids the Chairman in his/her ordinary duties, developing and coordinating all key issues between the various units and subsidiaries.

Composed of the Chairman and directors of Correos, as well as the general managers of the subsidiary companies Correos Express, Correos Nexea and Correos Telecom, it meets on a weekly basis at the request of the Chairman. The **members of the Management Committee** do not receive specific remuneration for their attendance.



The Correos Group Management Committee





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Remunerations of the Governing Board and the Management Committee

 GRI 102-35

The members of the Correos Governing Board receive only attendance allowances, as approved by the General Meeting of Shareholders, under the provisions of Royal Decree 462/2002¹⁷ and the legislation applicable to public bodies and corporations. In accordance with Law 3/2015¹⁸ the allowances of the senior management directors are paid into the Public Treasury. The Chairman does not receive allowances for attending the Governing Board.

Remuneration accrued for all items during the 2020 financial year by members of the Governing Board and senior management staff of Correos amounted to 1,806 million euros, of which 154,000 euros corresponded to allowances received by members of the Governing Board of Correos for attending Board meetings (11,000 euros per year on average per director), and the rest covered wages and/or other remuneration items (including indemnities) of senior management staff (average remuneration of 118,000 euros per year).

¹⁷ Royal Decree 462/2002, of 24 May, on remuneration for services.

¹⁸ Law 3/2015, of 30 March, regulating senior management positions in the National Government Administration.





Legal framework of Correos Group's activities



GRI 102-12, 102-16, 102-17, 102-30, 205-2

The Spanish postal market was fully liberalised on 1 January 2011, following the entry into force of **Law 43/2010**¹⁹. By virtue of this law, Correos is the operator designated to provide the Universal Postal Service in Spain until 2025.

New postal regulations and a Universal Postal Service provision plan and its regulatory contract, as provided for by Law 43/2010 are still pending approval.

Correos and Correos Express also operate on the parcel delivery market, and are thus subject to legislation which applies to the land transport of goods sector.²⁰ The activity of Correos Express Portugal is, in turn, subject to the postal and land transport regulations applicable in Portugal²¹. Finally, the provision of services of electronic communications made by Correos and Correos Telecom is regulated by Law 9/2014²².

► Transparency in management

The Correos Group's companies have the necessary mechanisms in place to comply with the reporting obligations laid down in Law 19/2013²³. To this end, they have a transparency portal and various other access channels which the public can use to send requests for public information under the terms specified in such Law.

¹⁹ Law 43/2010, of 30 December, on the universal postal service, user rights and the postal market.

²⁰ Law 16/1987, of 30 July, on the Land Transport and its Regulations, and Law 15/2009 of 11 November 2008, on Contracts for the Land Transport of Goods.

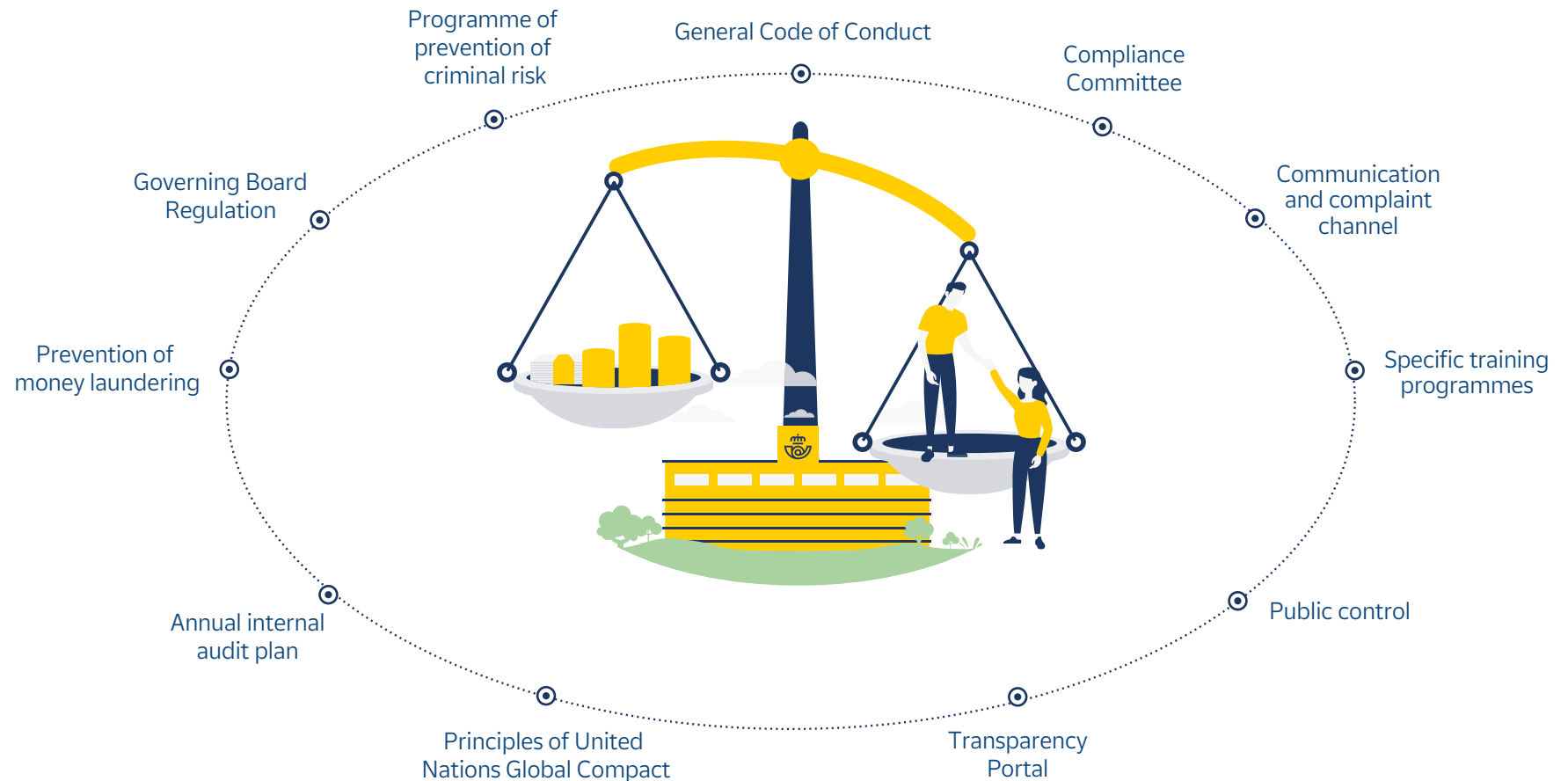
²¹ Law 17/2012 of 26 April and Decree-Law 239/2003 of 4 October.

²² Law 9/2014, of 9 May, General Law on Telecommunications.

²³ Law 19/2013, of 9 December, on transparency, access to public information and good governance.



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Ethical compliance and commitment

In 2020, the Correos Group completed the review of its 'Criminal Risk Prevention Programme'²⁴ and undertook the renewal of the **General Code of Conduct**, which is scheduled for completion in 2021. This last document, which is publicly available for consultation by all stakeholders, reflects the guiding values that govern the actions of management and employees. The Code contains among others, measures to prevent and eradicate corruption and bribery (including guidelines for equal treatment and opportunities, fair competition, prevention of conflict of interests and the use of privileged information).

The Group also has a Compliance Committee, a collegiate body whose main function is to evaluate subjects relating to this matter, and report biannually to Correos' Governing Board through the Audit and Control Committee, on the content and results of the resolutions issued.

The Committee has a **communication and complaint channel** to facilitate compliance with the objectives of the General Code of Conduct. In 2020, the Compliance Committee received and analysed 314 validation communications (107% more than the previous year), 54 queries (69% more) and 5 complaints (17% less) on possible incompatibilities with internal or external regulations, proceeding, in each case, in accordance with the provisions of its operating regulations.

Since 2019, Correos has also participated in the SEPI Group's compliance working group, whose purpose is to share best practices

in criminal prevention among the different companies that make up the group, through training and debate. In 2020, the Group did not hold meetings, due to the health situation.

Last year, 9,500 Correos and Correos Express employees took part in training activities on privacy and ethical commitment. Correos Express also provides training on the General Code of Conduct, the criminal risk programme and the transparency procedure to all new recruits and runs regular courses on data protection.

The Correos Group did not face any corruption-related allegations during 2020.

At the regulatory level, the order of the National Court of 23 October 2020 granted Correos precautionary measures consisting of the suspension of the prohibition imposed by the National Commission on Markets and Competition (CNMC) on 4 June not to offer unit prices to large customers below the result of the application of the discount model.

Likewise, the orders of 30 October and 5 November 2020 granted interim measures to suspend the execution of the CNMC's Resolution of 3 April 2020, requiring Correos to create, from the 2016 and 2017 financial years, specific analytical products for the registered letter that makes up the administrative notification service, thus excluding this product from the scope of the universal postal service.



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Application of internal auditing procedures

GRI 102-16, 102-17, 102-30

Through its internal audit function, Correos Group verifies compliance with the principles of integrity and good governance in ordinary activities and business management in order to prevent, detect and eradicate any practices that are contrary to business ethics, such as corruption and bribery.

The annual internal audit plan of the Correos Group, approved by SEPI and whose results are regularly reported, as well as reporting to the Audit and Control Committee of the Governing Board and the management team, envisaged the completion of 13 audits:

- 1 on systems and processes, regarding the degree of adequacy and requirements of a Business Continuity Management System in the Correos Group, verifying the extent to which there are procedures and requirements defined in preventive plans.
- 3 on regulatory compliance, electoral processes, contracting procedures in Correos Nexea and Correos Telecom and compliance with the General Data Protection Regulation and the Organic Law on Personal Data Protection, as well as the guarantee of digital rights in the Correos Group.

- 3 on management, sustainability and energy consumption, in application of the general sustainability plan, electronic invoicing and management of the Correos Group's real estate assets.
- 2 on internal control, assessing the granting, management and repayment of loans and salary advances to Correos Group staff and the consolidation of new permanent staff.
- 1 on decentralised recruitment and certain variable remuneration, at the area management level.
- 1 on the regularisation of commercial customer discounts, the monitoring of prices and discounts offered to customers, as well as the controls in place to verify their compliance with the agreed volumes.
- 2 on the follow-up of recommendations, to verify the degree of implementation of those made by the internal audit plans in previous years, as well as by the audit reports issued by the Intervención e General Comptroller of the State Administration (IGAE) in 2019 and the reports of external audits carried out by the Court of Auditors during 2019 and previous years.



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There were 32 internal audit recommendations completed over the financial year (9 from the this year and 23 from previous years), in addition to the 88 recommendations implemented in the financial years 2017-2019.

In addition, 866 financial and quality audits were carried out in offices, processing centres and ordinary and express distribution units, including 5 audits in Correos and 6 in Correos Express, Correos Nexea and Correos Telecom, on the scopes certified in accordance with UNE:EN ISO 9001 and 14001 standards.

The internal control area carried out 290 specific investigations and reports on possible irregular actions by employees, of which 37 resulted in proposed sanctions, and the security area identified 18 cases of misconduct regarding the company's assets or the security of shipments, which resulted in disciplinary and/or legal action.

► Control of the public sector

The Group's companies are subject to the control of the IGAE and the Court of Auditors. Its audited annual accounts (consolidated and individual) are available in the IGAE's Register of Public Accounts, which can be accessed through the State Administration's **Transparency Portal**.

Last year the IGAE conducted a compliance and operational audit of Correos Express' 2018 and 2019 financial years. Furthermore, the Court of Audit published the report on the degree of implementation

of crime prevention and unethical behaviour models in state-owned companies for the 2018 financial year, which included Correos.

The Correos Group is also subject to public control via the supervision mechanisms applicable to its sole shareholder (more information can be found on the **website** and in the SEPI Group annual report).

► Prevention of money laundering

Regarding the obligations derived from Law 10/2010 and its Regulation²⁵, Correos has an internal money laundering prevention manual. It also audits the money laundering prevention area internally and externally on an annual basis, and carries out systematic and continuous monitoring of the application of due diligence measures in offices, where the greatest risk exists, since they manage financial transactions on a daily basis. In 2020, more than 23,800 people were trained in this area, with more than 54,800 hours of training, and additional fraud control indicators were developed in branches to detect improper transactions.

²⁵ Law 10/2010 of 28 April on the prevention of money laundering and financing of terrorism and Royal Decree 304/2014 of 5 May, approving the Regulation of Law 10/2010 of 28 April on the prevention of money laundering and financing of terrorism.



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Responsibility of contracting procedures



GRI

102-9, 102-12, 102-16, 203-2, 204-1, 205-2, 308-1, 408-1, 409-1

Correos Group's procurement activities are subject to the principles of advertising, concurrence, transparency, confidentiality, equality and non-discrimination, guaranteeing compliance with the applicable procurement regulations:

- Directive 2014/24/UE²⁶
- Directive 2014/25/UE²⁷
- Law 9/2017²⁸.
- Law 31/2007²⁹.
- Law 33/2003³⁰
- Royal Decree-Law 3/2020³¹.
- Royal Decree-Law 14/2019³².

- Royal Decree 716/2019³³.
- Royal Decree-Law 3/2020, de 4 de febrero ³⁴
- Royal Decree-Law 36/2020, de 30 de diciembre³⁵
- The internal recruitment instructions of the Correos Group, revised in 2018 to adapt them to the new regulations on recruitment in the public sector.
- The Correos Group's rules for contracting assets.

The Group announces the tenders and awards of its contracts, according to their amount, on its **Contractor Profiles**, on the Public Sector Procurement Platform, in the Official State Gazette and in the Official Gazette of the European Union, where applicable. It also periodically sends information to the Court of Auditors and the Registry of Public Sector Contracts.

The Investment and Contracting Committee is the body that informs, approves and submits, where appropriate, to the Governing Board, the contracts provided for in the Internal Contracting Instructions.

26 Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.

27 Directive 2014/25/EU of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors.

28 Law 9/2017 of 8 November on Public Sector Contracts], which entered into force on 9 March 2018.

29 Law 31/2007 of 30 October on procurement procedures in the sectors of water, energy, transport and postal services.

30 Law 33/2003 of 3 November on Public Administration Assets.

31 Royal Decree-Law 3/2020 of 4 February on urgent measures incorporating various European Union directives in the field of public procurement in certain sectors into Spanish law; private insurance; pension plans and funds; in the field of tax and tax litigation.

32 Royal Decree-Law 14/2019 of 31 October adopting urgent measures for reasons of public security in the field of digital administration, public sector procurement and telecommunications.

33 Royal Decree 716/2019 of 5 December amending Royal Decree 773/2015 of 28 August amending certain provisions of the General Regulations of the Law on Public Administration Contracts], approved by Royal Decree 1098/2001 of 12 October and Royal Decree 700/1988 of 1 July on administrative records of accounting liability arising from infringements under Title VII of the General Budgetary Law.

34 Royal Decree-Law 3/2020 of 4 February on urgent measures incorporating various European Union directives in the field of public procurement in certain sectors into Spanish law; private insurance; pension plans and funds; in the field of tax and tax litigation.

35 Royal Decree-law 36/2020 of 30 December approving urgent measures for the modernisation of public administration and for the implementation of the recovery, transformation and resilience plan.





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Correos has an internal e-procurement system. In addition, in 2020, the company's territorial areas began to implement e-procurement through the Public Sector Procurement Platform for files of decentralised minor projects and low-cost services, speeding up tendering processes and increasing transparency and competition.

The company also developed a pilot project for the application of blockchain technology for the control and review of documents linked to a tender and undertook another project using Artificial Intelligence to automate the inspection of and confirm the conformity of supporting documentation in the different phases of the tender process.

Correos also launched a project to rationalise procurement, with the aim of becoming the Group's purchasing centre, in order to optimise both procurement processes and the prices obtained in the various tenders.

An example of this is the publication of a dynamic procurement system for road transport services at national level in the

contracting party's profile, which grouped together the road transport needs of Correos Correos and Correos Express. This joint procedure, in which 155 companies have already expressed their interest in participating, will remain open to new interested suppliers throughout its duration.

A similar objective is being targeted by the fuel framework agreement for the supply of the Correos fleet of vehicles, which aims to streamline procurement while optimising prices.

Correos has begun to
apply Artificial Intelligence
and blockchain technology
to its procurement activity



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► Good practices in the supply chain

Correos Group contributes to the Spanish economy by making sure that 98% of its procurement is from domestic suppliers. All parties interested in taking part in the contract procedures must guarantee compliance with the principles of the United Nations Global Compact. Due to its geographical scope of action and the nature of its business, the Correos Group considers that none of its main suppliers present a significant risk of breaching the principles of the Global Compact.

In addition, all of its specifications include clauses on environmental, social (such as gender equality and occupational health and safety), innovation and development criteria. These considerations are included in the form of special and obligatory execution conditions for all bidders or as bid appraisal criteria.

In all cases, the successful bidders for contracts must understand and accept the principles contained in the General Code of Conduct.

Owing to the dimensions and heterogeneity of activities carried out by the Group companies, these collaborate with a large number of suppliers in different sectors, in all phases of the supply chain.

Correos awarded contracts in 2020 worth of 553.9 million euros which were executed by 6,753 suppliers (299 investment contracts and 6,454 purchase contracts).

In turn, the subsidiaries awarded contracts worth 340.8 million euros. Correos Express entered into contracts with 1,940 suppliers and Correos Express Portugal with 597 others, mostly for transport; Correos Nexea, with 153 suppliers of paper, envelopes and equipment maintenance services; and Correos Telecom, with 164 companies providing operation and maintenance services for telecommunications assets or the supply of equipment.

► Respect for human rights

Since 2002, Correos has been one of the companies that signed the United Nations Global Compact. Therefore the company undertakes to respect and promote the ten principles of the Compact in the fields of human and labour rights, the elimination of all forms of forced labour, the eradication of child labour, the abolition of discriminatory practices in employment and occupation or the freedom of association and collective bargaining. This set of values has been assumed by the company as an integral part of the business strategy.

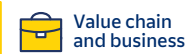
Similarly, the 'Programme for the Prevention of Criminal Risks' includes the obligation to scrupulously respect fundamental rights and public liberties. During the year, no infringement of human rights was found in the companies of the Correos Group.



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Operational and customer safety

GRI 203-2

Correos has a security operations centre, which receives signals and/or images from security elements installed in offices and centres throughout the country, effectively contributing to the security of people (customers and employees) and goods.

The company also regularly uses scanners to inspect postal items requiring controls. In 2020, more than 220 million postal items were screened for possible illegal content and made available to the relevant authorities. In addition, some 26,000 postal items of dangerous goods for airmail traffic were intercepted and withdrawn.

The company maintains a permanent collaboration with the State Security Forces and Corps, for example, through the Blue Network of the National Police Force, the Guardia Civil's Cooperativa website, the Xarxa de Col·laboració de los Mossos d'Esquadra, as well as with judicial bodies for the exercise of their functions. It also participates in areas such as the postal security groups of the Universal Postal Union and UPAEP, the National Committee for Civil Aviation Security, the Efitec Forum and the Potluck Forum, where security threats and challenges for citizens and companies are analysed.

Correos is also accredited in 7 of its operational centres to accept, manage and safely transport certain dangerous goods as air mail, under the terms set forth in Order FOM/456/2014.

For its part, Correos Express has been awarded a Certificate as an Authorised Economic Operator for Customs simplification (AEOC). The purpose of this certificate is to guarantee the reliability and security of goods being imported and exported. During the last financial year, the subsidiary also implemented a security control panel and improved the internal procedure for detecting and managing robberies.

► Protection of privacy

In compliance with the regulations on personal data protection³⁶, the Correos Group has a Data Protection Officer (DPO), whose function is to manage and advise the Group on this matter, as well as to evaluate the risks inherent in the processing of this type of information by the Group's companies and/or their suppliers.

On the occasion of the update of the 'Guide on the use of cookies' by the Spanish Data Protection Agency in July 2020, in order to adapt it to the new guidelines of the European Data Protection Committee, all Correos Group websites and applications were reviewed to ensure their compliance.

The Correos Group managed 36 security breaches during the year (34 corresponding to Correos Correos and 2 to Correos Express) and dealt

³⁶ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).



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with 3 complaints related to Correos processed through the Spanish Data Protection Agency, in accordance with its action protocols.

Correos also gave courses on data protection regulations, with a focus on the postal and transport sector, to 45,960 managers, technical, administrative and operational staff, while the subsidiary Correos Express continued to offer this type of training to all new recruits.

► Cybersecurity

The company's information security policy prioritises optimum integration into business processes to ensure proper carrying out of activities while avoiding potential risks for customers.

Correos has an Information Security Committee, responsible for ensuring the appropriate risk management and procedures necessary to preserve information, the systems that support it and the processes that deal with it.

Last year's cyber security priorities were determined by the special circumstances arising from the pandemic. The need to ensure (in a context of extraordinary growth of cyber threats) the normal functioning of all services, remote working and access to information systems from locations not initially envisaged, required improved risk management and control in real time. Some of the measures implemented for this purpose included:

- The urgent implementation of new controls, such as encryption of devices and fortification of access to systems with two-factor authentication, avoiding any impact on business performance.
- Increased technical audits and proper management of vulnerabilities.
- The incorporation of specific content on information security for different types of users on the website and in training actions on data protection.

Finally, in 2020 Correos obtained the **UNE-ISO/IEC 27001:2013** certification for the information systems that support the services provided through the website. Correos Nexea, for its part, renewed the **UNE-ISO/IEC 27001:2014** certification of its information systems, which support customised document management solutions for mass communication between companies and their customers.



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+ Reporting frameworks



GRI 102-50, 102-51, 102-52

The contents and indicators included in this statement of non-financial information meet the requirements of Law 11/2018³⁷. The integrated annual report of the Correos Group 2020, to be published in June 2021, which contains this statement of non-financial information, together with the consolidated accounts of the Correos Group, provides additional information on the Group's economic, social and environmental sustainability policies.

The information included in this statement of non-financial information has been prepared, as recommended by Law 11/2018, using as reference the GRI Sustainability Reporting Standards of the **Global Reporting Initiative** (GRI), in its 2020 version. This model makes it possible to show the three-way perspective of the Group's economic, social and environmental performance.

Furthermore, the guidelines of the 'Conceptual Framework for Drafting the Integrated Report' of the **International Integrated Reporting Council** (IIRC) were followed. This statement gives stakeholders a transversal and relevant view of the business model and the mechanisms for creating value in the short, medium and long term.

³⁷ Ley 11/2018, de 28 de diciembre, por la que se modifica el Código de Comercio, el texto refundido de la Ley de Sociedades de Capital [Act 11/2018, of 28 December, amending the Commercial Code, the revised text of the Companies Act] approved by Royal Legislative Decree 1/2010 of 2 July and *Ley 22/2015, de 20 de julio, de Auditoría de Cuentas, en materia de información no financiera y diversidad* [Act 22/2015 of 20 July on the auditing of accounts, with regard to non-financial information and diversity]

Since 2002, Correos has also been one of the companies that signed the United Nations Global Compact. Therefore the company undertakes to respect and promote the ten principles of the Compact in the fields of human and labour rights, the environment and anti-corruption. Every year the company prepares its progress report, which successfully retained its advanced level distinction for the exhaustiveness of its information. The report is available on the pages at **Global Compact**, the **Spanish Global Compact Network** and **Correos**

In addition, the Correos Group has aligned its policies with the **United Nations Sustainable Development Goals** and reports its commitments and contributions to the achievement of Agenda 2030.

This statement of non-financial information presents, in general, the most relevant information and quantitative indicators of the Correos Group. The contents referring to labour, environmental and social issues are, however, broken down by the various companies in the Group, according to the different nature, size and activity of each company.



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+ Indicators used in the Non-Financial Information Statement

	Indicator	External verification
Business environment	GRI 102-4, GRI 102-6	✓
Organisation and structure	GRI 102-5, GRI 102-18	✓
Markets served	GRI 102-4, GRI 102-6	✓
Objectives and strategies	GRI 102-15	✓
Factors and trends that may affect its future evolution	GRI 102-15	✓
Policies that the group applies with respect to these issues, which will include the due diligence procedures applied for the identification, evaluation, prevention and mitigation of significant risks and impacts, and for verification and control, including what measures have been adopted.	GRI 103-2	✓
The outcome of these policies: non-financial key performance indicators to enable the monitoring and evaluation of progress and comparability across societies and sectors, in accordance with national, European or international reference frameworks	GRI 200, GRI 300, GRI 400	✓
Commercial relations, products or services that may have negative effects in these areas	GRI 102-9, GRI 102-15, GRI 305-1, GRI 305-2, GRI 305-3, SDG 13	✓
How the group manages these risks (procedures used to detect and evaluate them in accordance with national, European or international reference frameworks)	GRI 103-2, GRI 103-3, GRI 102-11, GRI 102-30, GRI 205-2, GRI 308-2	✓



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Information on the impacts that have been detected, disaggregated, in particular on the main risks in the short, medium and long term	GRI 103-1, GRI 102-11, GRI 102-15	✓
ENVIRONMENT		
Detailed information about the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety	GRI 102-11, GRI 102-15, GRI 103-1, GRI 308-2	✓
Procedures for evaluation and environmental certification	-	✓
The resources allocated to the prevention of environmental risks	Principle 7, 8, 9 Global Compact, SDG 13	✓
Application of the precautionary principle	GRI 102-11	✓
The amount of provisions and guarantees for environmental risks	Principle 7, 8, 9 Global Compact, SDG 13	✓
Pollution: measures to prevent, reduce or repair carbon emissions that seriously affect the environment; taking into account any form of air pollution specific to an activity, including noise and light pollution	GRI 305-5, GRI 305-7 SDG 3, 7, 11, 12, 13	✓
Circular economy and waste prevention and management: prevention measures, recycling, reuse, other forms of recovery and waste disposal; actions to fight food waste	GRI 301-1, GRI 306-2, SDG 12	✓
Sustainable use of resources: water consumption and water supply according to local constraints; consumption of raw materials and the measures adopted to improve their use efficiency; direct and indirect consumption of energy, measures taken to improve energy efficiency and the use of renewable energies	GRI 301-1, GRI 302-1, GRI 302-4, GRI 303-5, SDG 7, 11, 12	✓
Climate change: the important elements of greenhouse gas emissions generated as a result of the company's activities; the measures adopted to adapt to the consequences of climate change; the reduction goals voluntarily established in the medium and long term to reduce greenhouse gas emissions and the means implemented for that purpose	GRI 302-4, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-5, GRI 305-7, SDG 3, 7, 11, 12, 13	✓
Protection of biodiversity: measures taken to preserve or restore biodiversity; impacts of activities or operations in protected areas	GRI 304-3 SDG 12, 13, 15, 17	✓



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SOCIAL

Total number and distribution of employees by gender, age, country and professional classification	GRI 102-7, GRI 102-8, GRI 405-1, SDG 5, 8, 10	✓
Total number and distribution of work contract modalities, annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification	GRI 102-8 SDG 5, 8, 10	✓
Number of dismissals by gender, age, country and professional classification	-	✓
Average remunerations and their evolution disaggregated by gender, age and professional classification or equal value	GRI 405-2 SDG 5, 8, 10	✓
Salary gap, remuneration of equal positions or average company remuneration	GRI 405-2 SDG 5, 8, 10	✓
Average remuneration of directors and executives, including variable remuneration, allowances, compensations	GRI 102-35	✓
Payment to long-term savings forecast systems and any other perception disaggregated by gender	GRI 401-2, SDG 8	✓
Implementation of work disconnection	-	✓
Disabled employees	GRI 405-1, SDG 8, 10	✓
Organization of working time	GRI 402-1	✓
Number of absenteeism hours	GRI 403-9, SDG 3, 8	✓
Measures aimed at facilitating conciliation and encouraging the co-responsible exercise by both parents	GRI 401-2, GRI 401-3, SDG 5, 8, 10	✓
Occupational safety and health at work conditions	GRI 103-2, GRI 103-3, GRI 403-1, GRI 403-2, GRI 403-5, GRI 403-6, SDG 3, 8	✓



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Work accidents, in particular their frequency and severity, as well as occupational diseases; disaggregated by gender	GRI 403-9, GRI 403-10 SDG 3, 8	✓
Organization of social dialogue, including procedures to inform and consult staff and negotiate with them	Principle 3 Global compact, GRI 402-1, GRI 403-4, SDG 8	✓
Percentage of employees covered by collective agreement	GRI 102-41	✓
Balance of collective agreements, particularly in the field of health and safety at work	GRI 403-4, SDG 3, 8	✓
Implemented training policies	GRI 403-5, GRI 404-1, SDG 3, 8	✓
Training hours by professional category	GRI 404-1, SDG 5, 8	✓
Universal accessibility of people with disabilities	GRI 103-2, GRI 405-1, SDG 8, 10	✓
Measures adopted to promote equal treatment and opportunities between women and men	GRI 401-2, GRI 401-3, GRI 404-1, GRI 404-3, GRI 405-1, GRI 405-2, SDG 5, 8, 10	✓
Equality plans (Chapter III of Organic Act 3/2007, of 22 March, on effective equality for men and women)	Principle 6 Global Compact, SDG 5	✓
Measures adopted to promote employment	-	✓
Protocols against sexual harassment and for gender reasons	Principle 6 Global Compact	✓
Universal accessibility and integration of people with disabilities	GRI 103-2, GRI 405-1, SDG 8, 10	✓
Policy against all types of discrimination and, where appropriate, on management of diversity	GRI 103-2, GRI 103-3, GRI 405-1, SDG 5, 8, 10	✓
HUMAN RIGHTS		
Application of due diligence procedures in the field of human rights; prevention of the risks of infringement of human rights and, where appropriate, measures to mitigate, manage and repair possible abuses; complaints about cases of human rights violations	Principle 1, 2 Global Compact, GRI 102-16, GRI 408-1, GRI 409-1, SDG 16	✓



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Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining	Principle 3 Global Compact, GRI 102-16, GRI 102-41, SDG 8	✓
Elimination of discrimination in work and occupation	Principle 6 Global Compact, GRI 103-2, GRI 405-2, ODS 5, 8, 10	✓
Elimination of forced labor	Principle 4 Global Compact, GRI 409-1, SDG 8, 16, 17	✓
Abolition of child labour	Principle 5 Global Compact, GRI 408-1, SDG 8, 16, 17	✓
FIGHT AGAINST CORRUPTION AND BRIBERY		
Measures adopted to prevent corruption and bribery	GRI 102-16, GRI 102-17, GRI 102-25, GRI 205-2, SDG 16	✓
Measures to fight money laundering	GRI 102-16, GRI 102-17, SDG 16	✓
Contributions to foundations and non-profit entities	GRI 102-12, GRI 102-13, SDG 17	✓
SOCIAL COMMITMENT		
Impact of the company's activity on local development and employment	GRI 102-9, GRI 203-2, GRI 204-1, GRI 413-1, SDG 8, 16	✓
Impact of the company's activity on local populations and on the territory	GRI 102-9, GRI 203-2, GRI 413-1, ODS 8, 11, 16, 17	✓
Relationships maintained with the actors of local communities and the types of dialogue with them	GRI 102-43	✓
Partnership and sponsorship actions	GRI 102-12, GRI 102-13, SDG 17	✓



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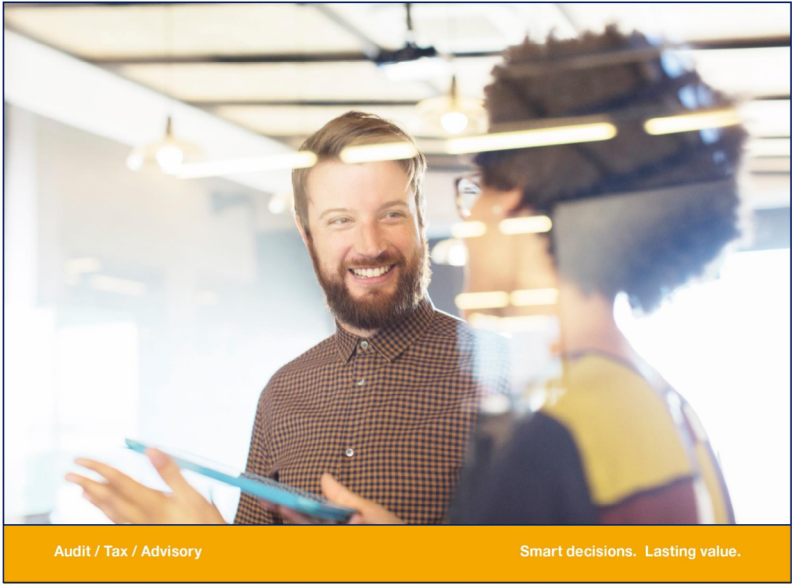
Inclusion in the purchasing policy of social, gender equality and environmental issues	GRI 308-1, SDG 5, 13	✓
Consideration in the relations with suppliers and subcontractors of their social and environmental responsibility	GRI 308-1, SDG 5, 13	✓
Monitoring and audit systems and their results	GRI 102-30, SDG 16	✓
Measures for the health and safety of consumers	GRI 305-5, GRI 305-7, SDG 3, 11, 12, 13	✓
Claims systems, complaints received and their resolution	-	✓
Profits obtained by country	GRI 201-1, SDG 8, 9	✓
Income tax paid	GRI 201-1, SDG 8, 9	✓
Public subsidies received	GRI 201-4	✓

+ External verification of non-financial information



SOCIEDAD ESTATAL CORREOS Y TELEGRAFOS S.A., S.M.E (And subsidiaries)

Independent Verification Report on the Non-Financial Information and Diversity Statement (consolidated) of Sociedad Estatal Correos y Telegrafos s.A., S.M.E. (And subsidiaries) for the year ended on 31 december 2020





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INDEPENDENT VERIFICATION REPORT ON THE NON-FINANCIAL INFORMATION AND DIVERSITY STATEMENT (CONSOLIDATED) OF SOCIEDAD ESTATAL CORREOS Y TELEGRAFOS S.A., S.M.E. (AND SUBSIDIARIES) FOR THE YEAR ENDED ON 31 DECEMBER 2020

To the shareholders of **SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS S.A., S.M.E.**

In accordance with Article 49 of the Commercial Code, we have performed the verification, with a limited assurance scope, of the (Consolidated) Non-Financial Information Statement, hereinafter referred to as NFIS and attached as Annex I to this report, for the year ended 31 December 2020, of SOCIEDAD ESTATAL CORREOS Y TELEGRAFOS S.A., S.M.E. (and subsidiaries), hereinafter referred to as CORREOS, the entity or the Group.

The content of the Management Report includes additional information to that required by current commercial regulations on non-financial information that was not the subject of our verification work. Accordingly, our work has been limited exclusively to the verification of the information contained in the NFIS.

Directors' Responsibility

The formulation of the NFIS included in the CORREOS Management Report, as well as its content, is the responsibility of the Group's Directors. The NFIS has been prepared in accordance with the contents of current business regulations and following the criteria of the selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI standards).

This responsibility also includes the design, implementation and maintenance of any internal control deemed necessary to ensure that the NFIS is free from material misstatement due to fraud or error.

The Group's Directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required for the preparation of the NFIS is obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Accounting Professionals issued by the International Ethics Standards Board for Accountants (IESBA) which is based on the fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behaviour.

Our company follows International Standard on Quality Control 1 (ISQC 1) and thus has a comprehensive quality control system that includes documented policies and procedures relating to compliance with ethical requirements, professional standards and applicable laws and regulations.

The work team is composed of professionals who are experts in reviews of non-financial information and, specifically, in economic, social and environmental performance information.

Our responsibility

Our responsibility is to report our findings in an independent limited assurance report, based on the work performed and pertaining exclusively to the 2020 financial year. Data corresponding to previous years [were not subject to the verification provided for in the commercial regulations in force]. We have conducted our work in accordance with the requirements set out in the current



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Revised International Standard on Assurance Engagements 3000, 'Non-Audit Engagements or Review of Historical Financial Information' (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Action Guide on Assurance Engagements for Non-Financial Information issued by the Spanish Institute of Chartered Accountants.

In limited assurance work, the procedures carried out vary in nature and timing and are less extensive than those carried out in reasonable assurance work, and therefore the degree of safety achieved is substantially lower.

Our work consisted of submitting questions to Management, as well as to the various units of CORREOS, which participated in the preparation of the NFIS, reviewing the processes for collecting and validating the information presented in the NFIS, and applying certain analytical procedures and sample review tests as described below:

- Meetings with CORREOS staff in order to learn about the business model, policies and management approaches applied, the main risks related to these issues and to obtain the necessary information for the external review.
- An analysis of the scope, relevance and completeness of the contents included in the NFIS for the 2020 financial year based on the materiality analysis carried out by the entity, taking into account the contents required by the commercial regulations in force.
- An analysis of the processes for collecting and validating the data presented in the NFIS for the 2020 financial year.
- A review of risk information, policies and management approaches applied to the material aspects presented in the NFIS for the 2020

financial year.

- The verification of the information related to the contents included in the NFIS for the 2020 financial year and its proper compiling from the data provided by the information sources.
- Obtaining a representation letter from the Directors and Management.

Conclusion

On the basis of the procedures carried out in our verification process and the evidence we have obtained, no aspect has come to light that would lead us to believe that the NFIS of SOCIEDAD ESTATAL CORREOS Y TELEGRAFOS S.A., S.M.E. (and subsidiaries), corresponding to the financial year ending on 31 December 2020, has not been prepared, in all its significant aspects, in accordance with the contents of the commercial regulations in force and following the criteria of the selected GRI standards.

Use and distribution

This report has been prepared to comply with the requirement of the commercial law in force in Spain and may not be suitable for other purposes and jurisdictions.

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Madrid, 8 March 2021.



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+ Atmospheric emissions indicators



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

	Correos		Correos Express		Correos Nexea ¹		Correos Telecom ²	
	2020	2019	2020	2019	2020	2019	2020	2019
Greenhouse gas emissions (tCO ₂)								
Direct (scope 1)	36,612	39,347	8	ND	154	221	22	29
Indirect (scope 2)	836	2,986	81	ND	ND	ND	NA	NA
Other indirect emissions (Scope 3)	111,913	127,819	35,283	ND	ND	ND	ND	ND
Emissions per item (g CO ₂ /item)	20,19	17,47	ND	ND	NA	NA	NA	NA

CO₂ emissions are calculated using the GHG Protocol and verified in accordance with standard UNE-EN ISO 14064-1:2012 'Greenhouse gases'.

¹ Correos Nexea's greenhouse gas emissions do not constitute a significant impact.

² Correos Telecom does not generate its own scope 2 emissions as it shares its buildings with the parent company.



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+ GRI Content Index, Global Compact Principles and SDG

GRI content index					Global Compact Principle	Sustainable Development Goal
GRI Standard	Disclosure	Chapter	Omission	External verification		
GRI 102: General Disclosures						
1. Organizational profile						
102-1	Name of the organization	Correos Group's companies.	-	✓		
102-2	Activities, brands, products and services	Solutions for customers.	-			
102-3	Location of the headquarters	Page 3	-			
102-4	Location of operations	Correos Group's companies. Business environment. Report for the financial statement.	-	✓		
102-5	Ownership and legal form	Corporate governance and ethical compliance.	-	✓		
102-6	Markets served	Correos Group's companies. Business environment. Solutions for customers.	-	✓		



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102-7	Scale of the organization	Main figures and impacts. Labour indicators.	-	✓		
102-8	Information on employees and other workers	Human team	-	✓	6	5,8,10
102-9	Supply chain	Corporate governance and ethical compliance.	-	✓	-	16
102-10	Significant changes to the organization and its supply chain	-	-	✓	-	
102-11	Precautionary Principle or approach	Future trends. Risk management. Environmental sustainability.	-	✓	7, 8	
102-12	External initiatives	Human team. Environmental sustainability. Social contribution of Correos Group. Corporate governance and ethical compliance.	-	✓		17
102-13	Membership of associations	Sponsorships. Main associations and organisations in which the Correos Group participates.	-	✓	-	17
2.Strategy						
102-14	Statement from senior decision-maker	Chairman's statement	-			
102-15	Key impacts, risks and opportunities	Objectives and strategy. Future trends. Risk management. Human team. Environmental sustainability. Application of internal auditing procedures.	-	✓		
3. Ethics and integrity						



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102-16	Values, principles, standards and norms of behavior	Corporate governance and ethical compliance.	-	✓	10	16
102-17	Mechanisms for advice and concerns about ethics	Corporate governance and ethical compliance.	-	✓	1,2,10	16
4. Governance						
102-18	Governance structure	Corporate governance and ethical compliance.	-	✓		
102-23	Chair of the highest governance body	Corporate governance and ethical compliance.		✓		
102-25	Conflicts of interest	Corporate governance and ethical compliance. Report for the financial statement.			10	16
102-30	Effectiveness of risk management processes	Risk management. Corporate governance and ethical compliance.		✓	10	
102-35	Remuneration policies	Corporate governance and ethical compliance.		✓		
5. Stakeholder engagement						
102-40	List of stakeholder groups	Materiality and contribution to SDG.	-			
102-41	Collective bargaining agreements	Human team.	-	✓	3	8
102-42	Identifying and selecting stakeholders	Materiality and contribution to SDG.	-			
102-43	Approach to stakeholder engagement	Materiality and contribution to SDG.	-			
102-44	Key topics and concerns raised	Materiality and contribution to SDG.	-			
6. Reporting practice						



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102-45	Entities included in the consolidated financial statements	Report for the financial statement.	-		
102-46	Defining report content and topic boundaries	Materiality and contribution to SDG.	-		
102-47	List of material topics	Materiality and contribution to SDG.	-		
102-48	Restatements of information	-	-		
102-49	Changes in reporting	-	-		
102-50	Reporting period	Reporting framework.	-		
102-51	Date of most recent report	Reporting framework.	-		
102-52	Reporting cycle	Reporting framework.	-		
102-53	Contact point for questions regarding the report	Page 3	-		
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option			
102-55	GRI content index	GRI Content Index, Global Compact Principles and SDG	-		
102-56	External assurance	External assurance of non-financial information statement.	-	✓	-
201: Economic Performance					
GRI 103: Management Approach		Business environment. Objectives and strategy.			
201-1	Direct economic value generated and distributed	Generated and distributed economic value.	-	✓	- 8,9



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201-4	Financial assistance received from government	Generated and distributed economic value.	-	✓	-	
203: Indirect Economic Impacts						
GRI 103: Management Approach		Social contribution of Correos Group.				
203-2	Significant indirect economic impacts	Solutions for customers. Human team. Innovation. Environmental sustainability. Social contribution of Correos Group. Corporate governance and ethical compliance.	-	✓	1, 2, 6, 7, 8, 10	8
204: Procurement Practices						
GRI 103: Management Approach		Corporate governance and ethical compliance.				
204-1	Proportion of spending on local suppliers	Corporate governance and ethical compliance.	-	✓	-	8
205: Anti-corruption						
GRI 103: Management Approach		Corporate governance and ethical compliance.				
205-2	Communication and training about anti-corruption policies and procedures	Corporate governance and ethical compliance.	-	✓	10	16
301: Materials						
GRI 103: Management Approach		Environmental sustainability.				
301-1	Materials used by weight or volume	Environmental sustainability. Environmental indicators.	-	✓	7, 8	12
302: Energy						
GRI 103: Management Approach		Environmental sustainability.				



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302-1	Energy consumption within the organization	Environmental sustainability. Environmental indicators.	-	✓	7,8	7, 12, 13
302-4	Reduction of energy consumption	Environmental sustainability.	-	✓	7,8,9	7, 11, 12, 13
303: Water						
GRI 103: Management Approach		Environmental sustainability.				
303-5	Water withdrawal by source	Environmental sustainability. Environmental indicators.	-	✓	7,8	12
304: Biodiversity						
GRI 103: Management Approach		Environmental sustainability.				
304-3	Habitats protected or restored	Environmental sustainability.	-	✓	7,8	13, 15, 17
305: Emissions						
GRI 103: Management Approach		Environmental sustainability.				
305-1	Direct (Scope 1) GHG emissions	Environmental indicators.	-	✓	7,8	3, 11, 12, 13
305-2	Energy indirect (Scope 2) GHG emissions	Environmental indicators.	-	✓	7,8	3, 11, 12, 13
305-3	Other indirect (Scope 3) GHG emissions	Environmental indicators.	-	✓	7,8	3, 11, 12, 13
305-5	Reduction of GHG emissions	Environmental indicators.	-	✓	7,8,9	3, 11, 12, 13
305-7	NO _x , SO _x and other significant air emissions	Environmental indicators.	-	✓	7,8	3, 11, 12, 13
308: Supplier Environmental Assessment						
GRI 103: Management Approach		Environmental sustainability. Corporate governance and ethical compliance.				



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308-1	New suppliers that were screened using environmental criteria	Corporate governance and ethical compliance.	-	✓	7,8	13
308-2	Negative environmental impacts in the supply chain and actions taken	Environmental sustainability.	-	✓	7,8	13
401: Employment						
GRI 103: Management Approach		Human team.				
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human team. Labour indicators.	-	✓	6	3, 5, 8, 10
401-3	Parental leave	Human team. Labour indicators.	-	✓	6	3, 5, 8, 10
402: Labor/Management Relations						
GRI 103: Management Approach		Human team.				
402-1	Minimum notice periods regarding operational changes	Human team.	-	✓	3	
403: Occupational Health and Security						
GRI 103: Management Approach		Human team.				
403-1	Occupational health and safety management system	Human team.	-	✓		3,8
403-2	Hazard identification, risk assessment, and incident investigation	Human team.	-	✓		3,8
403-4	Worker participation, consultation, and communication on occupational health and safety	Human team.	-	✓	3	3,8



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403-5	Worker training on occupational health and safety	Human team.	-	✓		3,8
403-6	Promotion of worker health	Human team.	-	✓		3,8
403-9	Work-related injuries	Human team. Labour indicators.	-	✓		3,8
403-10	Work-related ill health	Human team. Labour indicators.	-	✓		3,8
404: Training and Education						
GRI 103: Management Approach		Human team.				
404-1	Average hours of training per year per employee	Human team. Labour indicators.	-	✓	6	4, 5, 8
404-3	Percentage of employees receiving regular performance and career development reviews	Human team.	-	✓		8
405: Diversity and Equal Opportunity						
GRI 103: Management Approach		Human team.				
405-1	Diversity of governance bodies and employees	Human team. Labour indicators. Corporate governance and ethical compliance.		✓	6	5,8,10
405-2	Ratio of basic salary and remuneration of women to men	Human team. Labour indicators.	-	✓	6	5,8,10
408: Child Labour						
GRI 103: Management Approach		Corporate governance and ethical compliance.				
408-1	Operations and suppliers at significant risk for incidents of child labour	Corporate governance and ethical compliance.	-	✓	1, 2, 5	8, 16, 17

409: Forced or Compulsory Labour							
GRI 103: Management Approach			Corporate governance and ethical compliance.				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Corporate governance and ethical compliance.	-	✓	1, 2, 4	8, 16, 17	
413: Local Communities							
GRI 103: Management Approach			Social contribution of Correos Group.				
413-1	Operations with local community engagement, impact assessments and development programs	Human team. Social contribution of Correos Group.	-	✓		11,17	

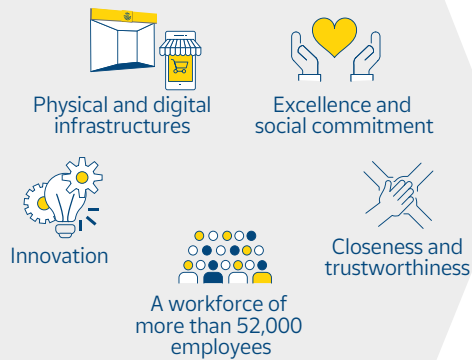


+ Business model

Future trends



Assets



Businesses

Risk management Strategy

Purpose and values

Value creation

Public service
Customer satisfaction
Stability of employment,
diversity and inclusion
Sustainability
Ethical compliance

Future contribution



Stakeholders' expectations



+ Presence of Correos Group's

International presence
11 operating centres of Correos Express Portugal
ETOEs (Extraterritorial Offices of Exchange) in Europe and America
Joint ventures in China



18 automated processing centres
18 logistic and national and international processing centres
3 mass admission centres
8,381 service points
1,771 delivery units
96 special service units

Correos
Express
59 operating centres

Correos
Nexea
2 operating centres

Correos
Telecom
3,6 millions of metres of telecommunications infrastructures





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+ Solutions for costumers

GRI 102-2, 102-6, 203-2

SDG 9, 11 and 12

Parcel delivery, an essential service for society

In 2020, during the first months of the health crisis, Correos provided companies and citizens with logistics services, delivering medical masks, respirators, medicines, food, school supplies and all kinds of essential goods.

Correos collaborated with numerous companies and institutions, distributing individual protective equipment to health workers or ONCE salespeople, delivering masks, food or medicines to homes for a multitude of local councils, or delivering masks in post offices throughout the country that the Ministry of Transport, Mobility and the Urban Agenda made available to transport professionals, to mention just a few examples.

In addition, Correos signed a cooperation agreement with the Ministry of Culture to support all bookshops in Spain to overcome the economic effects of the pandemic, through digitalisation and an adapted

range of logistics services. The aim is to help independent and local shops in particular, facilitating their incorporation into online sales channels, reducing their logistics costs and bringing culture closer to all households.

► Tailor-made and sustainable delivery

Last year, Correos launched a pilot project, together with the supply market network, Mercasa, for the distribution of fruit and vegetables from Mercasevilla to various markets and greengroceries in Seville and nearby towns. During the week-long pilot project, more than 7,200 kg of perishable goods were delivered by refrigerated vehicles to nine retailers.

The aim is to develop services to reduce the environmental impact of logistics and goods transport in cities by implementing an efficient distribution chain that consolidates retail purchases in different markets at source. This reduces the flow of thousands of vehicles that go on a daily basis from the main cities to the 23 wholesale food distribution units comprising the network managed by Mercasa.

Correos also continued to offer its services to pilgrims walking the *Camino de Santiago*, despite the exceptional situation marked by COVID-19. The company renewed the website **www.elcaminoconcorreos.com** which provides information on the different routes to Santiago in 9 languages and where the services



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offered to pilgrims can be purchased. One of them is the *Paq Mochila*, a solution for transporting luggage between stages of the way, with which more than 55,000 transfers were made in 2020.

Other options available are the *Paq Peregrino*, *Paq Bicicleta*, the products for pilgrims offered in the specific section of the Correos online shop or the left-luggage service at the main post office in Santiago de Compostela.

In addition to this offer, the company organises an annual photographic competition to raise awareness of the Pilgrims' Routes to Santiago de Compostela. The 2020 edition received a record number of 1,556 pictures, under the slogan *#CaminoSostenible*, aimed at conveying the importance of conserving and protecting the environmental, artistic and human heritage of the *Camino de Santiago*.





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► Citypaq close to every customer

In 2020, Correos reorganised the ecosystem of Citypaq parcel automatic terminals. Their total number was reduced, following the removal of lockers with lower usage, although deposit capacity was increased in those located in high-traffic locations.

On the other hand, 93% of the devices remained operational during the year, despite mobility restrictions and the closure of some establishments and locations. However, the total number of items delivered decreased by 44% compared to 2019.

Through the Citypaq network, Correos offers services to different user segments, such as Direct delivery on a terminal like a delivery address for online shopping, flexible delivery through Correos Modify, shipments between individuals, returns or deposit of parcels from second-hand shopping platforms. These options were joined by:

- The private parcel delivery service (Citypaq Services) for companies that wish to receive all their volumes through Citypaq. This solution automates all deliveries, from all parcel operators, for employees in a workplace.
- The Citypaq Partners mobile app, to reserve spaces at different terminals in the network, both public and private, for deliveries or exchanges. This allows retailers to offer click&collect collections at their physical points of sale.

- The **returns portal** through Citypaq, to manage the deposit of both pre-registered items and reverse logistics, without the need to be a registered user.

The year also saw the incorporation of new customers in the e-commerce sector, who began to offer Citypaq as a collection point for their buyers. Demand for this service experienced significant growth: volumes deposited by these online retailers increased by 163% compared to 2019, while deliveries arranged through the Correos Modify application grew by 298%.



► Urgent deliveries with Correos Express

Correos Express is the Correos Group company that provides B2B and B2C express delivery solutions, within guaranteed time, to any national and international destination.

Its commercial proposal includes guaranteed on-time delivery services (Paq 10, Paq 14 and Paq 24); international (International Express and International Standard) and customised business solutions (Paq Empresa14 or ePaq24). The latter also include delivery options specifically designed for the needs of certain business sectors, such as the dental and optical sectors, where Correos Express is the leading provider. In addition, private individuals can request express baggage collection and delivery with EquiPaq 24.

In 2020, Correos Express extended delivery to Saturdays with the Paq24 service (guaranteed delivery on the next working day after the day of admission), extending its coverage to all postcodes in mainland

Spain. The subsidiary also began offering a unified Iberian tariff for deliveries to and from Spain or Portugal.

It also launched a new range of express parcel services for the Canary Islands, marketed through the Correos post office network. Canarias Express allows the transport of parcels and documents from and between the islands, simplifying customs procedures and offering four types of services: for delivery of documentation destined for the mainland or the Balearic Islands, for goods of high or low value that include in their tariff the completion of the customs and management procedures and, finally, for delivery of documentation and goods exclusively within the islands, which do not require customs formalities.

These services also have added value such as information on the expected delivery date, reimbursement, all-risk insurance, delivery confirmation by SMS or home collection request.

Correos Express
launched a new range
of express parcel
services for delivery to
and from the Canary
Islands



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► Supporting the development of e-commerce

The Correos Group markets comprehensive services for the e-commerce sector, including online shops management, marketing, payment methods and the provision of logistics and distribution. In 2020, two new options were added to this catalogue of solutions:

- Local e-commerce, aimed at the digitisation of local shops. This is a marketplace of products and services intended for public entities or companies to support the online sales of businesses in their municipality or target audience.
- Showcase, a virtual showcase of online shops. Its purpose is to increase the visibility of products and visits to web stores, making it easier for users to find them.

The company also signed a collaboration agreement with the Spanish Basketball Federation to become its official logistics provider. The agreement also included the development of the Federation's e-commerce, through the Create online shop solution, and the management of logistics and distribution of its volumes.

On the other hand, Correos has its own online shop, a portal where packaging, gifts and merchandising, philatelic and collectors' items are sold for delivery within 48 hours to the customer's home or to the nearest post office or Citypaq terminal.



Correos online shop





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Secure payment methods

Correos Prepago cards facilitate the secure payment of purchases made in physical and digital shops, as well as secure cash withdrawals at ATMs and Correos post offices, without the need of a bank account.

In addition, the Correos Regalo and Correos Regalo AliExpress cards can be used by other people of the customer's choice. Last year a promotion took place, consisting of a draw for 220 Correos Regalo AliExpress cards with 250 euros of credit each, coinciding with the campaign that this online retailer carries out every 11 November.

In order to manage these cards easily and conveniently from a mobile phone, the company developed a new website and an app. In addition, new features were added, such as the incorporation of the 3DSecure security protocol in all purchases and top-ups, the use of biometrics, certificates of ownership, credit card top-ups from the website and the creation of a **virtual IBAN account** to receive and send transfers to other accounts.

Another of the new features introduced was the integration of the Apple Pay function in the Correos Prepago Mastercard card for individuals, allowing contactless payments to be made through Apple mobile devices, guaranteeing reliability and security.

Last year also saw the development of the Correos Prepago Social Assistance card, which enabled public administrations, organisations and social entities to provide financial assistance to vulnerable families

during the pandemic. Since May 2020, almost 2,000 families have received nearly 378,000 euros through these means of payment, earmarked for grants for meals, food and medicines.

Finally, Correos created a themed virtual card dedicated to the video game LOL (League of Legends). Correos Prepago Mastercard Exclusive League of Legends Edition allows you to shop in physical or digital shops and, at the same time, get Riot Points for each purchase, fictitious coins that can be exchanged in the video game.





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► Correos Market with local producers

The Correos Market online sales portal was created with the commitment to generate new business opportunities in the rural world and contribute to providing solutions to the demographic challenge. At the end of 2020, it had 756 active producers and more than 5,500 registered users.

During the past year, numerous administrations and entities continued to join Correos Market to promote e-commerce for small artisans and local producers. This enable the company to reach agreements with the Autonomous Communities of Murcia, Asturias and Extremadura, the Provincial Councils of Palencia, Segovia, Sevilla, Granada, Málaga and Badajoz, Viladecans, Town Council, the Union of Small Farmers and Stockbreeders (UPA), the Spanish Rural Development Network (REDR) and the Federation of Rural Women's Associations (FADEMUR). It gives them access to more advantageous sales and home delivery conditions for their

members and promotes their increased digital and physical presence throughout the country.

In order to expand opportunities for these sellers, Correos Market also incorporated the sale of products to Portugal, and in the future, to other countries. Likewise, last year it inaugurated its new Instagram channel with a shop, which had more than 100 references and almost 2,000 followers.

In addition, at the end of 2020, a Christmas basket was marketed, made up of 'gourmet' products available at Correos Market and selected by the Sandoval brothers, holders of two Michelin stars and three Repsol suns. Consequently, this boosted the consumption of local products during these dates, favouring the digitalisation of the rural economy.





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Integration of physical and digital communication

Correos is the leading postal service provider on the Spanish market. Its wide range of physical communication solutions includes mail, registered and express products, delivery of books and publications and personalised direct marketing solutions.

Among the latter is the Correos Sampling service, for sending free personalised samples, which added new services in 2020 such as the design and production of packaging and the handling activities. The **website** of this solution also incorporated two additional sections: 'You are Influencer', to give visibility to the brands that are part of Correos Sampling, and 'You are a company', to explain the advantages it brings to companies.

The company also markets various digital communication services, which complement the above, such as digital letters and postcards, faxes and online telegrams, which can be purchased via the website or the Correos app.

This app allows customers to check the status of deliveries or the location of post offices and Citypaq terminals, and last year it added new functionalities such as the possibility of sending faxes, requesting appointments in post offices or the option of creating a personal

profile, through integration with the digital identity service (Correos ID).

Additionally, with the PaqBook option, all items associated with a telephone number are transferred to the app so that users can keep track of all their deliveries. In addition, customers can activate the option of notifications on the status of their deliveries and add their *Más Cerca* card, to access advantages in their purchases and contracts at post offices.

Correos renewed its app, incorporating the possibility of making appointments at post offices and creating a personal Correos ID profile.



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► Multi-channel communication services

Correos Nexea is the Group's subsidiary specialising in the global management of the companies' document cycle, from consultancy, design, engineering and digitalisation of documents to printing, enveloping, safeguarding or certified destruction.

Its **Nexo platform** enables the integration of all physical and digital mass communications of companies and entities, allowing them to interact through different channels and formats with multiple users, with total security and traceability. In 2020, the number of customers on this platform continued to grow and, in the first months of the pandemic, it enabled the continuity of communications (digital or postal) between companies and their customers or policyholders on commercial and administrative networks.

During the past year, a new option for signing contracts with a single signatory was also incorporated, complementing the *Firma manuscrita digital avanzada* service, and the subsidiary began to provide technical assistance services to the National Tax Administration Agency.

On the other hand, pandemic constraints led to an acceleration in the digitisation of business communications and a contraction in demand for postal or direct marketing services. As a result, in November 2020 Correos Nexea decided to reduce its printing and enveloping capacities and to dispense with the centre it operated in Valdemoro (Madrid), concentrating its activities at its facility in Coslada (Madrid).

► Connectivity and telecommunications services

Correos Telecom is the subsidiary responsible for marketing the surplus capacity of the Correos Group's telecommunications network, offering the rental of high-capacity connectivity of linear infrastructures for cable laying, dark fibre, and sites for telecommunications equipment and radioelectric emissions. Thus, it facilitates the extension of fixed and mobile coverage of other operators, in low competition environments, helping to reduce the digital gap in these areas.

In 2020, the upward trend in demand for these services continued, especially for linear infrastructure (with 18.5% growth in revenues) and site rental (up 40%). This positive evolution was due to the more than 80 new contracts signed with telecommunications operators for the location of FTTH headends in post offices throughout the country, and to the arrival of new international customers demanding fibre optic backbones.

With regard to the sale of fibre optics to other operators, in 2020 the subsidiary completed the project to deploy fibre between Puerto Lumbreras and Almería, completing the connected Alicante-Almería network, and signed a new contract to extend its coverage in the Almería-El Ejido section. Correos Telecom was also awarded a contract to deploy a fibre optic ring in the Zaragoza-Huesca area, as part of an overall project to connect three new data processing centres (DPCs) of an international operator through more than 100 km of dedicated fibre.

The implementation of technologies such as 5G requires providing the current mobile telephony nodes with fibre optic connections to the tower, replacing the current radio links. In this area of activity, the subsidiary signed a contract to connect the Peñacabarga tower (Cantabria) using fibre and evaluated connections for additional nodes in Rocacorba (Girona) or Torre Picayo (Valencia).

As part of the Group's digital transformation and diversification strategy, in 2020 Correos Telecom worked on the development of new lines of business on the retail telecommunications market, based on the supply of own-brand voice and data services, fibre, internet access and internet TV.

This range of services, aimed at the residential market and SMEs, will include on-demand audiovisual content, advertising and shopping through the TV, sale of electronic devices and other telecommunications services. In the first marketing phase, the offer will be available

to employees and their families, with the possibility of incorporating other public groups, before being extended to all types of customers.





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Post offices: the widest territorial coverage

The post office network ensures universal access to postal services, while its capillarity enables it to contribute to territorial cohesion and the economic development of citizens and businesses, both in urban and rural areas.

In recent years, the post offices have expanded their commercial offering, both with their own products and through sale agreements with companies and entities, supporting the Group's diversification strategy. This network also brings an increasing number of government services closer to the public.

In 2020, the post offices incorporated a new Drop and go service, which allows SMEs and the self-employed to deposit their items without having to wait for admission, by using their Más Cerca loyalty card. To do so, all they have to do is fill in an online form on the Correos website and make an online request for a prioritised appointment, which has also been available since last year.

This option of requesting a prioritised appointment through the website and the Correos app, which allows customers to select the day and time to be assisted in the post office, has enabled better management of the influx of people at the network. In addition, people over 65, one of the population groups most vulnerable to

COVID-19, were also provided with the customer service number to request an appointment, increasing their security. The establishments were also provided with information signs, indicating the hours when the number of customers was lowest.

These and other measures led to further improvements in waiting times at the post offices, where more than 82% of customers were attended to in less than 5 minutes and 94% in less than 10.

Likewise, at the end of 2020, the new commercial model, aimed at improving customer experience with a closer and more personalised service, was being implemented in more than 1,200 post offices. Many of them have personalised advice from the 'postal ambassador'. Others have digital tablets at their disposal to speed up procedures and reduce waiting times. In addition, the post offices are fully accessible for people with reduced mobility and have display furniture for convenience products, national and international parcels or prepaid packaging, for the convenience of users.



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► Helping to bridge the financial gap

The post offices offer cash transactions, money transfers (national or international) or immediate remittances. Moreover, in a context of increasing bank branch closures, the territorial presence of the Correos network (with almost 2,400 establishments) and its extended opening hours offer a strategic advantage to the financial sector, especially in rural areas, guaranteeing the availability of its services to the entire population.

In 2020, the company launched the CorreosCash service so that the entire network could carry out basic transactions, such as cash deposits and withdrawals and cheque management. In addition to the existing agreements with Banco Mediolanum, Tríodos Bank, Evo Bank and Bancofar, an **agreement was reached with Banco Santander**, so that customers can make cash deposits and withdrawals at Correos post offices and rural service points and receive money through postmen and women at any address in Spain.

► Public administration services closer to citizens

Correos wants post offices to be a point of contact between the administration and citizens, incorporating an increasing number of public services. Therefore, with the provision of the Virtual Registration Office for Entities (ORVE), the post offices act as an entry register for the immediate admission and dispatch of digitised documents, addressed by citizens to any of the member entities (Autonomous


Link web
[Banco Santander agreement](#)




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Communities, more than 1,100 local entities, universities and the central public administration). Various procedures can be managed through this process such as enrolment in the UNED, applying for scholarships and school places or obtaining the European health card.

Through ORVE and in collaboration with the Spanish Mint (*Fábrica Nacional de Moneda y Timbre*), in 2020 it also began to process applications for the issuance of the qualified electronic certificate for companies (both for legal persons and unincorporated entities). Moreover, as many public bodies had to limit their face-to-face service to citizens, the use of ORVE to carry out procedures with these bodies increased significantly (by more than 600%).

Last year, the post offices sold nearly 600,000 environmental badges for the Traffic Department, and also processed other documents for this body, such as the duplicate of the vehicle registration certificate and the vehicle report.

The offer available on the network also includes the payment of bills for basic service companies or the payment of municipal taxes by electronic postal order. Last year, collaboration agreements were extended to include a total of 36 local councils, 4 provincial councils (Soria, Ourense, Almería and Lugo), the Tenerife Tax Consortium and the Tax Agencies of Cataluña and Castilla-La Mancha.

► Marketing agreements for external services

The post offices also facilitate the contracting of products and services from other companies, such as AVE train tickets, both long and medium distance, telecommunications services, electricity and gas or insurance, through agreements reached with leading companies in these sectors, such as Mapfre, O2, PepePhone, Endesa or Naturgy.





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Philatelic activity, a reflection of society

In 2020, the philatelic activity also became a witness of the exceptional situation caused by the pandemic. An example of this is the thank-you stamp that was included in the COVID-*Héroes del siglo XXI* box, which served as a tribute to the generosity of numerous groups in Spanish society.

The 91 postal items issued during the year also reflected other themes such as diversity, cultural or gastronomic heritage and various commemorations, including those dedicated to International LGBTI Pride Day, women in different fields of activity and climate change (also the theme of the 7th edition of the DISELLO competition).

The range of philatelic and numismatic products produced during the year included stamp sets on the centenaries of the Spanish national football team and the Spanish Legion, folders on artistic heritage, with the Mudejar art of Aragon, and the last

set of the collectable series 'Generations', dedicated to the decade 2010-2019.

Philatelic production continued to incorporate unique innovations that enabled the marketing of the first auditory stamp, with which a fragment of Beethoven's 5th symphony could be heard; the stamps dedicated to the 80th anniversary of the Zarzuela Hippodrome or to the 100th anniversary of the first postal flight, with three-dimensionality; or the series 'Spain in 19 dishes', produced in collaboration with the Royal Academy of Gastronomy, whose stamps incorporate sensations of smell and taste and the possibility of visualising the preparation of recipes by renowned chefs with augmented reality.

The launch of this latest series coincided with the EXFILNA2020 National Philatelic Exhibition, which for the first time in its history was held online. The Postal and Telegraphic Museum of Correos also organised several virtual exhibitions last year, given the restrictions on face-to-face visits. Its associated historical archive and library also completed the digitalisation of

its audiovisual collections, which are now available for consultation, and once again announced research grants to promote the valuation and conservation of postal heritage.



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Close communication

In 2020, activity on the Correos Group's social networks continued to show an upward trend. Correos increased the number of followers in its corporate profiles by 23% to 309,2015, with notable growth in its channels on Instagram (up 69%), LinkedIn (up 36%) and the customer service profile on Twitter @CorreosAtiende (up 30%). The number of Correos Express followers on social networks increased by 82% to 28,278.

Correos' activity on social networks generated more than 1.2 million online mentions, with an estimated impact on more than 1.7 billion users. Followers on social networks particularly valued the content published on the activities carried out to mitigate the health and economic effects of the pandemic, collaborate in solidarity with various initiatives during the state of alarm and revalidate the commitment to provide a more useful public service than ever.

The company's presence in the national, regional and local media was reflected in 11,541 news items published, with 8.138 billion hits in the press, radio, television and digital media. 86% of this information was positive or neutral in tone.

During the first half of the year, most of the media publications focused on the maintenance of the Universal Postal Service and Correos' logistics capacity during the health crisis, as well as volunteer initiatives

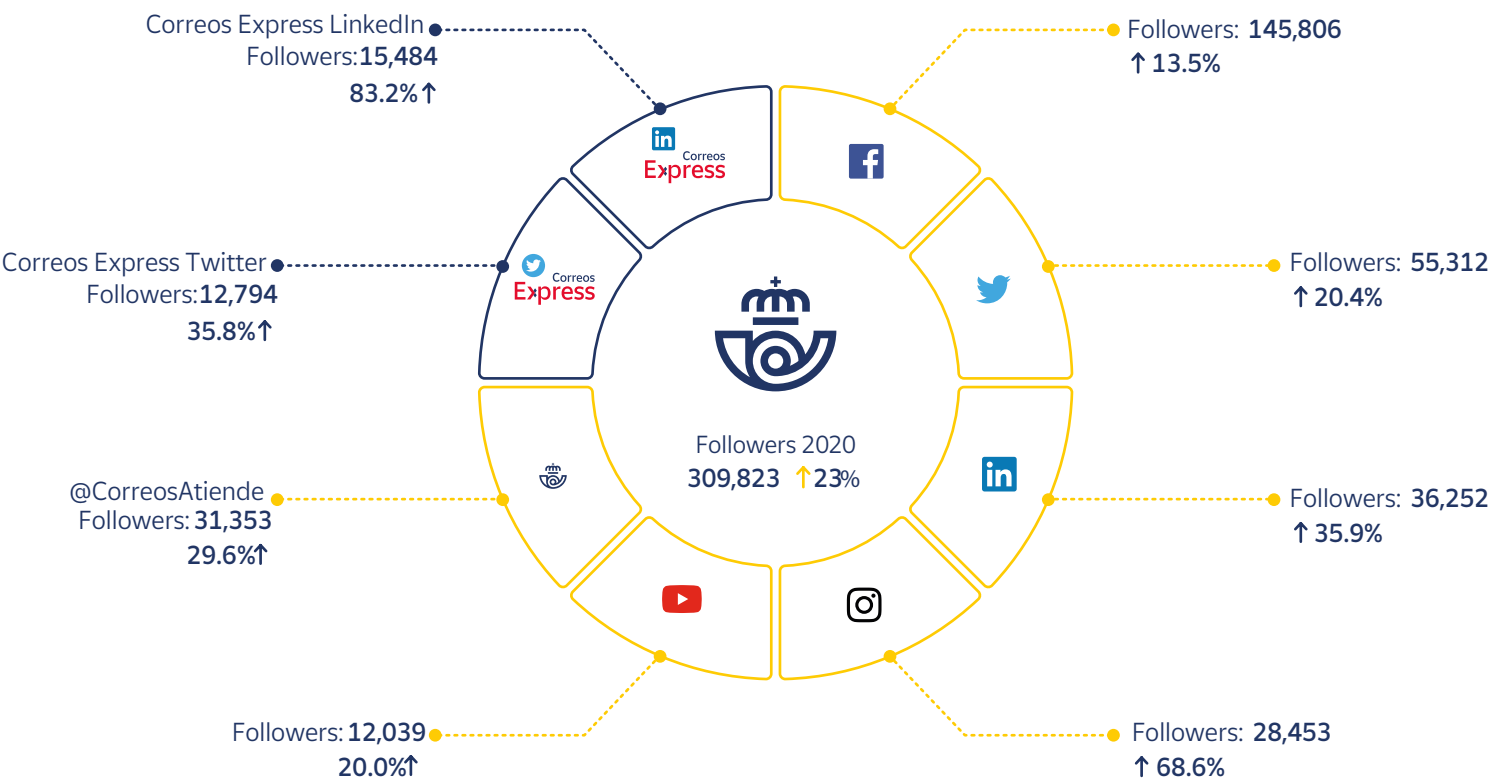
in which company employees participated.

In the second half of the year, the main topics published included support for the dissemination of the campaign in defence of the LGTBI community, together with the **#ParaEsoEstamos** and **#OrgulloPorLoNuestro** campaigns, as well as Correos' role as **La Vuelta logistics operator** and sponsor of the men's and women's handball teams.

Information related to the company's commitment to stable employment, with the incorporation of more than 4,000 people and the announcement of two new recruitment processes, the development of postal voting in Galicia and the Basque Country, the commitment to sustainability and Correos Market also received extensive coverage.

In the last quarter of the year a new Instagram channel was created for Correos Market service, to give greater visibility to local producers. It was also created a product catalogue associated with the page, generating daily content of interest and highlighting the commitment of Correos for promoting rural Spain and combating its depopulation.

Correos and Correos Express social networks



The campaigns that generated the greatest support, both on social networks and in other media, were:



Distribuir respiradores

Emprender iniciativas

AYUDAR EN TODO
LO QUE PODAMOS

#ParaEsoEstamos

HELP IN ANY WAY WE CAN #PARAESOESTAMOS.

Solidarity initiatives by more than 3,200 Correos employees to help in the fight against Covid-19.

NO SOLO AMARILLO.

On the occasion of LGTBI Pride Day, the first stamp dedicated to this global celebration was launched, with a design alluding to the Begoña Passage in Torremolinos.



Orgullo por lo nuestro.



CorreosMarket.es




CORREOS MARKET. KEEP HELPING. #PARAESOESTAMOS and CORREOS MARKET #ORGULLOPORLONUESTRO (on the occasion of Columbus Day). A call to consume local products as a show of support for producers who open their businesses every day despite the difficulties they encounter.



ENVÍOS RESPONSABLES



No todo es urgente. Cuidar el planeta, sí.



RESPONSIBLE SHIPPING.
Raising awareness of the impact of urgent parcels on the environment and the responsible use of this service, with the audiovisual campaign 'not everything is urgent, but taking care of the planet is', coinciding with the time of year when online consumption is at its highest.



El mejor aplauso es ser responsables

Feliz Navidad



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+ Excellence in operations

 SDG 9, 11

In 2020, pandemic-related constraints led to the consolidation of e-commerce, which was already growing at double-digit annual rates but later became widespread among the population, fostering increased demand for home deliveries.

The health crisis showed that the postal and parcel activities are essential for society, not only to ensure the provision of basic necessities, but also to facilitate work, education and leisure for citizens during these months.

Both trends, the growth of e-commerce and the importance of meeting the logistics needs of companies, citizens and administrations, required reinforcement of the Correos Group's operational capabilities. Guaranteeing the safety of employees and customers was also essential, which led to protection means being incorporated and processes adapted in distribution and customer service at post offices, as well as in other activities.

This enabled the Correos Group to allocate 83.9 million euros to investments in new equipment and technology, reinforcing transport networks and increasing the centres' sorting capacity by 600,000 parcels per day.





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Major developments in 2020

Last year Correos incorporated three new small parcel sorting systems at the automated processing centres in Seville, Alicante and Valladolid, as well as a new automated parcel sorting set-up at the Mérida centre. In addition, a new air cargo palletisation system was implemented at the Madrid CAM 4 bulk admission centre.

After most of the restrictions resulting from the pandemic were lifted, the company resumed two important projects for the expansion of its infrastructures in the second half of the year:

- The construction of a new centre at the Zaragoza Logistics Platform (PLAZA), the largest logistics space in Europe, which will increase the operational area of the current automated processing centre in that city by more than 42,000 m². This facility will also house the operations of the subsidiary Correos Express in this area.
- The building of the **Rampa 7** logistic international centre, a strategic project for the Group's international logistics activities. The implementation of this infrastructure will increase efficiency in the management of inbound goods at Adolfo Suárez Madrid-Barajas Airport. In addition, it will allow the current international handling centre (ITC) located at this airfield to specialise in outbound operations and urgent national exchange. With an area of nearly 12,500 m², the new centre will be equipped with the latest technology for cargo management, sorting, tracking and control of items.

- The improvements in the centres also included the concentration of the sorting processes for non-standardised volumes (flat format) in Valencia and Madrid, which until then had been carried out in Alicante and Mérida, respectively. Likewise, the reorganisation of processes in the integral logistics centre (ILC) in Barcelona was completed and a new model of folding containers for parcels was incorporated.

- During the last quarter of the year -which coincides with the e-commerce discount campaign and the Christmas season-, the Correos Group handled 30% more parcels than in the same period of the previous year, exceeding 2.3 million registered items transported in a single day.

- The Group strengthened its provincial and local transport networks with the addition of 318 routes. Correos acquired 2,417 new delivery vehicles, including 1,150 motorbikes, a third of which were electric.

- The company incorporated new functionalities in the more than 27,000 portable computer terminals (PDAs) used daily by distribution staff, such as the possibility of accepting postal votes at the customer's home, additional controls for the delivery of notifications and a new application to improve vehicle management. In addition, 1,820 digital devices were renewed for post offices and centres and a further 1,000 IT units for technical and administrative staff.



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- Correos completed the optimisation project of delivery activities, with the revision of notification management processes (including robotisation of digitalisation and return of information to the sender through the subsidiary Correos Nexea, automatic printing of delivery notices and improvement of control in delivery units).

Correos resumed the construction of the *Rampa 7* logistic international centre, a strategic project for the Group's international logistics activities





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Expansion of Correos Express infrastructures

During 2020, Correos Express continued to develop its modernisation and facility expansion plan, in order to increase its processing and transport capacities, in response to the growing demand for e-commerce and new customer needs.

The subsidiary opened two new logistics centres in Barcelona and Toledo, as well as another two in Valencia. In addition, it expanded the operational area of its branches in Álava, Benavente (Zamora), Burgos, Castellón de la Plana, Murcia, Orense and Vizcaya and moved its operations to new infrastructures in Albacete, Ibiza, Menorca, Santander and Toledo.

As part of its automation plan through the incorporation of smart systems and sorting machines, the company installed new medium-capacity equipment, with dynamic weighing and cubing, at the Valencia and Murcia centres.

Correos Express also increased the sorting capacity of its medium-capacity systems at the Alicante, Valencia, Seville and Malaga centres, from 2,500 to 3,500 items per hour, as well as the equipment at the Guarromán (Jaén) branch, incorporating a new entrance with dynamic weighing and 30 exit ramps in addition to the 20 existing ones.

The Gerona, Castellón, Santander, Toledo and Albacete delegations were also equipped with new automatic data capture systems, the Cáceres and Huelva delegations with belt conveyors, while the Bilbao, Valladolid and Vitoria delegations renewed their dynamic weighing equipment.

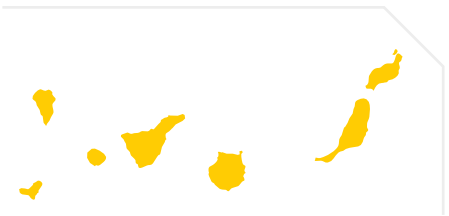
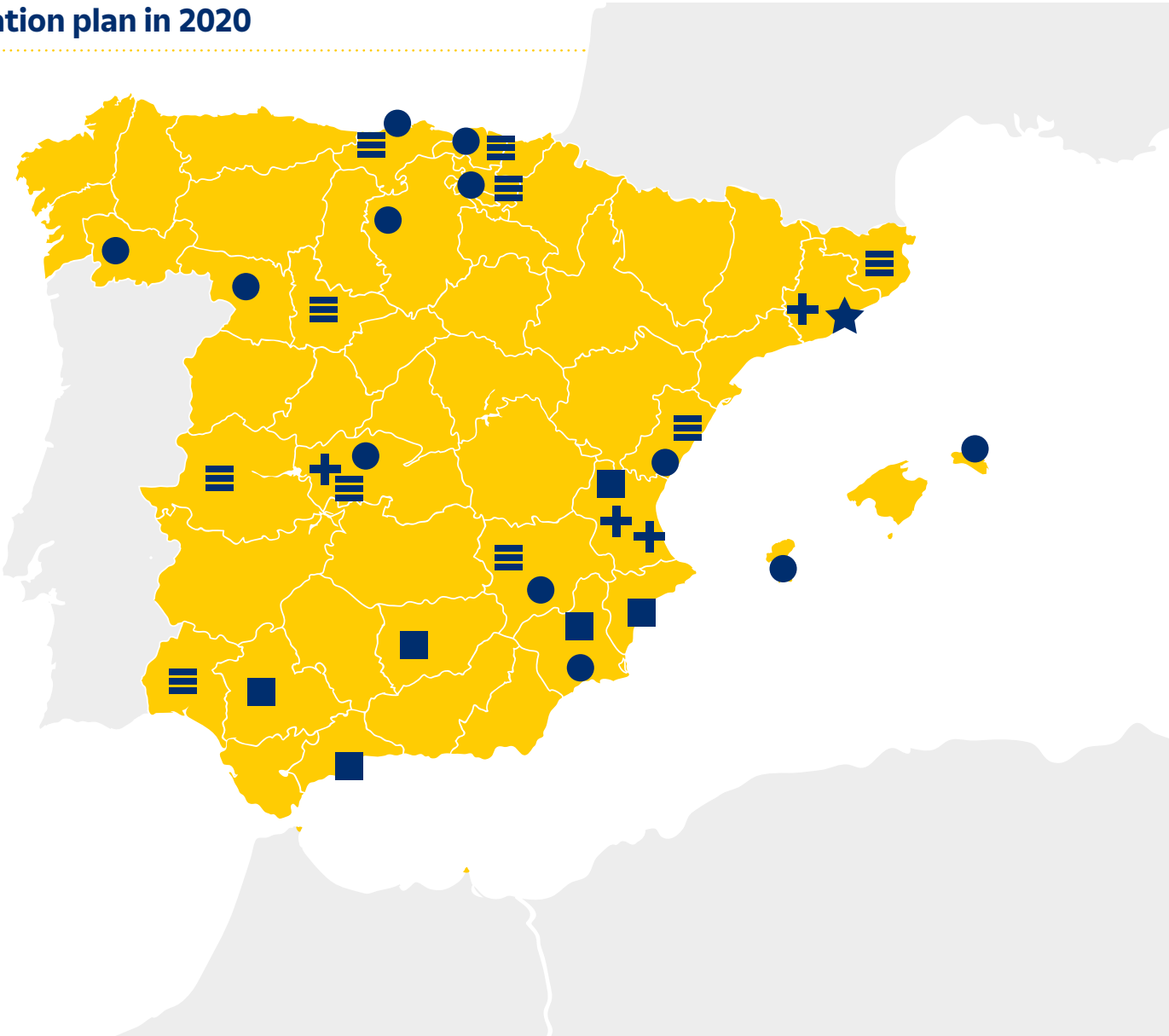
The subsidiary implemented dynamic management in departures at all its branches, which allows items to be sorted by final destination instead of by postcode, speeding up processing at crossing platforms and reducing the handling of items.

Correos Express incorporated 2,000 portable digital devices (PDAs) to reinforce the busiest routes, and improved the functionality of delivery and dispatch

management applications at centres, cutting processing and distribution times. Finally, the subsidiary expanded its fleet by 1,500 means of transport and acquired new logistics equipment, including more than 2,000 transport trolleys, 400 specific parcel-sorting trolleys, 5,000 delivery trolleys and 5,000 pallets.

Development of the modernisation plan in 2020

- + News branches**
Barcelona, Toledo and another two in Valencia
- Expansion of centres**
Álava, Benavente (Zamora), Burgos, Castellón de la Plana, Murcia, Orense, Vizcaya, Albacete, Ibiza, Menorca, Santander y Toledo
- Extension of sorting capacity**
Alicante, Valencia, Sevilla, Málaga, Guarromán (Jaén) and Murcia
- ≡ New sorting equipment**
Gerona, Castellón, Santander, Toledo, Albacete, Cáceres, Huelva, Bilbao, Valladolid and Vitoria





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Evolution of international activity

The Correos Group, through Correos Express Portugal, has 11 branches in Oporto and Lisbon, with which it provides a comprehensive express service throughout the Iberian Peninsula. Due to the growth in activity, in 2020 Correos Express Portugal moved its logistics centre in Montijo to a new facility in Alcochete (Setúbal), doubling the available operational area. The subsidiary also acquired 200 portable computing devices (PDAs) for new distribution professionals who joined the company during the year.

The Group also operates in China, through the joint ventures KCG eCommerce Solutions and K Parcel. In this country, it has a parcel admission and sorting infrastructure with a processing capacity of 25,000 parcels per hour, expandable up to 2 million items per day. This facility handles volumes generated, especially by e-commerce, from China and Hong Kong to Spain and the rest of the world.

Although one of the Group's strategic objectives is to grow its international presence and increase cross-border volumes, both for outbound (by improving delivery and transport options) and inbound (by being the reference operator for large senders of international mail items), the impact of the pandemic during 2020 was a major setback for postal and parcel activity.

The mobility restriction measures resulting from the pandemic reduced the availability of all means of transport, in particular by air, and consequently the available cargo capacity. The closure of airports and restricted activity of most postal operators led to a standstill in the clearance of mail intended for various international destinations. The health crisis also led to higher transport costs, long transit times and the prioritisation of customs clearance of medical devices, especially face masks, for institutions and individuals.





The global reach of the pandemic also had an impact on business flows from China and other Asian countries, which play an important role in the volumes handled by Correos' Extraterritorial Offices of Exchange (ETOE) in other countries.

This led to a significant reduction in overall shipment traffic during the year (with the exception of some parcel products), with inbound volumes falling for the first time in recent years, but more importantly outbound items. These circumstances also made it difficult to meet the usual delivery deadlines, with reliability and regularity taking precedence over speed of delivery.

Correos undertook various technological developments to adapt to the new customs regulations scenario foreseen in 2021, within the framework of the European ICS2 project for customs security and the abolition of VAT exemption for low-value items in Europe. The company also undertook the operational and technological integration of the ADT-Postales centre, in charge of customs management and hitherto managed by an external entity, which will be completed in 2021.

Correos undertook various technological developments to adapt to the new customs regulations scenario foreseen in 2021



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+ Innovation

GRI 203-2

SDG 9

Innovation is one of the driving forces behind Correos' strategy. Its application to operational processes and commercial portfolio enables the development of new lines of business that provide added value to customers and strengthen business competitiveness.

In 2020, the company participated in various national and international joint innovation projects, such as:

- The European consortium DELOREAN (Drones and Egnss for LOW aiRspace urban mobility), within the framework of the Horizon 2020 programme, whose objective is to develop services for the mobility of people and goods in urban areas in an efficient and sustainable manner, using drones.
- The project for the development of 5G, in collaboration with Telefónica and promoted by the Ministry of Economic Affairs and Digital Transformation through Red.es. Correos is participating in a use case for improving air traffic control of drones in urban environments using this technology.
- The '*Impulso emprendedor*' Programme, promoted by the Government of Navarre through the European Business and Innovation Centre of Navarre (CEIN), to provide a specific business acceleration programme for 10 projects.

- The Correos y Telégrafos Chair at the University of Alcalá, which carries out training, dissemination and knowledge transfer activities and the promotion of R&D&I.
- The development of feasibility studies with electric vehicles of various types, such as refrigerated and isothermal Scoobic Light tricycles for last-mile temperature-controlled transport, and high-capacity three-wheel motorbikes from Vms Automotive.
- The TESEO project (financed by the European Regional Development Fund 2014-2020) together with the company Geograma, to optimise delivery routes in urban areas using machine learning technology.

CorreosLabs innovation centre

CorreosLabs is Correos' innovation centre, a multidisciplinary workspace where creativity and the exchange of knowledge are fostered through internal activities or in collaboration with other companies. It is an incubator for ideas, in which to experiment and develop alternative business models, with all the technological facilities and resources.

The community of CorreosLabs collaborators, which includes large technology companies and start-ups, continued to grow in 2020 with the incorporation of new organisations and start-ups, such as Homyhub (one of the winners of the first Lehnica Challenge), Gataca and DAP Legal.



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During the year, the centre hosted 25 educational and work sessions that were broadcast via streaming. The **correoslabs.com** website was also revamped, in order to facilitate the incorporation of new companies into the community.

Correos also wants to be a catalyst for innovation in Spain. Therefore, at the end of 2020 it signed a protocol with Barcelona City Council and the Zona Franca Consortium to turn its central buildings in the city into a hub of business activity and innovation, aimed at boosting the economic life of the Ciutat Vella district, regenerating its productive fabric and promoting high added value employment in the city centre.

Correos quiere ser también catalizador de la innovación en España. Por ello a finales de 2020 firmó un protocolo con el Ayuntamiento de Barcelona y el Consorci de la Zona Franca para ceder sus edificios centrales en la ciudad y convertirlos en un polo de actividad empresarial e innovación, con el fin de dinamizar la vida económica del distrito de Ciutat Vella, regenerar su tejido productivo e impulsar el empleo de alto valor añadido en el centro urbano.

Lehnica Challenge

Every year, CorreosLabs hosts the development of the business projects selected in the Lehnica Challenge, Correos' acceleration programme. Its objective is to promote business ideas that forge innovative products or services, through a joint contribution of value

to the market.

The companies participating in this programme receive a financial contribution, a space at CorreosLabs to work and collaborate with other entrepreneurs, training, as well as internal and external coaching and mentoring for one year.

In its third call, the Lehnica Challenge selected the following companies, whose acceleration process began in June 2020:

- **All Read Machine Learning Technologies**

Software based on deep learning that facilitates the identification of codes and symbols in supply chains.

- **Appsamblea**

Platform that facilitates online, verified, secret and secure voting for any organisation.

- **CO2 Revolution**

Efficient reforestation of huge areas of land using Big Data or drones.

- **Mooevo**

Electric device adaptable to different personal mobility devices for the distribution or transport of goods in urban centres.

+ Consolidated annual accounts of Grupo Correos



+ Auditor's report



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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the sole shareholder of Sociedad Estatal Correos y Telégrafos, S.A., S.M.E. (Sole Shareholder Company):

Opinion

We have audited the consolidated annual accounts of Sociedad Estatal Correos y Telégrafos, S.A., S.M.E. (Sole-Shareholder Company) (the Parent Company) and its subsidiaries (the Group), comprising the balance sheet as of 31 December 2020, the profit and loss account, the statement of changes in equity, the cash flows statement and the annual report, all consolidated, corresponding to the financial year ended on that date.

In our opinion, the accompanying consolidated annual accounts express, in all material respects, the true image of the Group's equity and financial position as of 31 December 2020, as well as its results and cash flows, all of which are consolidated, corresponding to the financial year ended on that date. All the above complies with the applicable regulatory framework for financial information (identified in note 3 of the consolidated report) and, in particular, with the accounting principles and criteria contained therein.

Basis for opinion

We have carried out our audit in accordance with the regulations governing current account auditing in Spain. In accordance with these standards, our responsibilities are described later in the section of our report entitled



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Auditor's Responsibilities regarding the audit of the consolidated annual accounts.

We are independent of the Group in accordance with ethical standards, including those of independence, which are applicable to our audit of the consolidated annual accounts in Spain as required by the regulations governing the audit of accounts. In this respect, we have not provided services other than those of the audit of accounts nor have situations or circumstances occurred that, in accordance with the provisions of the aforementioned mandatory regulations, have compromised the necessary independence.

We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

Most relevant aspects of the audit

The most relevant aspects of the audit are those that, according to our professional judgement, have been considered the most significant material misstatement risks in our audit of the consolidated annual accounts of the current period. These risks have been addressed in the context of our audit of the consolidated annual accounts as a whole, and in the formation of our opinion on them, and we do not express an opinion on the individually.

Revenue Recognition

As described in note 17.a of the attached consolidated report, the revenue obtained by the Group comes mainly from the following activities:

- Sales of customers with contracts, amounting to 1,458,186 thousand euros, corresponding to the sales of corporate clients and representing 74% of the 'Revenue' heading.
- Sales of cash receipts, amounting to 317,345 thousand euros, representing 16% of the 'Revenue' heading.
- Sales of the international unit, amounting to 110,504 thousand euros, representing 6% of the 'Revenue' heading.

In accordance with the applicable regulatory financial reporting framework and as indicated in note 5.ñ of the attached consolidated report, the Group records revenue from the sale of goods and the provision of services at fair value of the consideration, already received or to be received, derived from them. This is after deducting any discount, reduction in price or other similar items that the Group may grant, as well as indirect taxes levied on the transactions and chargeable to third parties.

We have considered the recognition of revenue as a more relevant aspect of our audit and subject to material misstatement, in relation to the high number of transactions.

We have performed the following procedures as part of our audit and in response to the above:

- An understanding of the policies and processes implemented by the Group in the revenue and accounts receivable cycle for each type of activity detailed above, including verification of the general controls



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of management information systems (IRIS and OCA) and accounting systems (SAP). We have also verified the effectiveness of different automatic and manual controls that have been considered key points, together with the automatic transfer of the revenue recorded in the management systems to the accounting system.

- We have carried out the following procedures for sales of clients with contracts:

We have obtained all accounting entries for this type of revenue recorded in the 2020 financial year, verifying whether the consideration complies with logical accounting standards.

Obtaining external confirmations for a sample of customer invoices in relation to the outstanding balance. In the absence of confirmation, alternative procedures have been carried out by means of subsequent payment receipts or documentation supporting said invoicing.

- We have carried out the following procedures for cash sales:

We have obtained all accounting entries for these revenues recorded in the 2020 financial year, verifying whether the consideration complies with logical accounting standards.

We have extracted all revenue recorded in the management information system (IRIS) confirming that it matches the amount of turnover registered in the accounting system.

- We have carried out the following procedures for sales of the International Unit:

We have obtained all accounting entries for this type of revenue recorded in the 2020 financial year, verifying whether the consideration complies with logical accounting

We have verified the accounting system's assessment of the valuation of the services provided through the request for file samples, verifying the services provided with the corresponding delivery notes and the rates applied with those included in the general agreements with the Universal Postal Union and other specific agreements between countries, as well as the corresponding quote on the day of the Special Drawing Rights.

We have verified a sample of the different postal companies with which a commercial relationship is maintained, of the advances issued and received, through the collation of bank statements.

We have verified a random sample of compensations of advances issued and received with the balances of the invoices pending issuance and receipt through compensation agreements signed with other postal companies.

- We have verified that the information disclosed in the consolidated annual accounts is sufficient and adequate in accordance with the regulatory framework of applicable financial information.



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Evaluation of the existence and valuation of provisions and contingent liabilities

The Group recognised a total of 32,783 thousand euros under the 'Non-current Provisions' and 'Current Provisions' headings, relating to lawsuits and claims of a different nature.

In accordance with the applicable regulatory framework of financial information and as indicated in note 5.k of the attached consolidated report, the Group recognises provisions when it has a present obligation, be it legal or contractual, implicit or tacit, resulting from a past event, a reliable estimate of the obligation can be made and it is likely to entail a future outflow of resources for its settlement.

We have considered this area as more relevant aspect of our audit and subject to material misstatement, in relation to the fact that the recognition of provisions or their consideration as contingent liabilities implies a high degree of judgement and estimates by Management.

We have performed the following procedures as part of our audit and in response to the above:

- Obtaining confirmation from legal and tax advisers, both internal and external, detailing the open lawsuits and claims as of 31 December 2020, which have been closed during that financial year.
- Obtaining the supporting documentation of those lawsuits and claims that we have considered significant, verifying that the amounts

claimed are those reported in the responses of the legal and tax advisers.

- We have held meetings with the legal department of the Group in order to understand the nature of the different lawsuits and claims and confirm the assessment made by them and their external advisers through their responses to balance confirmation, in order to determine their registration as provisions or contingent liabilities.

- We have verified that the information disclosed in the consolidated annual accounts is sufficient and adequate in accordance with the regulatory framework of applicable financial information.

Evaluation of the impairment of the lands and buildings of the Parent Company

As described in note 7 of the accompanying consolidated report, the Group records the book value of the land and buildings of the Parent Company under the 'Tangible fixed assets' section, for a net amount of 1,135,863 thousand euros. This section includes a provision for impairment amounting to 110,453 thousand euros.

In relation to the impairment of the registered assets, as mentioned in note 3 of the attached consolidated report, since 2009 the Parent Company has applied the provisions of Order EHA/733/2010 of 25 March, which approves accounting aspects of public companies that operate in certain circumstances, and therefore the Parent Company determines the impairment of its tangible and intangible fixed assets by referring to the depreciated replacement cost of each asset (note 5.e).



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The Parent Company has requested an independent expert to evaluate a sample of assets. This selection has been made considering those properties that have a significant risk of deterioration due to acquisitions made in years with bullish prices prior to the property crisis in Spain, and those with an impairment provision recorded as of 31 December 2020.

We have considered this area a more relevant aspect of our audit and subject to material misstatement, in relation to the fact that the value of property, plant and equipment represents 49% of the Group's total assets as of 31 December 2020, since every assessment is subject to a high degree of judgements and estimates. As a result of the assessment carried out by the Parent company, a net reversal of impairment was recorded in the consolidated income statement for the year, amounting to 4,864 thousand euros.

We have performed the following procedures as part of our audit and in response to the above:

- Verification of the competence, capacity and independence of the expert by obtaining confirmation and evidence of its recognised standing in the market.
- We have obtained the assessment reports from the independent expert and we have verified that the assessments have been made according to the accepted methodology through the documentation provided on their work.
- We have gained an understanding of the process documented by

management to identify the assets presenting the highest risk with regard to their assessment.

- We have compared the net book value with the assessed value obtained for each asset plus the cost of the reforms made since its start-up, discounting the accumulated depreciation since its acquisition and confirming the impairment or reversal of the impairment provision recorded by the Parent company.
- We have verified that the information disclosed in the consolidated annual accounts is sufficient and adequate in accordance with the regulatory framework of applicable financial information

Evaluation of the risk of recognition of compensation for operating deficits of the Parent Company

As described in notes 5.q and 17.c of the accompanying consolidated report, the Parent Company recognised under 'Other operating income' in the consolidated profit and loss account for 2020 compensation for the benefit of the Universal Postal Service (hereinafter 'UPS') amounting to 60,000 thousand euros. As a result of the lack of approval of a methodology and concepts that must be included for the calculation of the net cost of the UPS, the Parent Company records annually in the consolidated profit and loss account the amounts of compensation recognised in the extended General State Budgets found in a specified item in the General Directorate of the Treasury and Financial Policy and once the necessary requirements for its consideration as non-refundable have been met.



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Also, as indicated in note 17-c of the attached consolidated report, during the period 2011-2019, the Parent Company received from the Ministry of Transport, Mobility and Urban Agenda for the UPS, the total amount of 1,219 million. of euros. During the month of May 2020, the European Commission has published the resolution approving the compensation to the Parent Company by the Spanish State for a total amount of 1,280 million euros for the fulfillment of the obligation of the UPS during the period 2011-2020. The Commission's decision has been made based on a calculation methodology. Therefore, the administrators of the Parent Company understand that it has the approval of this. Although this methodology has to pass different approval procedures at the national level, as well as be reviewed by the National Commission on Markets and Competition, and considers that there is a remote risk of a negative impact on the consolidated annual accounts for the current and subsequent years.

As described in note 5.q of the attached consolidated report, a subsidy will be considered non-refundable when there is a specific agreement to grant it to the Parent Company, the conditions established for granting it have been met and there are no reasonable doubts about the receipt of the subsidy.

We have considered this area as the most relevant aspect of our audit and subject to material misstatement, in relation to the complexity of the compensation accrual principle and the lack of approval of the new Benefit Plan that includes a methodology for calculating compensations for services provided by the UPS.

We have performed the following procedures as part of our audit and in response to the above:

- Obtaining written confirmation from the General Directorate of the Treasury and Financial Policy that the amount charged by the Parent Company in 2020 is 60,000 thousand euros, of which corresponds to 2020.

- We have held meetings with the financial department and with the analytical accounting and cost model department, as well as with the legal counsel of the Parent Company in order to assess the situation of the calculation methodology, previously detailed. This has served as the basis for the written confirmation that we have obtained from said Company in which it has considered that the risk of future returns for the period 2011-2020 is remote, as reflected in the consolidated annual accounts of the present year.

- We have verified that the information disclosed in the consolidated annual accounts is sufficient and adequate in accordance with the regulatory framework of applicable financial information.

Other information: Consolidated management report

The other information comprises exclusively the consolidated management report for 2020, whose compilation is the responsibility of the directors of the Parent Company and is not an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the consolidated management report, in accordance with what is required by the regulations governing the audit of accounts, consists of:



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a) Check only that the consolidated non-financial information statement has been provided in the manner provided for in the applicable regulations and, if not, to report on it.

b) Evaluate and report on the concordance of the rest of the information included in the consolidated management report with the consolidated annual accounts, based on the knowledge of the Group obtained in conducting the audit of the aforementioned accounts, as well as evaluating and reporting whether the content and presentation of this part of the consolidated management report are in accordance with the applicable regulations. If, based on the work we have done, we conclude that there are material misstatements, we are obliged to report it.

On the basis of the work carried out, as described above, we have verified that the information mentioned in section a) above is presented in the separate report 'Statement of Non-Financial Information 2020 of Grupo Correos' to which reference is included in the consolidated management report and that the rest of the information contained in the consolidated management report is consistent with that of the consolidated financial statements for 2020 and its content and presentation comply with the applicable regulations.

Liability of the directors and the audit and control committee in relation to the consolidated annual accounts

The directors of the Parent Company are responsible for compiling the accompanying consolidated annual accounts, in order to give a true and fair view of the Group's assets, financial position and consolidated results,

in accordance with the regulatory framework for financial information applicable to the Group in Spain. This also includes a view of the internal control that they consider necessary to allow for the preparation of consolidated annual accounts free of material misstatements, due to fraud or error.

In the preparation of the consolidated annual accounts, the directors of the Parent Company are responsible for assessing the Group's ability to continue as a going concern, revealing, as appropriate, the issues relating to the company in operation and using the accounting principle of this type of company unless the directors intend to liquidate the Group or cease operations, or there is no other realistic alternative.

The Parent Company's audit and control committee is responsible for supervising the process of preparing and presenting the consolidated annual accounts.

Responsibilities of the auditor regarding the auditing of the consolidated annual accounts

Our objectives are to obtain reasonable assurance that the consolidated annual accounts as a whole are free from material misstatement, due to fraud or error, and to issue an audit report that contains our opinion.

Reasonable security is considered a high degree of security but does not guarantee that an audit conducted in accordance with the regulations governing audits in force in Spain will always detect any eventual material misstatement. Misstatements may be due to fraud or error and are



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considered material if, individually or in an aggregated way, they can reasonably be expected to influence the economic decisions made by users based on the consolidated annual accounts.

As part of an audit in accordance with the regulations governing current account audits in Spain, we apply our professional judgement and maintain an attitude of professional scepticism throughout. Also:

- We identify and assess the risks of material misstatement in the consolidated annual accounts, due to fraud or error, and design and apply audit procedures to respond to such risks, obtaining sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of material misstatements due to error, since fraud can involve collusion, falsification, deliberate omissions, intentionally erroneous statements, or circumvention of internal control.
- We obtain knowledge of the internal control of the audit in order to design audit procedures that are appropriate in the circumstances, not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the adequacy of the accounting policies applied, as well as the reasonableness of the accounting estimates and the corresponding information disclosed by the directors of the Parent Company
- We conclude on whether the use of the accounting principle of the

company in operation by directors of the Parent Company is adequate and, based on the audit evidence obtained, we conclude whether or not there is material uncertainty in relation to facts or conditions that may generate significant doubts about the Group's ability to continue in operation. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to the corresponding information disclosed in the consolidated annual accounts or, if such disclosures are not adequate, express an amended opinion. Our conclusions are based on the audit evidence obtained to date from our audit report. However, future events or conditions may cause the Group to cease operations.

- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosed information, and whether the consolidated annual accounts represent the underlying transactions and events in a way that manages to express the true image of the company.
- We obtain sufficient and adequate evidence in relation to the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the management, supervision and performance of the Group's audit process. We are solely responsible for our audit opinion.

We communicate with the Audit and Control Committee of the Parent Company regarding, among other items, the scope and timing of the planned audit and the significant findings thereof, as well as any significant internal control deficiencies that we identified during the course of the audit.

We also provide the Parent Company's Audit and Control Committee with a statement that we have complied with applicable ethical requirements, including independence requirements, and have communicated with the Committee to report any matters that might reasonably be expected to threaten our independence and, where appropriate, the relevant safeguards.

Among the significant risks that have been reported to the Parent Company's Audit and Control Committee, we state those that have been of the greatest significance in the audit of the consolidated annual accounts of the current period and that are therefore considered the most significant.

We describe those risks in our audit report unless legal or regulatory provisions prohibit public disclosure thereof.

Grand Thornton, S.L.P, Sole
Shareholder Company
ROAC nº S0231



David Calzada Criado
ROAC nº 22193
23 April 2021



+ Consolidated Balance Sheet

For 31 December 2020 (expressed in thousand of euros)

ASSETS	Notes	Balance at 31/12/2020	Balance at 31/12/2019
NON-CURRENT ASSETS		1,536,496	1,497,646
Intangible assets	6	60,032	47,284
Consolidated goodwill	6,1	7,287	8,161
Computer software		49,811	35,340
Other intangible assets		2,934	3,783
Property, plant and equipment	7	1,389,296	1,382,172
Land and buildings		1,151,440	1,156,892
Technical installations and other fixed assets		191,090	186,714
Assets under construction and advances		46,766	38,566
Investment property	8	17,898	16,630
Non-current investments in group companies and associates		3,572	
Investments in equity accounted companies	11,4	3,001	-
Loans to companies accounted for by the equity method	20	571	-
Non-current financial investments	11	4,862	2,451
Loans to third parties		2,176	-
Other financial investments		2,686	2,451
Deferred tax assets	18	60,836	49,109

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ASSETS	Notes	Balance at 31/12/2020	Balance at 31/12/2019
CURRENT ASSETS		765,039	733,831
Non-current assets held for sale	9	3,496	3,975
Inventories	10	14,491	9,611
Trade and other receivables	11	697,389	615,415
Clients for sales and provision of services		564,358	580,207
Clients, companies accounted for by the equity method	20	4,638	—
Sundry debtors		29,355	26,023
Debtors, group companies and associates	20	93,258	483
Staff		4,985	7,420
Other receivables from public administration	18	795	1282
Current financial investments	11	1,086	3,129
Current accruals		4,111	1,107
Cash and cash equivalents	11,12	44,466	100,594
TOTAL ASSETS		2,301,535	2,231,477

Notes 1 to 25 to the attached report form an integral part of the Correos Group's consolidated annual accounts for 31 December 2020



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EQUITY AND LIABILITIES	Notes	Balance at 31/12/2020	Balance at 31/12/2019
EQUITY		1,187,563	1,457,303
Shareholder's equity	13	955,829	1,219,092
Capital		611,521	611,521
Share Premium		250,938	250,938
Reserves		356,634	342,269
Legal reserve		101,847	100,070
Statutory reserves		214,119	214,119
Voluntary reserves		222,920	230,423
Reserves in consolidated companies		(182,252)	(202,343)
Other reserves			
Reserves in consolidated companies			
Result pending application		-	-
Result for the year attributable to Parent Company		(263,264)	14,364
Grants, donations and bequest received	14	231,403	236,946
External partners		331	1,265
External partners		1,265	2,215
Result for external partners		(934)	(950)
NON-CURRENT LIABILITIES		118,807	121,793
Non-current provisions	15	27,271	24,939
Non-current payables	11,16	9,464	14,628



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NON-CURRENT LIABILITIES	Notes	Balance at 31/12/2020	Balance at 31/12/2019
Debts with credit institutions		8,058	11,256
Financial lease creditors		47	284
Other financial liabilities		1,359	3,088
Deferred tax	18	77,271	79,351
Non-current accruals		4,801	2,875
CURRENT LIABILITIES		995,165	652,381
Current provisions		5,512	3,215
Current payables	11,16	370,404	42,742
Debts with credit institutions		332,519	3,789
Financial lease creditors		379	425
Other financial liabilities		37,506	38,528
Short-term debts with group companies and associates	11, 16, 20	2,549	3,495
Trade creditors and other accounts payable	11,16	611,537	596,698
Suppliers		2,853	3,219
Sundry creditors		311,712	292,796
Staff		43,449	25,198
Other debts with public administration	18	59,172	66,682
Customers advances		194,351	208,803
Current accruals		5,163	6,231
TOTAL EQUITY AND LIABILITIES		2,301,535	2,231,477

Notes 1 to 25 to the attached report form an integral part of the Correos Group's consolidated annual accounts for 31 December 2020

+ Consolidated Profit and Loss Account

For 31 December 2020 (Expressed in thousands of euros)

CONTINUED OPERATIONS	Notes	Balance at 31/12/2020	Balance at 31/12/2019
Revenue	17-a)	1,975,209	2,266,483
Supplies		(395,317)	(336,881)
Merchandise used	17-b)	(12,271)	(11,826)
Impairment of merchandise, raw materials and other supplies	10	(1,205)	(424)
Work carried out by other companies	17-b)	(381,841)	(324,631)
Other operating income		73,406	124,341
Non-trading and other operating income		12,574	3,866
Compensation for provision of the UPS	17-c)	60,000	120,000
Operating grants included in the result of the financial year	17-c)	832	475
Staff costs	17-d)	(1,554,493)	(1,659,683)
Salaries, wages and similar		(1,216,675)	(1,310,846)
Social Security contributions		(329,865)	(340,468)
Other expenses		(7,953)	(8,369)
Other operating expenses		(413,781)	(344,676)
External services	17-e)	(385,139)	(323,446)
Taxes	17-f)	(6,017)	(7,477)



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CONTINUED OPERATIONS	Notes	Balance at 31/12/2020	Balance at 31/12/2019
Losses, impairment and change in trade provisions	11	(3,875)	(2,627)
Other expenses from ordinary activities		(18,750)	(11,126)
Amortisation and depreciation	6,7,8	(64,492)	(60,204)
Non-financial and other capital subsidies	14	8,103	5,937
Provisions surpluses	15	3	-
Impairment and loss/gain on disposal of fixed assets	17-g)	(4,305)	2,796
Impairment and losses		(6,116)	2,887
Result from disposals and others		1,811	(91)
Other results		(154)	(70)
OPERATING RESULT		(375,821)	(1,957)
Financial income	17)i	79	111
From negotiable securities and other financial instruments:			
From group companies		-	44
From third parties		79	67
Financial expenses	17-i)	(394)	(175)
Debts with third parties		(394)	(175)
Restatement of provisions		-	-
Exchange-rate differences		8,909	7,404



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	Notes	Financial year 2020	Financial year 2019
FINANCIAL RESULT		8,594	7,340
Share in income of companies accounted for by the equity method	11,4	752	-
RESULT BEFORE TAX		(366,475)	5,383
Income tax	18	102,277	8,031
CONSOLIDATED RESULT FOR THE FINANCIAL YEAR		(264,198)	13,414
Result for the parent company		(263,264)	14,364
Result for external partners		(934)	(950)

Notes 1 to 25 to the attached report form an integral part of the Correos Group's consolidated annual accounts for 31 December 2020



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+ Consolidated Cash Flow Statement

For 31 December 2020 (Expressed in thousands of euros)

OPERATING ACTIVITIES	Notes	Financial year 2020	Financial year 2019
Result for the financial year before taxes		(366,475)	5,383
Adjustments to the result			
Amortisation and depreciation	6,7,8	64,492	60,204
Valuation adjustments due to impairment	7,10,11	11,196	(3,212)
Change in provisions		21,982	(15,630)
Allocation of capital subsidies	14	(8,103)	(5,937)
Operating grants included in the result of the financial year	17-c)	(1,152)	(475)
Result of removals and disposal of fixed assets		(1,811)	91
Financial income	17-h)	(79)	(111)
Financial expenses	17-h)	393	175
Exchange-rate differences		(8,909)	(7,404)
Other income and expenses		-	(281)
Share in income (losses) of companies accounted for by the equity method		(752)	-
Changes in current capital			
Inventories		(6,085)	(4,098)
Trade and other receivables		(3,083)	(140,180)

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Other current assets	(3,119)	(3,456)
Trade and other accounts payable	(2,122)	128,859
Other current liabilities	2,071	5,427
Other non-current assets and liabilities (+/-)	1,918	3,363
Other cash flows from operating activities		
Interest payments	(94)	(90)
Interest received	59	120
income tax received	3,756	12,594
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(295,917)	35,342

INVESTMENT ACTIVITIES	Notes	Financial year 2020	Financial year 2019
Payments for investments			
Group companies and associates	21	(2,820)	(11,050)
Intangible assets		(24,598)	(15,170)
Property, plant and equipment		(78,226)	(61,179)
Other financial assets		(2,411)	-
Proceeds from disposals			
Property, plant and equipment		12,072	1,575
Non-current assets held for sale		-	999
Other financial assets		2,043	24
TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES		(93,940)	(84,801)

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FINANCING ACTIVITIES	Notes	Financial year 2020	Financial year 2019
Proceeds from and payment for equity instruments			
Grants, donations and legacies bequests received		3,517	-
Proceeds from and payment for financial liability			
Issue			
Debts with credit institutions		326,825	14,531
Debts with group companies and associates		500	-
Reimbursement and amortisation			
Obligations and other marketable securities (+)		(4,522)	-
Other debts		(1,500)	-
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		324,820	14,531
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		8,909	7,404
NET VARIATION IN CASH OR EQUIVALENTS		(56,128)	(27,524)
Cash and cash equivalents at the start of the financial year	12	100,594	128,118
Cash and cash equivalents at the end of the financial year	12	44,466	100,594

Notes 1 to 25 to the attached report form an integral part of the Correos Group's consolidated annual accounts for 31 December 2020

+ Consolidated Statement of Recognised Income and Expenses

for Financial year ended 31 December 2020 (Expressed in thousand of euros)

A) Consolidated statement of recognised income and expenses for the financial year ending 31 December 2020:

	Notes	Financial year 2020	Financial year 2019
Consolidated result for the financial year		(264,198)	13,414
Income and expenses directly attributed to consolidated equity:	14		
Grants, donations and bequests received		1,437	370
Tax effect		(389)	—
		1,048	370
Transfers to consolidated profit and loss account:	14		
Grants, donations and bequests received:			
- due to amortisation		(5,608)	(5,807)
- due to adjustments for impairment		(1,516)	—
- due to disposals		(984)	(135)
-others		(633)	
Tax effect		2,150	1,476
		(6,591)	(4,466)
TOTAL RECOGNISED CONSOLIDATED INCOME AND EXPENSES		(269,741)	9,318
Total income and expenses for the parent company		(268,807)	10,268
Total income and expenses for external partners		(934)	(950)

+ Consolidated Statement of Changes in Equity

corresponding to the Financial year ended 31 December 2020 (Expressed in thousands of euros)

B) Statement of total changes in the consolidated equity corresponding to the financial year ended 31 December 2020

	Reserves held by the Parent Company					Result for the financial year attributable to the Parent Company	Grants, donations and bequests received	External partners	TOTAL
	Capital	Share premium	Legal reserve	Voluntary, statutory reserves	Reserves in consolidated companies				
BALANCE START OF 2018 FINANCIAL YEAR	611,521	250,938	100,070	471,417	(76,258)	(152,960)	241,049	—	1,445,777
Total recognised consolidated income and expenses	—	—	—	—	—	14,364	(4,096)	(950)	9,318
Operations with partners or owners: Distribution of dividends	—	—	—	—	—	—	—	—	—
Other variations in consolidated equity	—	—	—	(26,875)	(126,085)	152,960	(7)	2,215	2,208



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	Reserves held by the Parent Company								TOTAL
	Capital	Share premium	Legal reserve	Voluntary, statutory reserves	Reserves in consolidated companies	Result for the financial year attributable to the Parent Company	Grants, donations and bequests received	External partners	
BALANCE START OF 2019 FINANCIAL YEAR	611,521	250,938	100,070	444,542	(202,343)	14,364	236,946	1,265	1,457,303
Total recognised consolidated income and expenses	-	-	-	-	-	(263,264)	(5,543)	(934)	(269,741)
Operations with partners or owners:									
Distribution of dividends	-	-	-	-	-	-	-	-	-
Other variations in consolidated equity	-	-	1,777	(7,503)	20,091	(14,364)	-	-	-
BALANCE END OF 2020 FINANCIAL YEAR	611,521	250,938	101,847	437,039	(182,252)	(263,264)	231,403	331	1,187,563

Notes 1 to 25 to the attached report form an integral part of the Company's consolidated annual accounts for 31 December 2020



+ Consolidated Report corresponding to the financial year 2020

(expressed in thousands of euros)

1. Activities of the Parent Company

Sociedad Estatal Correos y Telégrafos S.A., S.M.E. (Sole Shareholder Company) (hereinafter, Correos, the Parent Company, or the Company) was incorporated as a public limited company [*sociedad anónima estatal*] pursuant to article 6.1.a) of the Consolidated Text of the *Ley General Presupuestaria* [the Budget Act] enacted by *Real Decreto*, [Royal Decree] 1091/1988, dated 23 September, and additional item twelve of *Ley 6/1997, de 14 de abril, de Organización y Funcionamiento de la Administración General del Estado (LOFAGE)* [Act, 6/1997, of 14 April 1997, on the Central Government Organisation], by a resolution of the Council of Ministers of 22 June 2001, under article 58.1 of *Ley 14/2000, de 29 de diciembre, de Medidas Fiscales, Administrativas y del Orden Social* [Act 14/2000, of 29 December, on the Tax, Administrative and Social Measures Act]. The Company is governed by *Ley de Sociedades de Capital* [the Capital Companies Act], by the rest of applicable laws and regulations, and by its Articles of Association.

On 1 February 2017 the Sole Shareholder, with the prior agreement of

the Company's Governing Board held the 27 October 2016, agreed to change the Parent Company's name and amend Article 1 of their Articles of Association to adapt to the provisions of article 111 of the *Ley 40/2015, de 1 de octubre, de Régimen Jurídico del Sector Público* [Act 40/2015 of 1 October, on the Legal System for the Public Sector]. According to these provisions, the Company name changed and is hereafter known as Sociedad Estatal Correos y Telégrafos, S.A., S.M.E. (Sole Shareholder Company). The Sole Shareholder's decision was passed by a public deed by the company on the 1 February 2017 and recorded in the Companies Registry on the 20 February 2017.

Under articles 58.2 and 58.3 of the aforementioned Tax, Administrative and Social Measures Act, the Company began its operations, and was automatically subrogated to the activities, assets, rights and obligations of the former Entidad Pública Empresarial Correos y Telégrafos (hereinafter, 'the Entity'), on 3 July 2001, the day of registration with the Companies Registry of the public deed of incorporation of the Company, dated 29 June 2001. From that day, the Company took over all the functions carried out by the former Entity and was subrogated to the status of authorised operator for the provision of the Universal Postal Service (hereinafter UPS) attributed to the latter in additional provision one of *Ley 24/1998, de 13 de julio, del Servicio Postal Universal y de Liberalización de los Servicios Postales* [Act 24/1998, of 13 July 1998, of the Universal Postal Service and the Liberalisation of Postal Services Act], and subsequently for a period of 15 years under *Ley 43/2010, de 30 de diciembre, del Servicio Postal Universal, de los derechos de los usuarios y del mercado postal* [Act 43/2010, of 30 December 2010, the Universal Postal Services, Users' Rights and the Postal Market Act].



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Pursuant to article 58.4 of Tax, Administrative and Social Measures Act, the Company owns, as of its incorporation, all the assets, rights and obligations of the former Entity. The state-owned assets transferred from the former Entity to the Company at the time of its incorporation were removed pursuant to section four of the aforementioned Act. Nonetheless, the Central Government, through the *Dirección General del Patrimonio del Estado* [General Directorate for State Assets], has a pre-emptive right over certain buildings belonging to the Company, in accordance with the Council of Ministers' decision authorising the incorporation of the Company. The exercise price of that right of first refusal will be set by surveyed value appraised by the technical units of the General for State Assets, which will use a property valuation prepared by a public corporation specialising in property surveying. The lease rights are likewise reserved in the case that the State-Owned Company decides to operate those buildings.

Under article 58.7 of Tax, Administrative and Social Measures Act, civil servants who were actively employed by the former Entity at the time of registration of the public deed of incorporation of the Company became employees of the Company without interruption, under the same employment terms and retaining their status as Central Government civil servants in their respective divisions and grades, with length of service, established pay and acquired rights being wholly preserved. The legal relationship between this type of employee and the Company is governed by *Real Decreto 370/2004, de 5 de marzo* [Royal Decree 370/2004, of 5 March], which approved the Sociedad Estatal Correos y Telégrafos, S.A., S.M.E. Workers' Statute. (Sole Shareholder Company).

In addition, and pursuant to article 58.17 of the aforementioned Tax, Administrative and Social Measures Act, any worker contracted by the Parent Company from the date of the start of its activity shall be engaged under an ordinary employment contract.

Some of the services provided by the Parent Company fall within the remit of the UPS and are regulated by the Act 43/2010, of 30 December 2010, on Universal Postal Service, Users' Rights and the Postal Market [the Postal Act]. It sets out that these services will be provided in accordance with the UPS Service Plan and the regulatory contract (on the date of these financial statements both have not been approved yet). This Act fundamentally regulates the collection, admission, distribution and delivery conditions for the UPS that may be demanded of the designated operator, as well as the cost and financing of the UPS obligations, the prices and other rate conditions for postal services.

Ley 3/2013, de 5 de junio, de creación de la Comisión Nacional de los Mercados y la Competencia [Act 3/2013, of 5 June, on the Creation of the National Markets and Competition Commission, hereinafter CNMC] explicitly repealed *Ley 23/2007, de 8 de octubre, de creación de la Comisión Nacional del Sector Postal* [Act 23/2007, of 8 October, on the Creation of the National Commission for the Postal Sector] and the creation of a single regulator centralising all functions regarding the correct function of the markets and sectors supervised by the *Comisión Nacional de Energía* [National Commission for Energy], the *Comisión del Mercado de Telecomunicaciones* [Telecommunications Market Commission], the *Comisión Nacional de la Competencia* [National Commission for Competition], the *Comité de Regulación Ferroviaria* [Rail Regulation Committee], the *Comisión Nacional del Sector Postal* [National Commission for the Postal Sector], the *Comisión de Regulación*



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Económica Aeroportuaria [Airport Economic Regulation Commission] and the *Consejo Estatal de Medios Audiovisuales* [State Audiovisual Media Council]. Pursuant to *Ley 3/2013, de 5 de junio* [Act 3/2013, of 5 June], the CNMC supervises and ensures the correct functioning of the postal market, in particular as regards the following functions:

- Ensure that the UPS is guaranteed, in compliance with postal regulations and free competition in the sector.
- Verify the analytical accountancy of the designated operator and the net cost of the UPS and determine the size of the unfair financial burden caused by providing the UPS, in accordance with The Postal Act.
- Manage the UPS compensation fund and the public services financed by it, in accordance with The Postal Act.
- Supervise and ensure the application of the current regulations on access to the network and other postal infrastructure and services, in accordance with The Postal Act.
- Control and measure the conditions in which the UPS is provided, in accordance with the Postal Act.
- Issue the report foreseen in The Postal Act, to monitor the conditions in which the UPS is provided.

In order to maintain the UPS, The Postal Act provides a finance fund that

will be managed by the CNMC with the purpose of compensating the postal operator for the net cost of its UPS obligations.

Pursuant to The Postal Act, the main sources of financing for the fund will be the budget assigned by the Central Government in its National Budgets, the annual postal contribution of the postal operator and the bearers of individual licences, and fees for granting individual administrative licenses.

Article 26 of the Postal Act establishes the designated operator's – Correos – obligation to keep analytical accounts that make it possible to separate accounts for each service and product of the UPS and any other services and products that are not part of it. In accordance with the Postal Act, the postal operator will submit for validation a calculation of the net cost of each financial year.

Similarly, the Postal Act guarantees access to the postal network for postal operators once they have been granted an individual administrative license according to the principles of transparency, proportionality and non-discrimination. The Postal Act also regulates the resolution of conflicts among postal operators, under the principles of fair hearing, *audi alteram partem* and equality of the parties.

The designated operator will have to prepare a standard contract for access to the postal network which must previously be approved by the CNMC. The CNMC must also be informed of any contracts not subject to the standard contract. Operators with individual administrative licences will be able to negotiate terms that differ from the one established in the standard contract with the designated operator. The CNMC will set the



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conditions for access to the postal network if the negotiations among the individual administrative licence holders and the designated operator do not lead to signing a contract.

According to the Postal Act, the Commission will be responsible for checking that the rates established in the contracts meet the principles of transparency and non-discrimination and that they cover the costs incurred by the owner of the network, and for verifying that the rates do not increase the financing needs of the UPS and the unjust deductible financial burden for the service provider.

The temporary provision of the Postal Act sets out that the terms for the provision of the Universal Postal Service and its financing are governed by the previous regulations, which were in force before these, until the Universal Postal Service Provision Plan and its regulating contract is approved.

Access to the postal network by postal operators provided for in Article 45 of the Postal Act, is currently governed by Royal Decree 1298/2006 of 10 November 2006, which regulates access to the public postal network and determines the procedure for resolving disputes between postal operators and the general conditions contained in the Resolution of 25 April 2018, of the Regulatory Supervision Chamber of the National Commission for Markets and Competition, as well as, where appropriate, by the specific conditions agreed in accordance with the provisions of Article 45.3 of the Postal Act.

Pursuant to article 2 of its Articles of Association, the corporate purpose of the Company, whose registered address is at Vía Dublín no. 7 in Madrid, is as follows:

- To manage and operate postal services of all kinds;
- To provide financial services relating to postal services, money order services and money transfers;
- To receive applications, written submissions and notices which the public send to government bodies, subject to applicable laws and regulations;
- To serve government and court notices in accordance with applicable laws and regulations;
- To provide telegram, teleprinter and bureau fax services and undertake other activities and services relating to telecommunications.
- To propose stamps to be issued, issue all other forms of payment for postal services, and sell and deliver its products and issues;
- To provide, on a mandatory basis, such services relating to its purpose as government bodies may order.
- To carry out any other activities or services complementing the above or which may be needed for the proper undertaking of the Company's purpose. To this end the Company may create and control holdings in other companies.

Since June 2012 the Company has been part of the group of companies called SEPI Group of which SEPI, a public law entity, is the parent company. SEPI has its registered office in Calle Velázquez no. 134 in Madrid, and is the



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sole shareholder, which means that the Company has a single-shareholder status pursuant to the provisions in article 12 of Royal Decree 1/2010, of 2 July, which approves the amended text of the Ley de Sociedades de Capital [the Capital Companies Act]. In accordance with the provisions of Article 136 (2) and (3) of the *Ley 47/2003, de 20 de noviembre, de la Ley General Presupuestaria* [Act 47/2003, of 20 November 2003, the Budget Act], the General Intervention Board of the State Administration (IGAE) will publish SEPI's consolidated annual accounts in the 'Register of public sector accounts' and the reference to this register in the BOE (Official State Gazette) of 31 July.

Correos is the parent company of Correos Group. The annual accounts of the Company corresponding to the financial year ended 31 December 2019, both individual and consolidated, were drawn up by the Governing Board of Correos on 26 March 2020, approved by the Sole Shareholder of the Parent Company on 10 June 2020. The annual accounts are filed at Madrid's Companies Registry.

In 2020, there was a global health crisis situation caused by COVID-19, which has impacted the Group, due to the sectors in which it operates, mainly the parent company:

- The drop in postal volumes in the Parent Company, which was 24.1%, doubled compared to that registered in 2019 which was 12.4% above 2018. As for the Group's parcels business, the double-digit annual growth in volumes experienced in previous years was cut short, with growth this year standing at 4%. The main reason for this was the impact of Covid-19, which has accelerated trends such as the digitalisation of product consumption, public administration and,

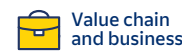
above all, personal and commercial communications, shortening their widespread implementation by decades.

- In addition, the parent company has paid 37.3 million euros to cover all the expenses related to the purchase of masks and the material necessary to adapt the offices to the existing regulations.
- On the other hand, despite the drop in business activity, the Group's management has opted to maintain employment, increasing the average number of permanent employees by 487 this year, as the company's future depends on a process of diversification that will allow it to enter growing markets with higher margins.
- As a result of all the above, financial needs caused by the current pandemic situation have become apparent, which have been solved with a credit line, within the parent company of the Correos Group, for an amount of 605 million euros, and the amount drawn down at year-end was 327 million euros (Note 3).

2. Structure of the Correos Group

The subsidiaries that comprise the Correos Group (hereinafter the Group) and which fall within the scope of consolidation as of 31 December 2020 are the following:

Name of the company	Principal activity	Registered address	Integration method
Correos Telecom, S.A., S.M.E.; M.P. (Sole Shareholder Company)	Management of the network of Telecommunication of the Parent Company	c/ Conde de Peñalver, 19 (Madrid)	Global
Nexea Gestión Documental, S.A., S.M.E. (Sole Shareholder Company)	Hybrid mail services	c/ Rejas, 9 (Madrid)	Global
Correos Express Paquetería Urgente, S.A., S.M.E. (Sole Shareholder Company)	Transportation services of documents and small parcels	Avenida de Europa, 8 Coslada (Madrid)	Global
CEP – Correos Express Portugal, S.A.	Transportation services of documents and small parcels	Rua do Barreiro nº553, Moreira Maia	Global
CEP II – Correos Express Portugal, S.A.	Goods transport services in the national and international market.	Rua da Serra nº654, Moreira Maia	Global
K Parcel Company Limited	Transportation services parcels	16/F., Kerry Cargo Centre 55 Wing Kei Road Kwai Chung, New Territories	Equity method
KCG ecommerce solutions Company Limited	Transportation services parcels	Room 101, #3 Building, Fu Ma San Road, Chi Gang, Humen Town,	Equity method



Change in the scope of consolidation during the financial year 2020:

During 2019, the necessary steps were taken to create two Chinese joint venture companies, KCG Ecommerce Solutions Company Limited (hereinafter KCG) and K Parcel Company Limited (hereinafter K Parcel), which have enabled Correos to enter the Chinese market, with a broad commercial perspective, both by addressing new parcel flows from China to the rest of the world, and offering value-added logistics solutions to both new and existing customers. Correos has a 35% stake in these two companies. These two companies were founded in the first half of 2020, with a total cost of 2,249 thousand euros. In addition, Correos has granted a loan to K Parcel in the amount of 571 thousand euros to be repaid over 5 years. These two companies are accounted for by the equity method within the consolidated accounts of the Correos Group, since it does not have control over them.

Change in the scope of consolidation during the financial year 2019:

Correos Express Paquetería Urgente, S.A., S.M.E. (Sole Shareholder Company), acquired 51% of the shares of the company Rangel Expreso S.A. (REXI) on 29 April 2019, located in Portugal, which included in its balance sheet 100% of a subsidiary, also located in Portugal, called Rangel Expreso II S.A. (REXII). The management of Grupo Correos has concluded that it has control over these companies, in accordance with Article 42 of the Commercial Code.

In this purchase and sale transaction a put and call contract was signed for the possible acquisition of a larger stake in the subsidiary CEP. These

options can only be activated in a number of circumstances which did not arise at year-end or at the date of preparation of these consolidated annual accounts. The contract was awarded free of charge.

On 5 August 2019, the decision of the shareholders of the subsidiary companies regarding the modification of the corporate name of the companies was made public:

Name of the company

CEP – Correos Express Portugal, S.A.

CEP II – Correos Express Portugal, S.A.

Correos Express Paquetería Urgente, S.A., S.M.E. (Sole Shareholder Company), whose registered office is at Avenida de Europa, 8, Coslada (Madrid), has as its corporate purpose the provision of goods transport services, activities ancillary and complementary to transport and the provision of collection, sorting and distribution services for goods and parcels. The main activity of Correos Express Paquetería Urgente, S.A., S.M.E. (Sole Shareholder Company), is the transport of corporate documents and small parcels, both nationally and internationally.

Correos Telecom, S.A., S.M.E., (Sole Shareholder Company) has its registered address at Calle Conde de Peñalver, 19 in Madrid and its corporate purpose, coinciding with its principal activity, consists of managing the telecommunications network owned by the Parent Company, providing telecommunication services mainly to the Parent Company and then to third parties; mediating, promoting and selling





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surplus capacity of the Parent Company's telecommunications network and providing postal service-related telecommunication services.

Nexea Gestión Documental, S.A., S.M.E. (Sole Shareholder Company), has its registered address at Calle Rejas, 9 in Madrid and its corporate purpose, coinciding with its principal activity, consists of providing hybrid postal services. Hybrid refers to postal services which allow the client to send documentation to Nexea Gestión Documental, S.A. telematically or electronically. The latter becomes responsible for printing the contents sheets which are subsequently sealed in envelopes and deposited in the Parent Company's admission centres for delivery to addressees.

CEP - Correos Express Portugal, S.A., (hereinafter 'CEP') with registered office at Rua de Barreiro N°553, Crestins feligresía de Moreira, municipality of Maia (C.P 4470-573 Moreira Maia) Portugal, has as its corporate purpose the provision of express and courier services, in particular non-universal postal services, and to ensure, as a public road haulage operator and transport commissioner, the management of the transport of goods, the receipt, transport and delivery of volumes and documentation, under the applicable legal and regulatory conditions. The main activity of CEP - Correos Express Portugal, S.A, is the express transport of documents and small business packages, both to national and international destinations.

CEP II - Correos Express Portugal, S.A., (hereinafter 'CEP II') with registered office at Rua da Serra N°654, Folgosa parish, municipality of Maia (C. P 4446-909 Ermesinde) Portugal, has as its corporate purpose the transportation of goods, the organisation and management of the transportation of goods in the national and international market by a

variety of means; the organisation of transport, the coordination of the flow of goods and information, the management and control of stocks, storage and logistics, international trade, import and export, transport consultancy and foreign trade services, freight forwarding, customs activity and similar support to transport, with powers to make declarations to the authorities on behalf of third parties and the provision of postal services. The main activity of CEP II - Correos Express Portugal, S.A, is the express transport of documents and small business parcels, both to national and international destinations.

All subsidiaries and associated close their financial year on 31 December, with the Euro being the functional and the presentation currency.

On 1 February 2017 the Sole Shareholder of each of the Correos Group's companies, with the prior agreement of their respective Governing Boards held in October 2016, agreed to change the companies' names and amend Article 1 of their Articles of Association to adapt to the provisions of article 111 of the Ley 40/2015, de 1 de octubre, de Régimen Jurídico del Sector Público (Act 40/2015 of 1 October, on the Legal System for the Public Sector). According to these provisions the name of all Correos Group's companies changed and are hereafter known as:

Name of the company
Sociedad Estatal Correos y Telégrafos, S.A., S.M.E (Sole Shareholder Company) .
Correos Telecom, S.A., S.M.E, (Sole Shareholder Company)
Nexea Gestión Documental, S.A., S.M.E (Sole Shareholder Company)
Correos Express Paquetería Urgente, S.A., S.M.E (Sole Shareholder Company)

The Sole Shareholder’s decision was passed by a public deed by each company, and recorded in the Companies Registry for all of the Group’s companies.

The detail as of 31 December 2020 and 2019 for the equity instruments of the subsidiaries included in the consolidation of Correos Group, before the standardisation and/or consolidation adjustments, are as follows:



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Net book value	157,240	1,503	-	11,050
-Direct shareholding (%)	100%	100%	100%	51%
Share capital	66	1,503	974	375
Share premium	6,415	0	0	-
Legal reserve	1,231	301	128	74
Other reserves	28,725	5,681	(60)	886
Results of previous financial years		0	(5,085)	(3,843)
Result of the financial year	16,427	2,228	(1,918)	(701)
Other equity instruments (**)				4,600
Grants	-	29	268	27
External partners	-	-	-	331
Total equity	52,864	9,742	(5,693)	1,750
Operating result (***)	11,406	3,059	(2,433)	(782)

(*) These are aggregate figures of CEP I and CEP II for 100%.

(**) In Portugal they are called ancillary services regulated by Article 287 of the Portuguese Commercial Companies Code, having the same amount CEP I recorded as a credit claim with CEP II.



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Financial year 2019	Correos Express P.U., S.A., S.M.E; S.U.	Correos Telecom, S.A., S.M.E., M.P; S.U.	Nexea GD., S.A., S.M.E S.U.	CEP Consolidated (*)
Net book value	134,942	1,503	—	11,050
-Direct shareholding (%)	100%	100%	100%	51%
Share capital	66	1,503	974	375
Share premium	6,415	—	—	—
Legal reserve	1,231	301	128	74
Other reserves	6,464	3,942	(60)	885
Results of previous financial years	—	—	(4,588)	(2,696)
Result of the financial year	20,689	1,739	(498)	(1,307)
Total equity	27	—	—	4,600
	—	—	332	27
Operating result	34,892	7,484	(3,712)	1,958
	9,774	2,368	(379)	(1,121)

(*) These are aggregate figures of CEP I and CEP II for 100%.

(**) In Portugal they are called ancillary services regulated by Article 287 of the Portuguese Commercial Companies Code, having the same amount CEP I recorded as a credit claim with CEP II.

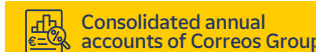
(***) In CEP Consolidated it refers to the operating result generated since the date of acquisition, on 29 April 2019



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3. Basis for presenting the consolidated annual accounts

When preparing these consolidated annual accounts, the Parent Company's Directors applied the accounting regulations included in the new Spanish General Accountancy Plan (GAP) approved by Royal Decree 1514/2007 and the modifications to them arising from Royal Decree 1159/2010 which approved the criteria applicable when preparing Consolidated Annual Accounts, and Royal Decree 602/2016, in addition to all other commercial legislation in force on 31 December 2020. Specifically:

- The annual accounts for the Parent Company are consolidated with those of all of its subsidiaries (see Note (2)) using the full consolidation method. The Parent Company holds all voting rights in all the consolidated companies.
- The two companies incorporated in 2020 in China (see note (2)) are consolidated using the equity method.
- In the 2019 financial year, the acquisition of the Portuguese subsidiaries was accounted for as a business combination, the acquisition date in the business combination being 29 April 2019. Therefore, the profit and loss, changes in equity and cash flow statements include those of the Portuguese subsidiaries (CEP I and CEP II) since the takeover, which is from 1 May 2019 (since the effect between the date of the takeover on 29 April and 1 May 2019 is considered not to have been material and does not have a material effect on any of the foregoing consolidated statements).

- Where subsidiaries have followed materially different accounting or valuation principles from those of the Parent Company, adjustments have been made as needed to present the consolidated annual accounts of the Group in a standardised manner.
- The different items on the previously standardised individual annual accounts are aggregated according to item type.
- The representative book values of the equity instruments belonging to all of the Parent Company's subsidiaries are compensated with their equity.
- The Inter-Group balances, transactions and cash flows between Correos Group companies have been eliminated in the consolidation process. Similarly, all results from internal operations are eliminated and deferred until performed for third parties which are not part of the Group.
- The variations in reserves belonging to different subsidiaries between their respective dates of coming under the control of the Parent Company or of first consolidation and 31 December 2020 are covered by the item 'Reserves in consolidated companies' on the consolidated balance sheet.

As regards the impairment of the assets registered under the 'Property, plant and equipment' heading, since the 2009 financial year the Parent Company has applied the stipulations of Order EHA/733/2010, of 25 March, approving accounting aspects for public companies operating in certain circumstances. The Order is mandatory on the member bodies of the public business sector at national, regional and local levels, regardless



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of their legal nature, which should apply the accounting principles and regulations in the Commercial Code and in the Spanish General Accountancy Plan (GAP) and which, given the strategic or public interest nature of their activities, regularly deliver goods or provide services to other bodies or users without remuneration, or in exchange for a fee, or according to a pricing policy set directly or indirectly by the Government.

These consolidated annual accounts have been drawn up by the Parent Company Directors in order to be submitted for approval by its Sole Shareholder. The Parent Company Directors believe that they will be approved with no modifications.

a) Fair presentation

These consolidated annual accounts, made up of the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of changes in equity, the consolidated cash flows statement and the consolidated report, made up of notes 1 to 25, have been prepared on the basis of the accounting records of the companies that make up Correos Group, and in accordance with the legal regulations on accounting in force at 31 December 2020, in order to provide a fair presentation of the assets, financial situation and results of the Group, together with the accuracy of the cash flows shown on the consolidated cash flows statement. The consolidated cash flows statement has been prepared with the aim of truthfully reporting the origin and the use of the monetary assets representing cash and other equivalent liquid assets of the Group.

The figures contained in these consolidated annual accounts are expressed in thousands of euros, unless otherwise indicated, the euro being the functional currency of the Parent Company and the companies included

in the scope of consolidation. Not included are those consolidated by the equity method K PARCEL, whose currency is HKD, and KCG, whose currency is RMB, as no conversion differences arose in the year after they were incorporated in 2020. The transactions for the year were taken into account at the average monthly exchange rates and there was no significant difference in these rates during the year.

b) Critical aspects of the valuation and estimation of uncertainty

In preparing the consolidated annual accounts, the Parent Company Directors have had to use judgements, estimates and assumptions that have a bearing on the application of the accounting policies and the balances of assets, liabilities, income and expenses and on the breakdown of contingent assets and liabilities on the date of issue of the accounts.

The related estimates and assumptions are based on historical data and on other diverse factors which are understood as being reasonable in accordance with the circumstances; they are used as a base in order to establish the book value of the assets and liabilities that are not easily available through other sources. The respective estimates and assumptions are reviewed continuously; the effects of the reviews of the book estimates are recognised in the period in which they were made, if they affect only that period, or the period of review and future periods, if the review affects both of these.

Apart from the general process of generating systematic estimates and reviewing them periodically, the Parent Company Directors have made certain value judgements regarding topics of particular importance concerning the consolidated annual accounts.



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The main judgements relating to future events and other sources of uncertain estimates on the date on which the consolidated annual accounts were drawn up are as follows:

→ **Leasing obligations – Correos Group as lessee**

Correos Group has signed leasing contracts in order to undertake its activities. The classification of said leasing contracts as operating or financial requires that, based on the terms and conditions of these agreements, Correos Group determines who retains all of the risks and benefits of the ownership of the assets. According to that classification, the contracts will be classified as operating or financial leasing contracts.

→ **Leasing obligations – Correos Group as lessor**

Correos Group maintains different agreements with third parties to lease certain assets under its ownership. The Group has determined that, based on the evaluation of the terms and conditions of these contracts, it retains all ownership risks and benefits of the assets, thereby recognising these contracts as operating leases.

→ **Taxation**

As set out in current legislation, taxes may not be deemed definitively settled until the filed tax statements have been inspected by the tax authorities or the statute of limitations has passed. In the opinion of the Parent Company's Board of Directors, at 31 December 2020 there are no contingencies other than those recorded in these consolidated annual accounts which could represent significant liabilities for the Parent Company and/or its subsidiaries in the event of an audit.

The principal assumptions and estimates relating to future events and other uncertain sources of estimates on the date of the drawing up of the consolidated annual accounts are as follows:

→ **Deferred tax assets**

The recognition of the deferred tax assets is made on the basis of the future estimates made by the Group Companies relating to the probability of future taxable gains being available, or the existence of deferred liability amounts to fund them during the same periods of time.

→ **Provisions**

Correos Group recognises provisions for risks, in accordance with the accounting policy stated in note (5-k) of this consolidated report on 'Provisions and contingency liabilities'. The Correos Group makes judgements and estimates regarding the probability with which said risks may occur, as well as their amount. It records a provision when the risk has been considered likely, is a present debt from past events, either legal or rightful, and when the costs can be reliably estimated.

→ **Impairment of non-financial assets**

In general terms, Correos Group analyses on a yearly basis whether there are indicators for impairment of non-financial assets. In the specific case of non-financial assets other than the intangibles with an indefinite service life, the Group subjects them to value impairment tests when there is evidence of said impairment.



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→ Calculation of fair values, values in use, present values and recoverable amounts

The calculation of reasonable values, values in use, current values and recoverable amounts implies the calculation of future cash flows and assuming hypotheses relating to the future values of the flows, as well as the discount rates applicable to them, also bearing in mind the expected time when the respective debt will be collected. The related estimates and assumptions are based on historical data and on other diverse factors which are understood to be reasonable in accordance with the circumstances.

c) Going concern principle

At 31 December 2020, the Correos Group had a negative working capital of 230,126 thousand euros (81,450 thousand euros positive in 2019) and incurred losses of 264 million euros (13 million euros positive in 2019). This situation at year-end 2020 was mainly due to the effects of the COVID-19 pandemic discussed in Note 1.

The current situation led the Parent Company to resort to external financing in 2020, with the credit line granted at year-end amounting to 605 million euros, with 327 million euros drawn down at year-end 2020 and maturing on 9 June 2021. In view of the current situation, the management of the parent company requested bids from the market for long-term financing in the amount of 325 million euros. To date, binding bids have been received for more than 1 billion euros, and on 26 February 2021 the Board of Directors approved the award of the requested amount to a financial institution. The aforementioned credit line will therefore be transformed into a bank loan with a three-year maturity and a single repayment of the principal in 2024.

Thus, it has been possible to minimise the imbalance in the working capital in the future, improving the financial structure of the Correos Group, having demonstrated the parent company's capacity to obtain financing and therefore minimising the liquidity and solvency risk. In addition, the Group intends to contract credit lines once again to support additional future liquidity needs, estimated to be at least 80 million euros in 2021.

Based on the above, the consolidated financial statements have been prepared by the directors on a going concern basis.

d) Comparison of information

As indicated in the fourth Section of the 'Criteria applicable for the preparation of consolidated annual accounts', the Parent Company Directors have included quantitative information corresponding to the previous financial year in this report.

In addition to the comparative numerical information corresponding to the previously filed financial year, and where relevant for the understanding of these consolidated annual accounts, the Parent Company Directors have included descriptive information regarding the previous year.

e) Classification of current and non-current items

For the classification of current items, a maximum period of one year from the date of these consolidated annual accounts has been considered.



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4. Application of the results of the Parent Company

The proposed use of result for 2020 put forth by the Parent Company Directors and pending approval by the Sole Shareholder, as well as the proposal approved for the 2019 financial year, is as follows:

	Financial year 2020	Financial year 2019
Result for the financial year	(256,633)	17,771
Distribution base:		
Legal reserve	-	1,777
Voluntary reserves	-	15,994
Negative results of previous financial year	(256,633)	-
Total	(256,633)	17,771

On 10 June 2020, the Parent Company's Sole Shareholder approved the proposed use of the profits from the 2019 financial year.

Limitations on the distribution of results and dividends

Pursuant to Article 274 of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, companies are obliged to use 10% of the profits from each financial year to establish the Legal Reserve until the reserve reaches at least 20% of the Share Capital. This reserve cannot be distributed to the shareholders, and it can only be used to cover the negative balance of the profit and loss account in the event that other reserves are not available.



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5. Recording and valuation rules

The main recording and valuation criteria used by the Parent Company in preparing these consolidated annual accounts, pursuant to the terms set out in the Spanish Generally Accepted Accounting Practices approved by Royal Decree 1514/2007 and the amendments incorporated by Royal Decrees 1159/2010 and 602/2016, are as follows:

Subsidiary companies

Subsidiary companies are those over which the Company, directly or indirectly through subsidiaries, exercises control, as provided for in Article 42 of the Commercial Code.

For presentation and breakdown purposes only, group companies are considered to be those controlled by any means by one or more natural or legal persons acting jointly or under single management by virtue of agreements or statutory clauses.

The subsidiaries were consolidated using a full consolidation method.

Note 2 includes information on the subsidiaries included in the consolidation of the Correos Group.

Transactions and balances with subsidiaries and unrealised gains or losses have been eliminated in the consolidation process.

The subsidiaries' accounting policies have been adapted to Correos

Group's accounting policies for transactions and other events in similar circumstances. The effect of the standardisation on the annual consolidated accounts for 2019 was not significant.

The annual accounts or financial statements of the subsidiaries used in the consolidation process refer to the same date of presentation and period as those of the Parent Company.

External partners

External partners in the acquired subsidiaries were recognised at the percentage of ownership in the subsidiaries' equity at the year-end date. External partners are presented in the consolidated equity of the consolidated balance sheet separately from the equity attributed to the Parent Company. The share of external partners in the profit or loss for the year is also presented separately in the consolidated profit and loss account.

The share of the Correos Group and external partners in the profits or losses and changes in the equity of the subsidiaries, after considering the adjustments and eliminations arising from consolidation, is determined on the basis of the percentages of ownership existing at the end of the year, without considering the possible exercise or conversion of potential voting rights and after discounting the effect of dividends, whether or not agreed, on preference shares with cumulative rights that have been classified in equity accounts.

The results and income and expenses recognised in equity of the subsidiaries are allocated to equity attributable to the Parent Company



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and to external partners in proportion to their ownership interests, even if this involves a debit balance from external partners. Agreements between the Correos Express Group and external partners are recognised as a separate operation.

Control acquisition

The acquisition by the Parent Company (or another Group company) of the control of a subsidiary constitutes a business combination that is recorded in accordance with the acquisition method. This method requires the acquiring company to record, at the acquisition date, the identifiable acquired assets and the assumed liabilities in a business combination, as well as, if applicable, the corresponding goodwill or negative difference. Subsidiaries are consolidated as of the date on which control is transferred to the Group, and are excluded from consolidation on the date on which the control ceases.

The acquisition cost is determined as the sum of the fair values, at acquisition date, of the assets delivered, the liabilities incurred or assumed and the equity instruments issued by the acquirer, and the fair value of any contingent consideration that depends on future events or on the fulfilment of certain conditions, which must be recorded as an asset, a liability or as equity according to their nature.

Expenses related to the issuance of equity instruments or financial liabilities delivered do not form part of the cost of the business combination, and are recorded in accordance with the rules applicable to financial instruments. Fees paid to legal advisors or other professionals

involved in the business combination are recorded as expenses as they are incurred. The costs internally generated for these concepts are also excluded in the cost of the combination, as well as those incurred by the acquired entity, as the case may be.

The excess, on the date of acquisition, of the cost of the business combination, over the proportional part of the value of the identifiable assets acquired, less that of the assumed liabilities representing the share capital of the acquired company, is recognised as goodwill. In such an exceptional case when this amount is higher than the cost of the business combination, the excess will be recorded in the consolidated profit and loss account as an income.

Consolidation method

The assets, liabilities, income, expenditure, cash flows and other entries in the annual accounts of the Group's entities are incorporated into the consolidated annual accounts using the global integration method. This method requires the following:

- Standardised timing. The consolidated annual accounts are established on the same date and for the same period as the annual accounts of the entity whose consolidation is required. Where an entity of the Group closes its financial year on a different date from that of the consolidated annual accounts, its inclusion in those accounts has to be done through interim statements referring to the same date and period that the consolidated accounts refer to.



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- Standardised valuation. The assets and liabilities, income and expenditure and other entries in the annual accounts of the Group's entities were valued according to uniform methods. The assets or liabilities or income or expenditure entries that were valued under non-uniform criteria with respect to the ones applied in consolidation were valued again with the necessary adjustments made, solely for consolidation purposes.
- Aggregation. The different items on the previously standardised individual annual accounts are aggregated according to item type.
- Equity investment elimination. The representative accounting values for the equity instruments of the subsidiary entity directly or indirectly owned by the Parent Company are balanced with the proportional part of the equity entries of that subsidiary allocated to these holdings, generally, on the basis of the resulting values for applying the above mentioned acquisition method. In consolidations subsequent to the financial year in which the control was acquired, the surplus or shortfall of the net equity generated by the subsidiary from the acquisition data that is allocated to the parent company is presented in the consolidated balance sheet inside the entries for reserves or adjustment for changes in value, according to their nature. The share attributable to external partners, if any, is recorded under the heading 'External Partners'.
- Involvement of external partners. The evaluation of external partners is carried out on the basis of their effective participation in the subsidiary's equity after incorporating the above adjustments. Goodwill on consolidation is not attributed to external partners. The excess between the losses attributable to external shareholders of a

subsidiary and their proportional share of the equity is attributed to the latter, even if this involves a debit balance under this item.

- Elimination of intragroup items. Credits and debts, income and expenses and cash flows between Group companies shall be fully eliminated. Similarly, all results from internal operations are eliminated and deferred until performed for third parties which are not part of the Group.

Associates and jointly controlled entities

Associates are all entities over which one of the consolidated companies exercises significant influence. Significant influence is understood to exist when the Group has an interest in the company and the power to intervene in its financial and operating policy decisions, without having control. These companies are included in the consolidated accounts by the equity method.

a) Intangible assets

Intangible fixed assets are valued at their purchase price or at their production cost and reduced by the accumulated amortisation and by the possible losses due to impairment. Indirect taxes on intangible fixed assets are included in the purchase price when they cannot be recovered directly from the Tax Authorities. An intangible asset is recognised as such if and only if it is likely to generate future profits and its cost can be valued in a reliable manner.



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An intangible fixed asset with a defined service life is systematically amortised throughout its estimated service life and its recoverability is analysed when events or changes take place that indicate that the net book value may not be recoverable. The amortisation methods and periods applied are reviewed at the close of the financial year, and they are adjusted prospectively as appropriate.

Goodwill on consolidation

At the close of the 2020 financial year, goodwill on consolidation relates to the positive difference arising between the carrying amount of the investment and the value attributed to that investment from the fair value of the assets acquired and liabilities assumed from the companies purchased in 2019 (see Note 2).

Goodwill is allocated to each of the cash-generating units on which the proceeds of the business combination are expected to be allocated and, where appropriate, the related valuation adjustment is recognised.

In the event that an impairment loss must be recognised for a cash-generating unit to which all or part of the goodwill has been allocated, the carrying amount of the goodwill for that unit is first reduced. If the impairment exceeds the amount of the latter, the second is reduced in proportion to the carrying amount of the other assets of the cash-generating unit, up to the limit of the higher of the following: fair value less costs to sell, value in use and zero. The impairment loss is recorded with a charge to the results for the year.

When an impairment loss subsequently reverses (which is not permitted in the specific case of goodwill), the carrying amount of the asset or cash-generating unit is increased by the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. Such a reversal of an impairment loss is recognised as income in the consolidated profit and losses account.

Goodwill is amortised on a straight-line basis over ten years. The value is determined separately for each cash-generating unit to which goodwill is allocated.

Computer software and other intangible fixed assets

Computer software is recorded at cost and amortised on a straight-line basis over its estimated useful life, which is generally five years (see change in estimate of useful lives in note 5.b). The computer software maintenance costs are recognised in expenses when they are incurred.

On the other hand, computer software amounting to 3,629 thousand euros, with an estimated useful life of five years was recorded as 'Computer Software' as a result of the allocation of the price paid for the acquisition of the Portuguese subsidiaries.

Other intangible assets

Other intangible fixed assets corresponds with the amount paid for the transfer of sublease rights and is amortised on a straight-line basis over

the life of such right.

The following intangible assets were also recognised as 'Other Intangible Assets' in 2019 as a result of the allocation of the price paid to acquire the subsidiaries:

Client relations amounting to 4,173 thousand euros and an estimated useful life of five years.

Patents, licences and similar

These items are recorded at actual amount paid for certain purchased patents and amortised over a ten-year period.

systematically and rationally (on the basis of their service life and of their residual value), using a straight-line method during the following years of estimated service life. The residual value, useful life and depreciation methods shall be reviewed at least at the end of each financial year, and the useful life shall be reviewed when there is evidence that it may have changed and, if appropriate, adjusted prospectively. The periods of useful life used for the depreciation of the different assets are presented below:

b) Property, plant and equipment

Property, plant and equipment are valued at their acquisition cost or contribution value to the Parent Company by the former Entity (see Note (1) on Parent Company's Activity), reduced by the accumulated amortisation and, as appropriate, by the accumulated amount of the recognised valuation adjustments for impairment. Indirect taxes on property, plant and equipment are included in the purchase price when they cannot be recovered directly from the Tax Authorities.

Property, plant and equipment are depreciated from the time at which they are made available for commissioning and are depreciated



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Type of asset	Useful life 2020 and 2019 (years)
Computer software	5
Buildings	10 to 75
Technical installations	4 to 18
Machinery	10 to 18
Other installations	10
Furniture	15
IT equipment	4 to 7
Transportation elements	7 to 12

In 2019, the management of the Correos Group carried out an analysis of the useful life of property, plant and equipment and intangible assets and investment property in order to determine whether the economic life being used up to 2018 to calculate the accounting depreciation was in line with the useful life of the various assets. All of this is in accordance with generally accepted best practices and based on internal technical reports from manufacturers and independent experts.

This change in the useful lives has been applied prospectively and has no impact on previous years since it was a change in estimate. As a result of the change in depreciation rates, in 2019 a lower depreciation expense of 30.7 million euros was recorded and a lower income from the allocation

of a capital grant of 3.7 million euros was recorded than would have been the case had the change in estimate not occurred.

Likewise, should there be signs of impairment, Correos Group evaluates the need to make valuation adjustments to the elements that form part of its tangible fixed assets, with the aim of consistently allocating to them the lesser of either their book value or their recoverable amount.

The expansion, modernisation and improvement costs for property, plant and equipment are incorporated into the asset as an increased value of the good where they increase its capacity, productivity or extend its useful life, and so long as it is possible to establish or estimate the book value of the items removed from the inventory through replacement.

Maintenance and repair costs for tangible fixed assets that do not improve their use or lengthen their lifetime are entered in the profit and loss account at the time of accrual.

The investments made by Correos Group in property owned by third parties that meet the requirements to be considered as operating leases are valued, provided that these are not separated from the leased or assigned asset in use, at the cost of said investments. The amortisation of these investments are made according to their useful life, which will be the duration of the lease or assignment contract, including the renewal period when there are evidences that they can support it, when this is lower than the asset's economic life.

Investments made in adapting provisionally rented premises during the



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renovation of other premises are capitalised and amortised in the year in which they are incurred.

c) Investments property

Investment property comprise land and buildings owned by the Parent Company and leased to third parties to obtain long-term income. The items included under this heading are valued at their acquisition cost, minus their corresponding accumulated amortisation and any impairment loss. Investment property is depreciated on a straight-line basis over its estimated useful life of 50-75 years (see change in the estimate of useful lives in note 5.b).

The criteria contained in the above rules, regarding tangible fixed assets, shall be applied to investments property.

d) Operating and financial leases

Correos Group classifies leasing contracts as financial when it can be deduced from their economic conditions that all of the risks and benefits inherent in the ownership of the asset subject to the agreement are substantially transferred. The agreements that do not substantially transfer all of the risks and benefits and in which the lessor is only entitled to use the asset for a certain period of time are classified as operating leases.

Correos Group as lessee

The assets acquired by means of financial leases are recorded according to their nature as the lesser of the reasonable value of the asset and the current value at the start of the lease of the minimum agreed payments, with a financial liability being recorded for the same sum. The payments for the lease are distributed between the financial costs and the liability reduction. For these purposes, the same amortisation, impairment and cancellation criteria are applied as to all other assets of this nature.

Payments for operating leases are recorded as expenses in the consolidated profit and loss account based on their accrual on a straight-line basis of the total lease period.

Correos Group as lessor

Earnings from operating leases are recorded in the consolidated profit and loss account based on their accrual a straight-line basis of the total lease period. The direct costs that can be allocated to the agreement are included as the highest value of the leased asset and are recognised by applying the same criterion used for recognising the revenue from the lease.

e) Impairment of value for non-current, non-financial assets

Assets not generating cash flows

The Parent Company's main activity is the provision of a general interest public service, the Universal Postal Service, in exchange for which it receives a price that complies with the principles established in law. In this way, the vast majority of the property comprising the Parent Company's



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tangible and intangible fixed assets is held mainly with a view to producing socio-economic flows benefiting society and do not correspond to investments in assets with the sole objective of economic profitability and whose recovery would be based on the economic flows produced.

In accordance with the point above, and in application of the stipulations of Order EHA/773/2010, of 25 March, approving accounting aspects of public companies operating under certain circumstances, the Parent Company determines the impairment of the value of its tangible and intangible assets with reference to the depreciated replacement cost of each asset..

Remaining assets

Should there be signs of impairment, the book value of the non-current, non-financial assets of Correos Group is reviewed, by the date of the close of the financial year at the latest, in order to determine whether such indices prevail. Should such signs exist and, the value of these assets that can be recovered is estimated.

The value that can be recovered is either the reasonable value less the sale costs or its value in use, whichever is higher. In order to determine the value in use, the future cash flows are discounted at their present value, using before-tax discount rates that reflect the current market estimates of the temporary valuation of the funds and of the specific risks associated with the asset. For those assets that do not generate highly independent cash flows, the recoverable amount is determined for the cash generating units to which the valued assets pertain.

Impairment losses are recognised for those assets or, as appropriate, for the cash-generating units comprising them, when their book value exceeds the corresponding recoverable amount. In the event that an impairment loss must be recognised for a cash-generating unit to which all or part of the goodwill has been allocated, the carrying amount of the goodwill for that unit is first reduced. If the impairment exceeds the amount of the latter, the second is reduced in proportion to the carrying amount of the other assets of the cash-generating unit, up to the limit of the higher of the following: fair value less costs to sell, value in use and zero. Impairment losses are recorded within the profit and loss account and are reverted, except where they originate from goodwill if there have been changes in the estimates used in order to determine the recoverable amount. The reversal of an impairment loss is recorded in the profit and loss account, with the restriction that the book value of the asset after the reversal cannot exceed the amount, net of amortisations, that would appear in the books had the aforementioned impairment loss not been previously recognised.

f) Financial assets

The financial assets of Correos Group correspond to accounts receivable from clients, debtors, staff and government bodies, established deposits and guarantees, acquired equity instruments and cash and other equivalent liquid assets.

Correos Group classifies its financial assets into the following categories for the purposes of their valuation:



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- **Loans and entries receivable:** these include the financial assets which, not being negotiated in any organised asset market, have expected cash flow in a determined or determinable sum and for which it is estimated that the whole of the outlay made by the Company can be recovered, except for reasons attributed to the solvency of the debtor. This category contains the loans for trade and non-trade operations, loans to staff, the debtor accounts with government bodies, as well as deposits and guarantees given.

- **Cash and other cash equivalents:** see Note 5 (i).

The financial assets to be realised in less than 12 months from the date of preparation of the consolidated balance sheet are classified as current, and those to be realised in a longer period are classified as non-current.

When they are initially recognised, financial assets are recorded at their reasonable value which, unless there is evidence to the contrary, is the price of the transaction plus the transaction costs that are directly attributable thereto.

Following the initial recognition, Correos Group values its financial assets as set out below:

- The financial assets included in the category of 'Loans and entries receivable' are valued at the amortised cost.
- Cash and other cash equivalents : see Note 5 (i).

Notwithstanding the above, the loans for trade operations maturing in one

year or less and which do not have a contractual interest rate are valued at their nominal value, both in the initial valuation and in the subsequent valuation, when the effect of not updating the cash flow is not significant.

If the loans for trade operations have a contractual interest rate, the interest accrued is recorded in the consolidated profit and losses account, applying the effective interest rate method.

Correos Group cancels a financial asset, or a part thereof, when the contractual rights over the cash flows of the financial asset expire or are transferred. It is necessary for the risks and benefits inherent in their ownership to be substantially transferred. These circumstances are evaluated by comparing the exposure of Correos Group, before and after the transfer, to the variation in the amounts and in the scheduling of the net cash flow of the transferred asset.

g) Impairment of financial assets

The book value of the financial assets is corrected by debiting the consolidated profit and loss account when there is objective evidence that an impairment loss has occurred. In order to determine impairment losses, Correos Group evaluates the possible losses of both the individual assets and the groups of assets with similar risk characteristics by the end of the financial year at the latest.

There is objective evidence of impairment when non-payments, breaches, refinancings or possibilities of not recovering all of the cash flows have taken place, or there is delay in collecting payment.



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For loans and other entries receivable, the amount of the impairment losses is equal to the difference between their book value and the present value of the future cash flows estimated to be generated, discounting the effective interest rate at the time of their initial recognition.

The reversal of the impairment of the loans and entries receivable is recognised as income in the consolidated profit and loss account and is limited to the book value of the financial asset that would have been recorded on the date of reversal, if the impairment had not been recorded.

In the event of due debts from public clients, the impairment of the debt is entered for the amount obtained from applying the market interest rate to the due debt for the period of time passed since the debt became due, at the end of each financial year, where there is a contractual agreement not to apply interest for delays.

h) Non-current assets held for sale

This item includes those assets whose book value will fundamentally be recovered through their sale, rather than through their continuous use, when the following requirements are met:

- That they are available for immediate sale in their current conditions, subject to the usual and habitual terms for their sale.
- It is highly probable that it will be sold due to the following:

I. The company must be committed to sell the asset and have initiated a programme to find a buyer and complete the plan.

II. The sale of the asset must be actively negotiated at an appropriate price in relation to its current fair value.

III. The sale is expected to be completed within one year of the date of classification of the asset as held for sale unless, due to events or circumstances beyond the company's control, the sale period must be extended and there is sufficient evidence that the company remains committed to the plan to dispose of the asset.

IV. Actions to complete the plan indicate that it is unlikely that any significant changes will be made or that it will be withdrawn.

The non-current assets held for sale are recorded as the lesser of the following two amounts: their book value or their reasonable value minus the costs of sale. These assets are not amortised, and if necessary, the appropriate valuation adjustments will be made in such a manner that the book value does not exceed the reasonable value minus the costs of sale.

i) Cash and other cash equivalents

Cash and other cash equivalents make up the cash and bank funds, and the deposits and other financial assets that can be converted into cash and whose maturity, at time of their acquisition, is no longer than three months, are not subject to a significant risk of change in value and that form part of the normal cash flows management policy of Correos Group.

j) Inventories

Inventories are valued at the acquisition price determined by the weighted average cost method.



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When the net realisable value of the inventory is lower than its acquisition price or its production cost, the appropriate valuation adjustments are made, with these being recognised as a cost in the consolidated profit and loss account.

k) Provisions and contingent liabilities

Correos Group records provisions on its consolidated balance sheet when the Company currently has an obligation (whether due to a legal, contractual, implicit or tacit obligation) arising from past events, when that obligation can be reasonably estimated and when it is likely to involve a future outlay of resources for its settlement.

For those provisions made to meet the obligations without a set date of maturity, or with a maturity below or equal to one year and without a significant financial effect, no type of discount is applied. For all other obligations, the provisions are registered for the current value of the best possible estimate of the amount necessary to cancel the obligation or transfer it to a third party, registering the adjustments that arise due to updating the provision as a financial expense as it accrues, with the objective of reflecting the best current estimate of the corresponding liability at all times.

The Parent Company Directors consider contingent liabilities to be those obligations that may arise due to past events, and whose appearance is subject to whether or not future events occur, outside the control of the Group. Said contingent liabilities are not subject to book recording, with details and an explanation of said liabilities included in the Note (24) on

contingent liabilities.

These consolidated annual accounts include all the provisions with respect to which it is estimated that the probability of having to meet the obligation is greater than the opposite. Contingent liabilities are not recognised in the consolidated annual accounts, but are reported in the consolidated report.

l) Financial liabilities

The financial liabilities of Correos Group correspond to the accounts payable to suppliers, trade creditors and creditors for fixed assets, deposits and guarantees and the accounts payable under other headings.

Correos Group classifies all of its financial liabilities into 'Debits and entries payable'.

Financial liabilities maturing less than 12 months from the date of the consolidated balance sheet are classified as current, while those maturing afterwards are classified as non-current.

Financial liabilities are initially valued at their fair value which, unless there is evidence to the contrary, is the price of the transaction.

After the initial recognition, financial liabilities are valued at their amortised cost. The accrued interest is recorded in the consolidated profit and loss account, applying the effective interest rate method.



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Nevertheless, the debits for trade operations which mature in less than one year and that do not have a contractual interest rate and whose amount is expected to be paid in the short-term, both in the initial valuation and in the subsequent valuation, are valued at their nominal value, since the effect of updating the cash flows is not significant.

Correos Group cancels a financial liability when the obligation has expired.

m) Foreign currency transactions

Monetary entries

Transactions in foreign currency are initially recorded at the exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are converted at the exchange rate on the date of preparation of the consolidated balance sheet. Both positive and negative exchange rate differences that arise in this process, together with those that take place when said capital elements are liquidated, are recognised in the consolidated profit and loss account of the financial year in which they appear.

n) Business combinations

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at fair value, provided that such fair value can be measured with sufficient reliability, with the following exceptions:

- Non-current assets that are classified as held for sale: these are recognised at fair value less costs to sell.
- Deferred tax assets and liabilities are measured at the amount expected to be recovered or paid, depending on the tax rates that will apply in the years when the assets are expected to be realised or the liabilities are expected to be paid, on the basis of the regulations in force or those approved but not yet published, at the date of acquisition. Deferred tax assets and liabilities are not discounted.
- Assets and liabilities associated with defined benefit pension plans: these are recognised, at the acquisition date, at the present value of the committed remuneration less the fair value of the assets assigned to the commitments with which the obligations will be settled.
- Intangible assets whose valuation cannot be carried out by reference to an active market and which would entail the recording of a revenue in the profit and loss account: these have been deducted from the negative difference calculated.
- Assets received as compensation for contingencies and uncertainties: these are recorded and valued in a manner consistent with the element that generates the contingency or uncertainty.
- Repurchased rights recognised as intangible assets: these are valued and amortised on the basis of the contractual period remaining until their completion.



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- Obligations classified as contingent liabilities: these are recognised as a liability for the fair value of assuming such obligations, provided that the liability is a present obligation arising from past events and its fair value can be measured with sufficient reliability although it is not probable that an outflow of economic resources will be required to settle the obligation.

The excess, at the acquisition date, of the cost of the business combination over the corresponding value of the identifiable assets acquired less the liabilities assumed is recognised as goodwill on consolidation.

If the amount of the identifiable assets acquired less the liabilities assumed were greater than the cost of the business combination, this excess would be recognised in the income statement as income. Before recognising such income, it would be reassessed whether the identifiable assets acquired and liabilities assumed and the cost of the business combination have been identified and measured.

As indicated in note 2 of the attached consolidated report, Correos Express Paquetería Urgente, S.A., S.M.E. (Sole Shareholder Company), acquired control of CEP and CEP II on 29 April 2019 and therefore the acquisition date for the business combination was 1 May 2019, since it is considered that the impact between 29 April 2019 and 1 May 2019 was not material and does not have a material effect on any of the foregoing consolidated financial accounts.

ñ) Income and expenses

Income and expenses are allocated on the basis of actual movement of

goods and services that they represent and regardless of the time when the monetary or financial movement resulting from these takes place.

Revenue from sales and provision of services

The earnings from the sale of goods and the provision of services are valued at the reasonable value of its counterpart, received or to be received, deriving from the same, minus: the amount of the discount, the reduction in the price and other similar entries that the company may concede, together with the indirect taxes that are levied on the operations and which can be passed on to third parties. The interest incorporated into trade loans maturing no later than one year and not having a contractual interest rate is included as the higher value of the earnings, since the effect of not updating the cash flows is insignificant.

Revenue is recorded based on the economic fund of the operation and is recognised when each and every one of the following conditions is met:

- The amount of the revenue can be reliably valued.
- Correos Group is likely to receive the profits or economic returns derived from the transaction; and
- The costs incurred or to be incurred in the transaction can be valued reliably.

Income and expenses are allocated on the basis of actual movement of goods and services that they represent and regardless of the time



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when the monetary or financial movement resulting from these takes place. In particular, revenue derived from postal services for which the consideration is received through the sale of postage items (stamps or similar) is recorded at the time of sale regardless of the time of actual provision of the service and revenue derived from the provision of services relating to the distribution of mail is recognised when the goods are received.

For all other postal services, as well as money orders and telegrams, revenues are recognised upon actual provision of the service, i.e., when the actual transaction occurs.

Interest income

Interest income is recognised using the effective interest rate method. When a receivable account suffers an impairment loss, Correos Group reduces the book value to the recoverable amount, deducting the future estimated cash flows from the instrument's effective original interest, and continues applying the discount as less income from interest. Interest income on loans that have suffered impairment losses is recognised using the effective interest rate method.

o) Liabilities for remunerations to staff

Pension supplements

During the 2000 financial year, the Parent Company created a pension plan to supplement employee benefits under public-sector social security and

government pension plans. This fixed-contribution pension plan for the sponsor is governed by the provisions in Royal Legislative Decree 1/2002, of 29 November, enacting the amended text of the Ley de Regulación de los Planes y Fondos de Pensiones [the Pension Act] and Royal Decree 304/2004, of 20 February, enacting the Pension Regulations and its subsequent amendments.

Based on the provisions in article two of the Royal Decree 20/2011, of 30 December, on urgent measures of a budgetary, taxation and financial nature in order to correct the public deficit, the Parent Company suspended contributions to the Pension Plan of the Employees of Correos y Telégrafos during the 2012 financial year and has not made any contributions since then.

As of 31 December 2020 and 2019, the Parent Company had no additional commitment to the participants in the above scheme other than the sums actually contributed since the date of the creation of the plan. The total amount of the contributions made by the Parent Company since the 2000 financial year, when the fund was created, is 125,556 thousand euros.

Compensation for dismissal

Under employment legislation, the Group is obliged to pay compensation to those employees with whom, under certain conditions, it terminates their employment relationships. Therefore, compensation for dismissal is paid to employees as a result of the Group's decision to terminate their employment contract before the normal age of retirement or when the employee accepts a voluntary resignation. In exchange for this



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compensation. The Group acknowledges this compensation when it has demonstrably committed to dismiss workers according to a detailed formal plan without the possibility to withdraw or to provide unemployment compensation as a result of an offer to encourage voluntary resignation. Any compensation that will not be paid within the 12 months following the balance sheet date is discounted at its current value.

Retirement bonuses

The various collective bargaining agreements in force by geographical areas and applicable to the investee company Correos Express Paquetería Urgente, S.A., S.M.E. (Sole Shareholder Company) provide that employees taking voluntary early retirement from age 60 to 65 must be paid a length-of-service bonus, which varies from various fixed sums to a set number of monthly payments if they have provided services to the company for between 10 and 30 years (depending on the applicable collective bargaining agreement).

p) Current and deferred taxes

The cost or (income from) the tax on earnings of the financial year is calculated with the sum of the current tax, which results from the application of the relevant rate of taxation on the taxable base of the financial year, after applying the existing allowances and deductions, and from the variation of the assets and liabilities for deferred taxes recorded. This is recognised in the profit and loss account, except in those cases in which this tax is directly related to entries reflected explicitly in the net assets of Correos Group, in which case the tax is recognised, likewise, in the same item.

In 2011 Correos Group paid in the special regime of fiscal consolidation. The number of the Fiscal Group is No. 38/11 and the parent company was Sociedad Estatal Correos y Telégrafos, S.A., S.M.E.

Due to the integration of Correos Group into the SEPI in June 2012, the Fiscal Group No. 38/11 was dissolved and the companies of this group were integrated in the Consolidated Fiscal Group with the No. 9/86 effective for the 2012 financial year.

For the purposes of Corporation Tax, the companies of Correos Group, with the exception of CEP and CEP II, are part of Consolidated Fiscal Group No. 9/86, made up of the SEPI and its companies based in Spain where its direct or indirect shareholdings are at least 75% and it has the majority of voting rights, in line with the provisions in article 58 of *Ley 27/2014, del Impuesto sobre Sociedades* [Act 27/2014, on the Corporation Tax].

The assets and liabilities for current taxes are the estimated amounts payable or receivable from government bodies, in accordance with the taxable rates in force on the date of the balance sheet. They are registered under the balance sheet heading 'Debtors, group companies and associates' and 'Short-term debts with group companies and associates' respectively, as the entity having to pay is the parent company of the Consolidated Fiscal Group, i.e. SEPI.

Deferred tax is calculated following the method of liabilities for all of the temporary differences between the tax base of the assets and liabilities and their book values in the consolidated annual accounts.



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The subsidiaries, with the exception of CEP and CEP II, and the Parent Company of the Correos Group, recognise deferred tax assets for all of the deductible temporary differences, unused tax credits and negative taxable bases that are not applied, to the extent that it is likely that the Group Company that has generated them has future tax gains that make the application of these assets possible, or that they can rationally be expected to be recovered within the Tax Consolidation Group; however, in any case, the negative tax amounts generated by the Correos Group Companies starting from their incorporation in the consolidated fiscal group 9/86 were acquired by SEPI at a rate of 28% until financial year 2015 and from financial year 2016 at a rate of 25%. With the exception of CEP and CEP II, with regard to the negative tax amounts generated by the Group Companies before they became part of the consolidated fiscal group No 9/86, recorded in the item 'deferred tax assets', their recoverability is evaluated annually to determine future tax benefits in the maximum compensation term as set out in the effective regulations. In this sense and regardless of the consolidated taxation, the Parent Company of the consolidated fiscal group to which the companies of Correos Group belong, with the exception of CEP and CEP II, allows compensation of the negative tax amounts generated before their incorporation in the Group No. 9/86.

In addition, the subsidiaries CEP and CEP II, which are domiciled in Portugal, pay corporate income tax in Portugal at a rate of 21%.

The assets and liabilities for deferred taxes are valued at the anticipated tax rates at the time they are reversed, in accordance with the approved effective regulations, and according to the manner in which it can rationally

be expected to recover or pay for the asset or liability for deferred tax. The adjustments of the values of the assets and liabilities for deferred taxes are allocated to the consolidated annual account, except insofar as the assets and liabilities for deferred taxes affected have been charged or paid directly to the net equity.

The assets and liabilities for deferred taxes are valued without taking into account the effect of the financial discount.

q) Grants, donations, bequests and compensations received for costs derived from providing the UPS

Grants, donations, bequests and compensations received by the Parent Company for the provision of the UPS for the acquisition of certain items, are recorded in a specific entry for consolidated net assets once the relevant tax effect has been deducted, on the understanding that this complies and will comply with the requirements necessary for them to be considered non-refundable.

Grants, donations and bequests are considered non-refundable when there is an individual agreement for granting them in favour of the Company, when the conditions established for granting them have been met and when there are no reasonable doubts about their receipt.

Non-refundable compensations received by the Parent Company, up to the 2010 financial year, as capital contributions to offset the costs derived from provision of the UPS are allocated to the consolidated profit and loss account during the period of time equivalent to the service life of the



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components of the fixed assets financed with said contributions, unless these assets are transferred, impaired or are eliminated, in which case they are allocated to the consolidated income statement, either totally or according to the theoretical percentage of the impairment of the assets covered by the contributions, at such time as this occurs. The allocation to the consolidated profit and loss account of the compensations used for the financing of land is deferred until the financial year in which their transfer or impairment takes place.

As regards the considerations received up until 2010 by the Parent Company as capital contributions for the costs derived from provision of the UPS and the impairment of the associated assets, the valuation adjustments due to impairment of the elements are considered irreversible insofar as they have been financed free of charge.

Non-refundable grants, donations and bequests and cost compensations received by the Parent Company to compensate the operation deficits derived from the provision of UPS are recorded in the consolidated profit and loss account in the examination period, regardless of their actual collection.

In view of the foregoing, in 2020 the Parent Company recognised consideration for the provision of the USPS amounting to 60 million euros (120 million euros in 2019) (Note 17.c), i.e. the full amount received from the Ministry of Transport, Mobility and the Urban Agenda through programme 491N Universal Postal Service in the General State Budget for 2020, once the necessary requirements for their consideration as non-refundable were met.

During the period 2011-2019, Correos only received a total amount of 1,219 million euros from the Ministry of Transport, Mobility and Urban Agenda for the 491N Universal Postal Service programme.

During the month of May 2020, the European Commission published the resolution approving the compensation to Correos by the Spanish State for a total amount of 1,280 million euros for the fulfilment of the universal postal service obligation during the period 2011-2020. The conclusion reached by the European Commission is that Correos has not received amounts that exceed the net cost of the public service obligation, which means that there is no overcompensation, and therefore the calculation of the amount received is within the European Union's state aid rules.

The Commission's decision was made on the basis of a calculation methodology, whereby the Company's directors understand that it has the approval of the European Commission, although this methodology had to undergo various national approval procedures and be reviewed by the National Market and Competition Commission. However, they considered that there was a remote risk of a negative impact on the annual accounts for the current and future financial years, relating to the calculation of the net cost of the SPU for the period 2011 to 2020.

r) Transactions with related parties

Transactions with related parties are recognised according to the valuation rules detailed above.



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s) I Value Added Tax

The non-deductible value added tax (hereinafter, VAT) forms part of the acquisition price of the capital goods, as well as the cost of the goods and services under transactions subject to value-added tax. Adjustments for non-deductible value-added tax borne as a result of the regularisation associated with the Parent Company's final pro rata determinations, including the regularisation of capital goods, do not alter the initial valuations of those goods. Therefore, any such effect is recorded in the consolidated profit and loss account.

Article 2 of the *Ley 23/2005, de 18 de noviembre, de Reformas en Materia Tributaria para el Impulso a la Productividad* [Act 23/2005, of 18 November 2005, on the Tax Incentives for Productivity], changed the value added tax rules applicable to the postal services provided by the Parent Company with effect from 1 January 2006. In particular, from 1 January 2006 the value added tax exemption for postal services was limited to universal postal services reserved to the operator designated to provide them, i.e., the Parent Company. This new scenario meant significantly increasing the deductible VAT of the Parent Company until that date. Therefore, the Company is filing restatements regarding capital goods within the legally prescribed deadlines. For each of the financial years, the total revenue from such restatements has been stated under the item 'Taxes' in the heading 'Other operating expenses' of the consolidated profit and loss account.

Article 22.2 of the Postal Act, establishes, with effect from 1 January 2011, that the operator designated by the State to provide the universal postal service is exempt from paying tax on its universal postal service activities,

with the exception of Corporation Tax. As regards Value Added Tax, the application of this legislative change has resulted in an increase in the number of services considered exempt from VAT, whereas the regulations applicable until 31 December 2010 limited exemptions to the scope of the postal services reserved to said operator.

As a result of decreasing the proportion of services subject to and not exempt from VAT out of the total number of services provided by the Parent Company, there was a significant reduction in the pro rata VAT deduction and, thus, an increase in the non-deductible VAT paid for acquisition of capital goods and goods and services subject to VAT.

t) Consolidated cash flows statement

The consolidated cash flow statements have been prepared using the indirect method and contain the use of the following expressions and their respective meanings:

- Operating activities: activities that constitute ordinary Group revenues, as well as other activities that cannot be qualified as investing or financing.
- Investing activities: acquisition, sale or disposal and other means of assets in the long-term and other investments not included in cash and cash equivalents.
- Financing activities: activities that generate changes in the size and composition of equity and liabilities that do not form part of operating activities.



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6. Computer software and other intangible fixed assets

The detail of activity in the 2020 and 2019 financial years is as follows:

Financial year 2020	Balance at 01/01/2020	Additions	Disposals	Other	Balance at 31/12/2020
Cost					
Development	366	325	-	-	691
Patents, licences and similar	592	-	-	-	592
Computer software	288,047	26,513	-	-	314,560
Other intangible assets	4,675	-	-	-	4,675
Total cost	293,680	26,838	-	-	320,518
Accumulated amortisation-					
Development	(366)	-	-	-	(366)
Patents, licences and similar	(592)	-	-	-	(592)
Computer software	(252,313)	(12,368)	-	-	(264,681)
Other intangible assets	(1,286)	(848)	-	-	(2,134)
Total accumulated amortisation	(254,557)	(13,216)	-	-	(267,773)
Adjustments for impairment- Computer software	-	-	-	-	-
Net value	39,123				52,745



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The item 'Computer software' records the amounts paid by Correos Group in order to acquire the ownership of or the right to use IT programs as well as activation of updates for different software programs owned by the Group.

The registrations seen during financial year correspond in the main o investments made by the Parent Company to acquire user licences and new IT programs, in addition to the updates to others, for the approximate sum of 15,860 thousand euros (with the investment

registered during the 2019 financial year being 6,720 thousand euros).

Financial year 2019	Balance at 01/01/2019	Additions	Disposals	Other	Balance at 31/12/2019
Cost					
Development	-	-	-	366	366
Patents, licences and similar	344	-	-	248	592
Computer software	268,687	15,881	(715)	392	288,047
Other intangible assets	502	-	-	-	4,675
Total cost	269,533	15,881	(715)	1,006	293,680
Accumulated amortisation-					
Development	-	-	-	(366)	(366)
Patents, licences and similar	(344)	-	-	(248)	(592)
Computer software	(243,502)	(9,350)	701	-	(252,313)
Other intangible assets	(322)	(572)	-	(392)	(1,286)
Total accumulated amortisation	(244,168)	(9,922)	701	(1,006)	(254,557)
Net value	25,365				39,123



The cost of fully amortised items forming part of the intangible assets of the Correos Group at 31 December 2020 amounted to 235,677 thousand euros (216,179 thousand euros in 2019).

At 31 December 2020, the Parent Company had commitments to acquire computer applications and make improvements to computer systems amounting to 6,356 thousand euros (14,006 thousand euros in 2019) but, on the same date, there were no firm sale commitments for any intangible assets owned by the Correos Group.

6.1 Goodwill on consolidation:

The balances and changes in the 'Goodwill on Consolidation' account are as follows:

	2020	2019
Gross opening balance	8,744	-
Inflows (Business Combination) (Note 21)	-	8,744
	8,744	8,744
Accumulated depreciation, opening balance	(583)	-
Arrivals	(874)	(583)
	(1,457)	(583)
Net closing balance	7,287	8,161



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The Correos Group recognised goodwill on consolidation in 2019 as a result of the fact that the acquisition price of CEP was higher than the fair value of the assets and liabilities acquired (see Note 21).

The goodwill acquired through the business combination (see note 21) was attributed to a single cash-generating unit, which corresponds to the entire activity of the subsidiaries acquired in Portugal, once they have been acquired as a whole within the same transaction (note 2), and are therefore managed as a single unit. This goodwill is primarily allocated to the workforce.

At the end of 2020, taking into account the performance of the subsidiaries, the Correos Group considers that the best evidence of the recoverable amount of its goodwill and intangible assets acquired in the business combination is their value in use.

The Correos Group tests goodwill and intangible assets acquired in the business combination for impairment on an annual basis. For 2019, the recoverable amount of the cash-generating unit (CGU) was determined on the basis of value in use calculations requiring the use of certain assumptions.

In this connection, the Correos Group engaged an independent expert to determine the value in use of the subsidiaries, which consisted of discounting future cash flows constructed on the basis of the subsidiaries' budget and business plan for the next five years, in accordance with the performance of the markets in which they operate. The discount rate used, 10.60% (8.2% at 31 December 2019), was calculated based on

the risk-free rate for 10-year bonds issued by Portugal, adjusted by a premium to reflect the risk arising from the market in which it operates and the subsidiary's own risk. A perpetual growth rate of 1% (1.1% at 31 December 2019) was also used.

A comparison of the recoverable amount calculated by the discounted cash flow method and the net carrying amount of goodwill and intangible assets acquired in the business combination did not reveal any impairment.



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7. Property, plant and equipment

The detail of activity in the 2020 and 2019 financial years is as follows:

Financial year 2020	Balance at 01/01/2020	Registrations and provisions	Disposals	Transfers	Other	Balance at 31/12/2020
Cost						
Land	382,752	-	(429)	(383)	-	381,940
Buildings	1,478,226	4,983	(7,067)	9,420	-	1,485,562
Technical installations and other fixed assets	707,610	34,448	(25,779)	5,504	-	721,783
Assets under construction and advances	39,849	32,430	-	(24,230)	(1,283)	46,766
Total cost	2,608,437	71,861	(33,275)	(9,689)	(1,283)	2,636,051
Accumulated amortisation						
Buildings	(588,893)	(20,958)	3,934	6,679	2,116	(597,122)
Technical installations and other fixed assets	(518,046)	(29,087)	20,256	(8)	(2,118)	(529,003)
Total accumulated amortisation	(1,106,939)	(50,045)	24,190	6,671	(2)	(1,126,125)
Adjustments for impairment						
Land and buildings	(115,193)	(9,584)	6,252	(417)	2	(118,940)
Technical installations and other fixed assets	(2,850)	-	22	1,138	-	(1,690)
Assets under construction and advances	(1,283)	-	-	-	1,283	-
Total adjustments for impairment	(119,326)	(9,584)	6,274	721	1,285	(120,630)
Net value	1,382,172					1,389,296



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Financial year 2019	Balance at 01/01/2019	Registrations and provisions	Disposals	Transfers	Other	Balance at 31/12/2019
Cost						
Land	385,562	2	(245)	(2,567)	—	382,752
Buildings	1,481,647	3,364	(2,850)	(6,454)	2,118	1,478,226
Technical installations and other fixed assets	703,892	33,607	(33,238)	1,700	(32)	707,610
Assets under construction and advances	31,209	14,371	—	(5,451)	(280)	39,849
Total cost	2,602,310	51,344	(36,333)	(12,772)	1,806	2,608,437
Accumulated amortisation						
Buildings	(573,251)	(20,556)	1,510	5,239	(1,835)	(588,893)
Technical installations and other fixed assets	(520,230)	(28,803)	31,181	219	1,552	(518,046)
Total accumulated amortisation	(1,093,481)	(49,359)	32,691	5,458	(283)	(1,106,939)
Adjustments for impairment						
Land and buildings	(119,813)	(2,327)	5,947	1,000	—	(115,193)
Technical installations and other fixed assets	(2,889)	—	—	39	—	(2,850)
Assets under construction and advances	(1,283)	—	—	(292)	292	(1,283)
Total adjustments for impairment	(123,985)	(2,327)	5,947	747	292	(119,326)
Net value	1,384,844					1,382,172



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The additions recognised under 'Land and Buildings' and 'Assets under construction and advances' in the year relate to the Parent Company and relate to the refurbishment and adaptation of existing premises and properties and to the investments made in logistics centres for postal processing and distribution.

The heading 'Technical installations and other fixed assets' includes the plant investments made at the properties used by the Group (whether or not it owns them), together with the investments made in machinery, IT equipment, motor vehicles and furniture. The most significant additions recorded under this heading during the year correspond to the purchase by the Parent Company of transport items, machinery, other installations and furniture of 13,855, 2,833, 2,362 and 3,475 thousand euros, respectively (in 2019 transport items, machinery, computer equipment and furniture of 11,831, 6,223, 1,866 and 5,262 thousand euros, respectively).

Most of the total disposals of property, plant and equipment relate to fully depreciated items that have been written off by the Parent Company, mainly computer equipment, furniture, machinery and transport items.

As mentioned in Note 5.e) of this Parent Company report, in light of the stipulations of Order EHA/733/2010, of 25 March which approved accounting aspects for public companies operating in certain circumstances, the impairment of the assets included under the heading property, plant and equipment was recorded as per the value in use, as stipulated in the aforementioned Order. In this regard, the Parent Company compared the book value of the assets with their recoverable amount by using the value in use method, determined with reference to

their depreciated replacement cost.

The depreciated replacement cost was calculated using the sum of the following components:

- a) Obtaining market studies and evaluation of the components of the assets regarding land and overall construction, undertaken by independent experts using different methods including the comparison method, the cost method and the residual value method, in addition to statistical studies on property market behaviour.
- b) Capitalised cost of the renovations applied to buildings, reduced by the accumulated amortisation, in order to reflect the use already made of the asset.
- c) Cost of the indirect expenses for the acquisitions and renovations.

A comparison of the depreciated replacement cost with the net book value of the assets assessed by the Parent Company revealed a net impairment charge of 'Property, plant and equipment' of 4,864 thousand euros (provision of 7,236 thousand euros and reversal of 2,372 thousand), which was recognised in the income statement for 2020. In 2019, a net impairment reversal of 3,371 thousand euros was recognised (allowance of 290 thousand euros and reversal of 4,021 thousand euros).

In 2020, the Parent Company recognised an impairment of 5,859 thousand euros in anticipation of planned asset disposals due to property refurbishments (7,351 thousand euros in 2019).

At 31 December 2020, the Parent Company had commitments to acquire property, plant and equipment amounting to 62,701 thousand euros (43,726 thousand euros in 2019). At the close of the financial year, the Company has no final commitments involving sale of assets.

The cost of fully depreciated items forming part of the Correos Group's property, plant and equipment at 31 December 2020 amounts to 444,765 thousand euros (444,523 thousand euros at 31 December 2019).

The net book value of the homes, premises and land forming part of the Parent Company's property, plant and equipment not assigned to operations amounts to 45,121 thousand euros (42,472 thousand euros at 31 December 2019), with an acquisition cost of 78,540 thousand euros (76,218 thousand euros at 31 December 2019).

Correos Group has insurance policies in place to cover those risks that could affect most of its property, plant and equipment.



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8. Investments property

The detail of activity in the 2020 and 2019 financial years is as follows:

	Balance at 01/01/2019	Registrations and provisions	Transfers	Balance at 31/12/2019	Registrations and provisions	Transfers	Balance at 31/12/2020
Cost							
Land	4,406	-	1,060	5,466	-	431	5,897
Buildings	14,669	56	2,467	17,192	18	6,100	23,310
Total cost	19,075	56	3,527	22,658	18	6,531	29,207
Accumulated amortisation							
Buildings	(5,312)	(340)	(322)	(5,974)	(356)	(3,487)	(9,817)
Adjustments for impairment							
Land and buildings	(137)	4	79	(54)	-	(1,438)	(1,492)
Net book value	13,627			16,630			17,898

Investment property corresponds to premises that the Parent Company has leased to third parties. Income from these contracts recognised in the consolidated income statement amounted to 1,281 thousand euros in 2020 (1,397 thousand euros in 2019).

Expenses associated with investment property mainly relate to annual

depreciation and maintenance costs and amounted to 863 thousand euros in 2020 (2019: 731 thousand euros). All of these expenses were recorded in the consolidated profit and loss account based on the accrual principle.

There are no restrictions on investment property or on the collection of

revenue deriving from these or from the resources obtained from their transfer or disposal by other means, apart from those mentioned in Note (1) of this report under 'Parent Company Activity'.

There are no contractual obligations for the acquisition, construction or development of investment property or for repairs, maintenance or improvements.

The Parent Company has insurance policies in place to cover those risks that could affect most of its investment property.

The future minimum charges that cannot be cancelled for the operating leasing agreements associated with the investment property of the Group are broken down in the following table:

	Financial year 2020	Financial year 2019
Up to one year	2,410	1,370
Between one and five years	7,442	1,472
More than five years	2,532	459
	12,384	3,301



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9. Non-current assets held for sale

The detail and movement under this heading during the 2020 and 2019 financial years is as follows:

Financial year 2020	Balance at 01/01/2020	Registrations and provisions	Disposals	Transfers	Balance at 31/12/2020
Cost					
Land	1,775	-	(589)	459	1,645
Buildings	8,142	-	(1,380)	2,712	9,474
Other installations	242	-	(59)	(14)	169
Total cost	10,159	-	(2,028)	3,157	11,288
Accumulated amortisation					
Buildings	(4,918)	-	779	(3,198)	(7,337)
Other installations	(219)	-	58	14	(147)
Total accumulated amortisation	(5,137)	-	837	(3,184)	(7,484)
Adjustments for impairment					
Land and buildings	(1,047)	-	6	733	(308)
Net book value	3,975	-			3,496



At the close of the 2020 fiscal year, the Group classified under 'Non-current assets held for sale' 3,496 thousand euros (2019: 3,975 thousand euros), which corresponds to the investment in land, buildings and property, plant and equipment owned that were available for immediate sale and whose sale was highly probable. The main movements during the year are reclassifications from 'Property, plant and equipment' to 'Non-current assets held for sale', which are reflected in the transfers column.

In addition, the Parent Company presented write-offs at a cost of 2,028 thousand euros and accumulated amortisation of 837 thousand euros in 2020 (cost of 583 thousand euros and accumulated amortisation of 12 thousand euros 2019), with the result obtained from the sale of properties amounting to 2,559 thousand euros (901 thousand euros in 2019).

Financial year 2019	Balance at 01/01/2019	Registrations and provisions	Disposals	Transfers	Balance at 31/12/2019
Cost					
Land	469	-	(468)	1,774	1,775
Buildings	72	43	(115)	8,142	8,142
Other installations	-	10	-	232	242
Total cost	541	53	(583)	10,148	10,159
Accumulated amortisation					
Buildings	(12)	-	12	(4,918)	(4,918)
Other installations	-	-	-	(219)	(219)
Total accumulated amortisation	(12)	-	12	(5,137)	(5,137)
Adjustments for impairment					
Land and buildings	-	(209)	-	(838)	(1,047)
Net book value	529				3,975



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10. Inventories

Details of this item as of 31 December 2020 and 2019 are as follows:

	Balance at 31/12/2020	Balance at 31/12/2019
Inventories valued at cost		
Stamps in the possession of third parties	330	232
Stamps at Company's post offices and warehouses	2,057	1,976
Philately Stamps	4,675	4,157
Wardrobe	8,126	2,567
Other stocks	4,341	4,513
	19,529	13,444
Valuation adjustments due to impairment	(5,039)	(3,834)
	14,491	9,611



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The movement of the valuation adjustments for impairment of inventories during financial years 2020 and 2019 is as follows:

Valuation adjustments			
	Stamps	Other	Total
Balance at 01 January 2019	3,498	683	4,181
Valuation adjustments due to impairment	876	0	876
Reversal of valuation adjustments	(1,191)	(8)	(1,199)
Application against cost of stock	-	(24)	(24)
Balance at 31 December 2019	3,182	652	3,834
Valuation adjustments due to impairment	4,337	51	4,388
Reversal of valuation adjustments	(3,182)	-	(3,182)
Application against cost of stock	-	-	-
Balance at 31 December 2020	4,337	702	5,039

The Correos Group maintains valuation adjustments for impairment of stamps of 4,337 thousand euros (3,182 thousand euros in 2019) in those cases in which it has estimated that their net realisable value is lower than their carrying amount.

Periodically, the Parent Company destroys those stocks of stamps whose age and/or the reason for their issue make their use impossible. For that reason, completely impaired stamps worth 24 thousand euros were destroyed during the 2019 fiscal year. In 2020, no stamps or other products were destroyed.



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11. Current and non-current financial assets

The composition of Correos Group current and non-current financial assets as of 31 December 2020 and 2019, excluding cash and cash equivalents described in Note (12), including the balances with government bodies not considered financial instruments, is as follows:

	Balance at 31/12/2020	Balance at 31/12/2019
Non-current financial investments		
Deposits and guarantees	2,597	2,363
Loans to third parties	2,176	-
Other	89	88
	4,862	2,451
Trade debtors and other receivables		
Clients from sales and provision of services	564,358	580,207
Clients, companies accounted for by the equity method (Note 20)	4,638	-
Sundry debtors	29,355	26,023
Debtors, group companies and associates (Note 20)	93,258	483
Staff	4,985	7,420
Public administration (Note 18)	795	1,282
	697,389	615,415
Current financial investments		
Deposits and guarantees	1,086	3,129

The headings for financial instruments included in the table above are considered 'Loans and entries receivable'.



11.1.) Trade and other receivables

The headings 'Clients from sales and provision of services' and 'Sundry debtors' include 247,251 thousand euros in fees to be collected by the Parent Company from third-country postal operators for the provision of postal and telegram services (which stood at 191,821 thousand euros at 31 December 2019).

The 'Staff' heading contains the amounts delivered by the Parent Company to different employees as advance payroll payments in accordance with a specific plan designed by the Company and that are still pending recovery at the close of the financial year.

The headings 'Clients from sales and provision of services' and 'Sundry debtors' are shown as

net valuation adjustments for impairment, with their movements during the 2020 and 2019 financial years being as follows:

Valuation adjustments	Clients	Debtors	Total
Balance at 01 January 2019	22,234	991	23,225
Valuation adjustments due to impairment	5,145	-	5,145
Reversals of valuation adjustments	(2,963)	(476)	(3,439)
Balance at 31 December 2019	24,416	515	24,931
Valuation adjustments due to impairment	3,421	-	3,421
Reversals of valuation adjustments	(2,337)	-	(2,337)
Balance at 31 December 2020	25,500	515	26,015

The Correos Group has recognised an expense of 920 thousand euros under 'Losses, impairment and changes in provisions for

trade operations' in the consolidated income statement for the direct write-off of bad debts (an amount of 921 thousand euros was

recognised for the same item in 2019).



11.2.) Non-current and current financial investments

The current 'Deposits and guarantees' item mostly records court bonds with various labour courts for actions brought by the employees and former employees of the Parent Company.

'Non-current financial investments' comprises the following:

The different companies in Correos Group perform a solvency analysis for each of their clients. These analyses are used for awarding or denying contracts with postponed payment to clients. The authorisations for the signing of these contracts are classified according to the amount of the loan.

	Balance at 31/12/2020	Balance at 31/12/2019
Non-current financial investments		
Loans to third parties	2,176	-
Other financial investments	2,686	2,451
	4,862	2,451

The heading 'Non-current financial investments' of the Parent Company includes long-term guarantees and deposits of 1,078 thousand euros, 2,176 thousand euros of advances to staff, plus 18 thousand euros corresponding to the acquisition of shares in International Post Corporation (IPC).



11.3.) Information about the nature and the level of risk from financial instruments

The risk management policies of the Group are laid down by the Management Committee of the Parent Company, after having been approved by its Parent Company Directors. On the basis of these policies, a set of procedures and controls was established to make it possible to identify, measure and manage risks deriving from the financial instruments, which expose the Group to credit, market and liquidity risks:

11.3.1) Credit risks

A credit risk arising due to the possible loss caused by a breach of the contractual obligations of the Parent Company's counterparts, that is, due to the possibility of not recovering the financial assets for the sum recorded in the set period.

The maximum exposure to credit risk of Correos Group at 31 December 2020 and 2019 is as follows:

	Balance at 31/12/2020	Balance at 31/12/2019
Non-current financial investments	4,862	2,451
Clients for sales and provision of services	564,358	580,207
Sundry debtors	29,355	26,023
Current financial investments	1,086	3,129
Banks and credit institutions (Note 12)	17,377	65,605
Clients, companies accounted for by the equity method	4,638	-
Accrued interest not due	2	4
	621,678	677,419



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'Sundry debtors' includes, among others, balances receivable for interim payments for international correspondence of the Parent Company, amounting to 20,249 thousand euros (17,043 thousand euros).

The headings for financial instruments included in the table above are considered 'Loans and entries receivable'.

The breakdown of the concentration of credit risks per counterpart under the 'Clients from sales and provision of services' and 'Sundry debtors' sections of Correos Group as of 31 December 2020 and 2019 is as follows:

Financial year 2020	Parent Company		Rest of companies	
	Number	Thousands of euros	Number	Thousands of euros
Clients and debtors				
With balance greater than 1,000 thousand euros	29	140,254	10	41,664
With balance between 500 and 1,000 thousand euros	46	30,962	6	3,560
With balance below 500 thousand euros	24,295	67,866	23,353	50,667
	24,370	239,082	23,369	95,891
Foreign postal operators		247,251	-	-
Other financial assets		15,115	-	1,012
		262,366		1,012
		501,448		96,903

Financial year 2019	Parent Company		Rest of companies	
	Number	Thousands of euros	Number	Thousands of euros
Clients and debtors				
With balance greater than 1,000 thousand euros	30	141,008	-	-
With balance between 500 and 1,000 thousand euros	55	38,505	-	-
With balance below 500 thousand euros	24,156	91,081	27,336	77,130
	24,241	270,594	27,336	77,130
Foreign postal operators		245,492		-
Other financial assets		13,360		137
		258,852		137
		529,446		77,267



At 31 December 2020 and 2019, the breakdown of the 'Clients' and 'Foreign postal operators' of Correos Group's Parent Company by maturity, since they are the most representative, is as follows:

	Financial year 2020 / Parent Company		Financial year 2019 / Parent Company	
	Clients	Foreign postal operators	Clients	Foreign postal operators
Not due	138,725	72,812	119,157	81,725
Due, non-doubtful:				
Less than 30 days	49,118	298	97,024	3,530
Between 30 and 60 days	24,224	3,269	19,848	258
Between 60 and 90 days	1,885	282	10,816	165
Between 90 and 120 days	3,334	151	5,155	176
Over 120 days	21,795	150,191	18,593	142,594
Provisional payments	-	20,249	-	17,043
	239,081	247,252	270,593	245,491
Doubtful clients	13,115	1,815	12,776	1,305
Adjustments for impairment	(13,115)	(1,815)	(12,776)	(1,305)
	239,081	247,252	270,593	245,491



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The provisional payments correspond to sums paid by the Parent Company to other foreign operators for the provision of their postal services prior to final settlement. The balance of advances collected from foreign operators by the Parent Company amounts to 186,283 thousand euros at 31 December 2020 (200,598 thousand euros at 31 December 2019).

The Parent Company streamlined the cash flow surpluses during the 2020 financial year by actively managing the funds deposited in current accounts in highly solvent national financial entities.

11.3.2) Market risks

A market risk arises due to the possible loss caused by variations in the fair value or future cash flows of a financial instrument due to changes in market prices. Market risk includes the interest rate risk, exchange rate risk and other price risks.

Interest rate risks

An interest risk arises due to the possible loss caused by variations in the fair value or in future cash flows of a financial instrument due to changes in market interest rates.

Given that practically all financial assets of Correos Group mature in less than twelve months, the exposure of these to exchange rate risk in interest rates is not significant.

In the case of financial liabilities, both long-term and short-term bank borrowings are tied to fixed interest rates, so that the risk of changes to that rate is minimised and monitored.

Exchange rate risks

An exchange rate risk arises due to the possible loss caused by variations in the exchange rate. The exposure of Correos Group to the risk of exchange rate fluctuations is due primarily to sales made in currencies other than the functional currency. These balances result from the services provided to and received by foreign postal operators and from the provision of the international money order service.

In this regard, the Parent Company's exposure to this risk largely corresponds to the accounts receivable and payable deriving from international mail. Given that the net of these balances at 31 December 2020 amounted to 5,553 thousand euros payable (31 December 2019: 34,022 thousand euros), the Parent Company's directors consider this risk to be immaterial.



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11.3.3) Liquidity risks

A liquidity risk occurs due to the possibility of Correos Group not having liquid funds or access to them in a sufficient amount and at the right cost to meet its payment obligations at all times. The objective of the Group is to maintain the necessary liquid availability. The Parent Company contracted credit facilities to meet any liquidity needs, which were drawn down during 2020, registering 327 million euros at 31 December 2020.

Binding bids were also obtained for the transformation of the credit lines into long-term loans amounting to 325 million euros, and on 26 February 2021 the Board of Directors approved the award to a financial institution for the amount requested, as indicated in note 3c).

The breakdown of the current financial assets and liabilities of the Group as of 31 December 2020 and 2019, and, by difference, its ability to meet its payment obligations in the short-term, is as follows:

	Balance at 31/12/2020	Balance at 31/12/2019
Current financial assets		
Clients for sales and provision of services	564,358	580,207
Clients, companies accounted for by the equity method	4,638	-
Debtors, group companies and associates	93,258	483
Sundry debtors	29,355	26,023
Financial investments	1,086	3,129
Cash and other liquid resources	44,466	100,594
Current financial liabilities		
Current debts	(370,404)	(42,742)
Debts with group companies	(2,549)	(3,495)
Trade creditors and other accounts payable	(611,537)	(596,698)
Difference	(247,329)	67,501

The impact of this short-term liquidity requirement is mitigated by the fact that the credit facility maturing on 9 June 2021 has an outstanding amount of 278 million euros and by the fact detailed in Note 3, which describes how binding offers have been obtained for the long-term financing of the 325 million, converting the financing of the credit facility from short-term to long-term debt. Also, as detailed above, bids have been received for long-term financing far in excess of the required 325 million euros, and these have already been awarded at the date of preparation, which is an indicator that there are no problems in obtaining renewals or new credit lines on maturity of the current one.

The subsidiary Correos Express has a corporate treasury contract with annual renewal with the Parent Company, with a credit line for a maximum drawdown amount of 15,000thousand euros (15,000 thousand euros at 31 December 2019) and no drawdown balance at 31 December 2020 and 2019, and 7 million euros with the subsidiary Nexea, with 3.5 million euros pending drawdown.



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accounts of Correos Group**11.4.) Investments in companies accounted for by the equity method**

Details and movement in 'Investments in companies accounted for by the equity method' are as follows:

Financial Year 2020			
K Parcel Company Limited Local currency (HKD)		KCGecommerce solutions Company Limited Local currency (RMB)	
Net book value (Euros)	407,904	Net book value (Euros)	1,840,980
Direct shareholding (%)	35%	Direct shareholding (%)	35%
Share capital (HKD)	10,000,000	Share capital + reserves (RMD)	42,508,252
Result of the financial year (HKD)	19,349,417	Result of the financial year (HKD)	-92,090
Total equity (HKD)	29,349,417	Total equity (RMD)	42,416,162
Total equity (EUR)	1,164,036	Total equity (EUR)	1,836,896

	Balance at 31/12/2019	Participation in the set-up	Participation in the result accounted for by the equity method	Balance at 31/12/2020
K Parcel Company Limited	-	408	756	1,164
KCGecommerce solutions Company Limited	-	1,841	(4)	1,837
	-	2,249	752	3,001



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12. Cash and cash equivalents

Details of this item as of 31 December 2020 and 2019 are as follows:

	Balance at 31/12/2020	Balance at 31/12/2019
Cash:		
Cash	27,085	34,985
Banks and lending institutions	17,377	65,605
Cash equivalents:		
Accrued interest not due:		
From third parties	4	4
	44,466	100,594

At 31 December 2019, the Parent Company held a restricted deposit of 213 thousand euros for the purpose of meeting IBI settlements received from local entities as a result of the European Commission's ruling declaring the exemption from this tax to be illegal aid.

At 31 December 2020, 'Banks and lending institutions' recognised 1,951 thousand euros as a result of collections made by Correos Express on behalf of customers to whom it provided a cash on delivery service (2,196 thousand euros at 31 December 2019).



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13. Shareholder's equity

The breakdown of the movement of the Correos Group's equity is shown in the consolidated statement of changes in equity, which is an integral part of the consolidated annual accounts.

a) Declared capital

The Share Capital of the Parent Company is represented by 611,521 shares with a nominal value of 1,000 euros each. All shares have the same political and economic rights and are fully subscribed and paid up.

b) Share premium

The share premium account, created at the time of incorporation of the Parent Company, is subject to the same restrictions and may be used for the same purposes as the Company's voluntary reserves, including conversion to Share Capital.

The Parent Company's share premium was 250,938 thousand euros at 31 December 2020 and 2019.

c) Reserves

Reserves Pursuant to Article 274 of the Consolidated Text of the Capital

Companies Act, enacted by Royal Legislative Decree 1/2010, dated 2 July, a figure equal to 10% of the profit for the financial year must be allocated to the Legal Reserve until it matches a minimum of 20% of the Share Capital.

The Legal Reserve can only be used to increase the Share Capital by the part of its balance that exceeds the 10% of the previously increased capital. Except for the purpose mentioned above, and as long as 20% of the Share Capital is not exceeded, this reserve will only be used to offset losses, provided that there are no other sufficient reserves available for this purpose.

At 31 December 2020, the Statutory Reserves of the Parent Company totalled 214,119 thousand euros (at 31 December 2019, these totalled 214,119 thousand euros).

The Parent Company Directors plan to request authorisation from the sole shareholder in 2021 to redistribute the entire balance of the Statutory Reserves to Voluntary Reserves.



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The details at 31 December 2020 are as follows:

	Balance at 31/12/2020	Balance at 31/12/2019
Details of reserves		
Legal reserve	101,847	100,070
Statutory Reserves	214,119	214,119
Voluntary Reserves	222,920	230,423
Reserves in Fully Consolidated Companies	(182,252)	(202,343)
Total	356,634	342,269

The detail of reserves at consolidated companies is as follows:

	Balance at 31/12/2020	Balance at 31/12/2019
Details of reserves in consolidated companies:		
Correos Telecom, S.A., S,M,E., M,P,S,U,	5,981	4,242
Nexea Gestión Documental, S.A., S,M,E, S,U	(11,833)	(11,362)
Correos Express Paquetería Urgente, S.A., S,M,E, S,U	(176,400)	(195,223)
Total	(182,252)	(202,343)



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d) Consolidated results of Correos Group

Correos Group's consolidated profits for the 2020 and 2019 financial years are as follows:

2020	Individual results	Consolidation adjustments	Consolidated results	For the parent company	For external partners
Correos y Telégrafos, S.A., S.M.E.	(256,633)	(22,275)	(278,908)	(278,908)	-
Correos Telecom, S.A., S.M.E., S.U.	2,228	-	2,228	2,228	-
Nexea Gestión Documental, S.A., S.M.E.S.U.	(1,918)	-	(1,918)	(1,918)	-
Grupo CEX	15,727	(2,079)	13,648	14,582	(934)
KCG E-commerce Solutions Company Limited	-	(4)	(4)	(4)	-
K-Parcel Company Limited	-	756	756	756	-
	(240,596)	(23,602)	(264,198)	(263,264)	(934)

2019	Individual results	Consolidation adjustments	Consolidated results	For the parent company	For external partners
Correos y Telégrafos, S.A., S.M.E.	17,771	(25,336)	(7,566)	(7,566)	-
Correos Telecom, S.A., S.M.E., S.U.	1,739	—	1,739	1,739	-
Nexea Gestión Documental, S.A., S.M.E.S.U.	(498)	—	(498)	(498)	-
Grupo CEX	21,115	(1,377)	19,738	20,688	(950)
	40,127	(26,713)	13,413	14,363	(950)



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accounts of Correos Group*e) Details of external partners:*

Details of external partners at 31 December 2020 and 2019 are as follows:

2020	Company	Percentage external partners	Share capital	Reserves	Integration CEP II	Goodwill CEP	Result for external partners	Total
	CEP	49%	123	1,242	(2,732)	2,632	(934)	331

2019	Company	Percentage external partners	Share capital	Reserves	Result January-April	Integration CEP II	Goodwill CEP	Result for external partners	Total
	CEP	49%	123	1,202	308	(2,437)	3,020	(950)	1,265



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14. Grants, donations, bequests and compensations received for costs derived from providing the UPS

The detail of movements during financial years 2020 and 2019 of compensations received as capital subsidies is as follows:

Financial year 2019	Thousand of euros
Initial balance at 01 January 2019	241,049
Grants, donations and bequests recognised	370
Allocation of the profit and loss account:	
- due to amortisation	(5,807)
- other	(7)
- due to disposals	(135)
Tax effect	1,476
Final balance at 31 December 2019	236,946

Financial year 2020	Thousand of euros
Initial balance at 01 January 2020	236,946
Grants, donations and bequests recognised	1,437
Tax effect	(389)
Allocation of the profit and loss account:	
- due to amortisation	(5,608)
- due to adjustments for impairment	(1,516)
- others	(633)
- due to disposals	(984)
Tax effect	2,150
Final balance at 31 December 2020	231,403

The Parent Company values the liabilities from deferred tax resulting from capital compensations received up to the 2010 financial year at the tax rates expected at the time they were reversed, as per the applicable

regulation at 31 December 2020, and acknowledges this change in the Company's net equity (see Note 5q) and 18)).

15. Non-current provisions

The details and movements of long-term provisions for the 2020 and 2019 financial years are as follows:

Non-current provisions				
	Provision for taxes	Provision claims from the staff	Provision for court actions	Total
Balance at 01 January 2019	3,496	11,690	14,122	29,308
Provisions	103	280	35	418
Registrations (Business combinations)	-	-	69	69
Applications / payments	(359)	(68)	-	(427)
Reversals / excesses	(1,945)	(1,706)	(778)	(4,429)
Balance at 31 December 2019	1,295	10,196	13,448	24,939
Provisions	790	2,838	449	4,077
Applications / payments	(654)	-	(7)	(661)
Reversals / excesses	165	(1,249)	-	1,084
Balance at 31 December 2020	1,596	11,785	13,890	27,271



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Non-current provisions for the financial year, amounting to 4,077 thousand euros, have been charged to the consolidated profit and loss account according to their type (418 thousand euros in 2019).

The origin of the application of long-term provisions lies in court decisions that have been unfavourable for Correos Group during financial year 2020 and which have involved the actual payment of certain amounts.

The reversals of non-current provisions for the financial year, amounting to 1,084 thousand euros, have been charged to the consolidated income statement (316 thousand euros in 2019).

Provision for claims from the staff

The balance of this provision as of 31 December 2020 records the estimated sums to be paid for claims and court actions in labour-law proceedings against Correos Group.

Provision for court actions

The balance of this provision at 31 December 2020 and 2019 includes the amounts payable estimated by the Parent Company in relation to resolutions of the National Market and Competition Commission, appealed by the latter and pending final resolution.

During the 2018 financial year, the National Market and Competition Commission issued a resolution sanctioning Correos Express for a total of 19,635 thousand euros for alleged breaches of antitrust regulations.

In May 2018, Correos Express obtained the precautionary suspension of the payment of the fines imposed, and in 6 February 2019, it filed a lawsuit before the National High Court against the aforementioned resolution.

The directors of the Parent Company and Correos Express, based on the assessments and judgements of their external legal advisors and the Group's legal department, believed that it was likely that the National Court would uphold the appeal leading to a reduction of the penalty by at least 50%, so the provision recorded by Correos Express amounted to 9,817 thousand euros, with no change in the current financial year.



16. Financial liabilities

The composition of Correos Group's long-term and short-term financial liabilities as of 31 December 2020 and 2019, including balances with government bodies not considered financial instruments, is as follows:

Non-current payables:	Balance at 31/12/2020	Balance at 31/12/2019
Debts with credit institutions	8,058	11,256
Creditors for fixed assets	-	1,687
Deposits and guarantees	1,253	1,252
Financial lease creditors	47	284
Other non-current payables	106	149
	9,464	14,628



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Current payables:	Balance at 31/12/2020	Balance at 31/12/2019
Debts with credit institutions	332,519	3,785
Creditors for fixed assets	22,319	18,372
Money order deposits	10,390	10,097
Deposits and guarantees	4,696	6,700
Financial lease creditors	379	425
Other Current payables	101	3,359
Total Current payables	370,404	42,742
Short-term debts with group companies and associates (Note 20)	2,549	3,495
Trade and other payable:	Balance at 31/12/2020	Balance at 31/12/2019
Suppliers	2,853	3,219
Suppliers, group companies and associates (Note 20)	-	—
Sundry creditors	311,712	292,796
Staff (unpaid wages)	43,449	25,198
Other debts with public administrations (Note 18)	59,172	66,682
Customers advances	194,351	208,803
Total trade and other payable	611,537	596,698
Current accruals	5,163	6,231



The headings for financial instruments in the table above are considered 'Debits and accounts receivable'.

'Money order deposits' include Money order deposits accepted prior to 31 December 2020 and still to be paid by the Parent Company to their recipients at that date.

The heading 'Sundry creditors' includes amounts collected by the Parent Company on behalf of third parties amounting to 12,700 thousand euros (23,183 thousand euros in 2019).

In addition, 'Sundry creditors' and 'Customers advances' include 252,804 thousand euros arising from outstanding obligations to various third-country postal operators for postal services received from them (279,514 thousand euros at 31 December 2019). The heading 'Customers advances' also includes the amounts received by Correos Express Paquetería Urgente S.A., S.M.E. (Sole Shareholder Company) from third parties when carrying out the service of delivery with refund at the request of customers, of 1,981 thousand euros (1,668 thousand euros in 2019).

At the close of the financial year the Parent Company had no outstanding amount due to suppliers that was delayed beyond the legal limit established by Act 15/2010 of 5 July.

In accordance with the provisions of Act 15/2010 and the ICAC's Resolution of 29 January 2016, the information from the Parent Company on the

average period for payment to suppliers in commercial transactions at 31 December 2020 and 2019, since it is the most representative of the Group, is as follows:

	Financial year 2020	Financial year 2019
	Days	Days
Average settlement period for supplier invoices	16	19
Ratio of paid transactions	15	20
Ratio of outstanding transactions	27	16
	Thousands euros	Thousands euros
Total payments made	479,840	458,875
Total outstanding payments	59,928	24,048



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16.1) Long-term and short-term debts to credit institutions

In financial year 2019, subsidiary Correos Express Paquetería Urgente S.A., S.M.E. (Sole Shareholder Company) arranged a fixed-interest credit policy with Bankinter, S.A. for an amount of 15,000 thousand euros, maturing in 2024.

On 23 April 2019, Bankinter, S.A. delivered the amount of 5,000 thousand euros to the company. In addition, on 26 April 2019, it granted an extension to this policy amounting to 10,000 thousand euros.

The conditions of the policy are, a fixed interest rate of 0.73%, with 4 annual payments and a term of 5 years. The arrangement fee was 0.15%. Because it is not representative, the Subsidiary recorded this fee as an expense for the period and did not record the policy at amortised cost. This policy does not incorporate any kind of covenant.

The details of the amortisation table of the loan are as follows;

Financial year	Outstanding capital	Interest rate	Fee	Interest	Capital
2020	10,500				
2021	7,500	0.73%	3,069	69	3,000
2022	4,500	0.73%	3,047	47	3,000
2023	1,500	0.73%	1,525	25	1,500
2024	-	0.73%	4	4	-
			7,645	145	7,500

Additionally, the Group also has other financial liabilities with credit institutions, the most representative of which is a loan granted by Bankinter, S.A. to the Portuguese company CEP for an amount of 1,000 thousand euros, dated October 2019, the conditions of which are a fixed interest rate of 1.347%, with monthly payments and a term of 5 years.

The detail of the amortisation table for the 5 years of the loan is as follows:

Financial year	Pending capital	Interest rate	Fee	Interest	Capital
2020	741	-	-	-	-
2021	534	1.35%	207	9	198
2022	327	1.35%	207	6	201
2023	121	1.35%	207	4	203
Remainder	-	1.35%	155	1	154
			776	20	756

During 2020, the Parent Company contracted a credit line with a credit institution, with a limit of 605 million euros at an interest rate of 0.1% p.a., maturing on 9 June 2021, with a drawdown at 31 December 2020 of 327 million euros, which is reflected under 'Short-term debts with credit institutions'.

17. Income and expenses

a) Revenue

The distribution of Correos Group's revenue corresponding to its ordinary activities by activity category, as well as by geographical markets, for the 2020 and 2019 financial years, is as follows:

	Financial year 2020	Financial year 2019
Segmentation by origin		
Clients with contract	1,458,186	1,507,017
Cash collections	317,345	367,932
Franking machines	33,414	42,944
International (ETOE and activity in Portugal)	110,504	133,964
Other	55,760	214,626
Total	1,975,209	2,266,483
Segmentation by geographical markets		
National	1,947,373	2,240,796
International	27,836	25,687
Total	1,975,209	2,266,483



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The heading 'Clients with contracts' is shown net of the figure for volume discounts granted by the Correos Group to its customers during the financial year for the sum of 1,761 thousand euros (this figure is 1,843 thousand euros for the 2019 financial year).

b) Supplies

The breakdown of the heading 'Supplies' in the attached consolidated income statement during the 2020 and 2019 financial years is as follows:

	Financial year 2020	Financial year 2019
National purchases of merchandise		
Stamps and other franking signs	4,505	4,361
Other products	8,863	12,130
Changes in inventories	(1,097)	(4,665)
Merchandise consumed	12,271	11,826
Impairment of merchandise, raw materials and other supplies	1,205	424
Activities carried out by other companies	381,841	324,631
Supplies	395,317	336,881



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'Activities carried out by other companies' includes the 'international mail expenditure' of the Parent Company, which includes the costs that the postal operators of different countries invoice to the Company in relation to the provision of postal and telegram services whose recipients reside in these countries, amounting to 47,096 thousand euros in 2020 (63,493 euros in the 2019 financial year). It also includes transport expenses contracted with third parties, 96,081 thousand euros in 2020 (88,495 thousand euros in 2019).

In addition, this heading includes charges received from suppliers who work on their own account providing goods distribution services for the Correos Express Group, 243,501 thousand euros in 2020 (175,564 thousand in 2019).

This increase is a consequence of the growth in the parcels activity in the Correos Group.

c) Compensations received for costs derived from provision of the UPS

The Parent Company received compensations for provision of the UPS during financial year 2020, amounting to 60,000 thousand euros (120,000 thousand euros in 2019).

During the period 2011-2019, Correos only received a total amount of 1,219 million euros from the Ministry of Transport, Mobility and Urban Agenda for the 491N Universal Postal Service programme.

During the month of May 2020, the European Commission published the

resolution approving the compensation to Correos by the Spanish State for a total amount of 1,280 million euros for the fulfilment of the universal postal service obligation during the period 2011-2020. The conclusion reached by the European Commission is that Correos has not received amounts that exceed the net cost of the public service obligation, which means that there is no overcompensation, and therefore the calculation of the amount received is within the European Union's state aid rules.

The Commission's decision was made on the basis of a calculation methodology, for which the directors of the Parent Company understood that it had the approval of the European Commission, although this methodology had to undergo various approval procedures at a national level. It also had to be reviewed by the National Market and Competition Commission, and they considered that there was a remote risk of a negative impact on the annual accounts for the current and subsequent years, in relation to the calculation of the net cost of the SPU for the period 2011 to 2020.



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Compensation for provision of the UPS pending collection as of 01 January 2019 (Deposited in the Treasury)		
Financial year 2019	UPS Treasury compensation - pending payment	120,000
	UPS compensation collected by the Treasury	(120,000)
Compensation for provision of the UPS pending collection as of 31 December 2019 (Deposited in the Treasury)		
Financial year 2020	UPS Treasury compensation - pending payment	60,000
	UPS compensation collected by the Treasury	(60,000)
Compensation for provision of the UPS pending collection as of 31 December 2020 (Deposited in the Treasury)		
		-

During 2020, the Parent Company collected 60.000 million euros as compensation for costs derived from provision of the UPS (120,000 thousand euros in 2019).

The Parent Company received other subsidies during 2020, amounting to 705 thousand euros (321thousand euros in 2019).

d) Staff costs

The breakdown of the heading 'Staff costs' for the financial years ending on 31 December 2020 and 2019 is as follows:



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	Financial year 2020	Financial year 2019
Salaries, wages and similar	1,216,675	1,310,846
Social Security contributions	329,865	340,468
Other expenses	7,953	8,369
	1,554,493	1,659,683

Social security contributions for the financial years 2020 and 2019 do not include any amount for pension contributions and allowances. On the basis of the provisions of article two of Royal Decree 20/2011, of 30 December, on urgent budgetary, fiscal and financial measures for the correction of the public deficit, the Group did not make contributions to pension plans (see Note 5-o)).

e) External services

The breakdown of the heading 'External Services' for the financial years ended at 31 December 2020 and 2019 is as follows:

	Financial year 2020	Financial year 2019
Leases	48,416	44,455
Repairs, preservation and maintenance	84,211	80,820
Independent professionals	96,223	84,923
Insurance premiums	3,443	3,316
Supplies	76,653	45,086
Advertising, marketing and public relations	17,399	16,034
Banking and similar services	856	777
Other expenses	57,938	48,035
	385,139	323,446



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The increase in supply costs is due to the costs of COVID 19, the purchase of face masks and materials needed to bring the offices into compliance with existing regulations.

The 'Other expenses' heading includes, inter alia, the costs arising from the maintenance service and management by a third party of the data processing centres, legal expenses and the Group's advisory and consultancy services.

As of 31 December 2020 and 2019, the future minimum payments that cannot be cancelled deriving from the operating lease contracts signed by different companies in Correos Group are itemised in the following table:

	Financial year 2020	Financial year 2019
Up to one year	26,712	27,034
Between one and five years	17,300	15,042
More than five years	27,392	28,033
	71,404	70,109

f) Taxes

'Taxes' includes, among others, the effect of the adjustment of the indirect tax apportionment on investment property from previous years and the effect of the adjustment of the definitive pro rata for 2020 (see Note 4-s)). In the 2020 financial year, income of 3,656 thousand euros was recorded as a result of adjustment of the definitive pro rata for the financial year (in the 2019 financial year, the definitive pro rata remained unchanged with respect to the provisional one) as well as income of 346 thousand euros as a result of the adjustment of the investment assets of previous financial years (in the 2019 financial year, the income recorded was 37 thousand euros).

Other taxes are also recorded, the most significant being property tax, which resulted in an expense of 6,225 thousand euros in 2020 (5,850 thousand euros in 2019).

*g) Impairment and loss/gain on disposal of fixed assets*

The detail of the balances held by the Group with public administrations as of 31 December 2020 and 2019 is as follows:

Financial year 2020					
I. Fixed assets and non-current assets held for sale					
	Intangible fixed assets	Land and buildings	Other assets	Technical installations	Total
Adjustments for impairment:					
Provisions	-	9,545	-	-	9,545
Reversals	-	(3,429)	-	-	(3,429)
Reclassifications	-	-	-	-	-
		6,116	-	-	6,116
Income from disposals and other results:					
Profits	-	(2,560)	-	-	(2,560)
Losses	7	742	-	-	749
	7	(1,818)	-	-	(1,811)
	7	4,298	-	-	4,305



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Financial year 2019

I. Fixed assets and non-current assets held for sale

	Intangible fixed assets	Land and buildings	Other assets	Technical installations	Total
Adjustments for impairment:					
Provisions	—	2,500	—	—	2,500
Reversals	—	(5,387)	—	—	(5,387)
Reclassifications	—	—	—	—	—
	—	(2,887)	—	—	(2,887)
Income from disposals and other results:					
Profits	—	(673)	(235)	—	(908)
Losses	—	624	362	13	999
	—	(49)	127	13	91
	—	(2,936)	127	13	(2,796)

h) IFinancial income and expenses

The breakdown of this heading for the 2020 and 2019 financial years is as follows:

	Financial year 2020	Financial year 2019
Financial income		
From group companies: Short-term deposits (Note 20)	-	44
From third parties: Other financial income	79	67
	79	111
Financial expenses		
From third parties: Other financial expenses	394	175
	394	175

18. Tax situation

The detail of the balances held by the Group with public administrations as of 31 December 2020 and 2019 is as follows:

	Balance at 31/12/2020	Balance at 31/12/2019
Non-current assets		
Deferred tax assets	60,836	49,109
Total non-current assets with public administrations	60,836	49,109
Current assets		
Others (Note 11)	795	1,282
Total current assets with public administrations	795	1,282
	(Note 11)	(Note 11)
Non-current liabilities-		
Deferred tax liabilities	77,271	79,351
Personal Income Tax – [IRPF in Spanish]	20,954	23,841
Value-added tax - VAT	5,481	8,029
Social security	30,654	32,668
MUFACE (public employee mutual soc.) and liability fees	1,251	1,459
Other	852	685
Total current liabilities with public administrations	59,192	66,682
	(Note 16)	(Note 16)



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In the 2011 financial year Correos Group paid its taxes under the fiscal consolidation regime. The number of the Fiscal Group is No. 38/11 and comprises all the companies of Correos Group with Sociedad Estatal Correos y Telégrafos, S.A., S.M.E. (Sole Shareholder Company) as the Parent Company.

In the 2012 financial year, following the transfer of the shares of the Company to SEPI, formalised by a deed dated 5 June 2012, all companies of Correos Group were integrated in the Consolidated Fiscal Group SEPI with the number 9/86 and the Fiscal Group 38/11 subsequently terminated.

This integration has been effective since 1 January of the 2012 financial year, and was communicated by SEPI (as the Parent Company of the Fiscal Group) to the Central Office of Large-Scale Taxpayers of the Fiscal Authorities when the second instalment of the corporation tax payment for 2012 was made in compliance with the provisions in article 70.6 of the amended text of the Corporation Tax Act.

The taxable income of the Tax Group is determined by adding together the individual taxable income of the companies in the Group, taking into account that they would be outside the Tax Group detailed above, CEP and CEP II. In spite of this, all Group Companies submit their settlement separately.

The Corporation Tax of each company of the Group is calculated using the financial or accounting result, obtained by applying the generally accepted accounting principles. These do not necessarily have to coincide

with the fiscal result which is considered as the taxable base.

To determine the individual taxable amounts, certain adjustments or eliminations to transactions within the group are made at an individual level, i.e. they are transferred to the individual taxable amounts of the Group Companies instead of having them at a consolidated level. These transactions most often are those relating to the dividends received by the Group Companies and the provisions for impairments of the shareholdings in affiliated companies. The objective of this so-called 'homogenisation' of the taxable bases that are integrated in the base of the Fiscal Group No. 9/86 is to avoid doubling up in the calculation of the tax debts and credits.



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The breakdown of the assets and liabilities for deferred tax is as follows:

	Financial year 2020	Financial year 2019
Temporary differences:		
Provision for risks and expenses	1,703	1,008
Amortisation of goodwill	1,915	2,306
Provisions related to staff	162	658
Provisions related to fixed assets	6,117	4,825
Amortisation of fixed assets	6,039	7,319
Other	488	492
	16,424	16,608
Adjustment due to change to tax rate	(182)	(185)
Credits for negative tax bases Portugal	1,291	1,071
Credits for negative tax bases Spain	29,058	22,630
Credits for deductions	14,245	8,984
Deferred tax assets	60,836	49,108
Temporary differences:		
Tax effect of UPS capital compensations received up to 2010	76,179	77,931
Intangibles generated from Business Combination	1,092	1,420
Other temporary adjustments	-	-
Deferred tax liabilities	77,271	79,351



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The movement of assets due to deferred payment of the Corporation Tax during the 2020 and 2019 financial years is as follows:

	Balance at 01/01/2020	Additions	Adjustments	Reversal	Balance at 31/12/2020
Deferred tax base	157,694	48,032	-	(21,268)	184,458
Tax effect:					
Temporary differences	16,424	4,539	(182)	(4,539)	16,242
Credits for losses to be compensated (Portugal)	1,071	220	-	-	1,291
Credits for losses to be compensated (Spain)	22,630	7,207	-	(779)	29,058
Credits for deductions	8,984	5,261	-	-	14,245
Total assets for deferred tax	49,109	17,227	(182)	(5,318)	60,836

	Balance at 01/01/2019	Additions	Adjustments	Reversal	Balance at 31/12/2019
Deferred tax base	106,818	66,245	—	(15,369)	157,694
Tax effect:					
Temporary differences	17,148	2,610	(185)	(3,149)	16,424
Credits for losses to be compensated	—	1,071	—	—	1,071
Credits for deductions	10,648	12,676	—	(694)	22,630
	9,094	3,499	74	(3,683)	8,984
Total assets for deferred tax	36,890	19,856	(111)	(7,526)	49,109



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The main temporary differences for the year 2020 correspond, on the one hand, to the corrections of value due to deterioration of assets (7,236 thousand euros) recorded by the Parent Company, as well as to the provisions for risks and expenses incurred by Correos Express Paquetería Urgente, SA. S.M.E. (Sole Shareholder Company), highlighting in this case the provision to cover claims and credits (1,578 thousand euros). The indicated expenses are considered as non-deductible expenses in accordance with the provisions of Act 27/2014 on Corporation Tax and, therefore, they have meant an increase in the positive temporary differences originated in the 2020 fiscal year.

On the other hand, the amount of the temporary differences recoveries recorded in the year 2020 corresponds mainly to the reversal of the temporary measures established by Act 16/2012, establishing various tax measures aimed at the consolidation of public finances and to the boost of the economic activity, by virtue of which the deductibility of the depreciation expense of the fixed assets in 2013 and 2014 was limited to 70%, establishing its recovery in the years beginning on or after 1 January 2015. The amount corresponding to such recovery in 2020 is 3,636 thousand euros for the Parent Company, and 249 thousand euros for all Subsidiaries. Also, derived from the tax depreciation of the Goodwills of the subsidiary Correos Express Paquetería Urgente, SA. S.M.E. (Sole Shareholder Company), said entity reduced its tax base amount by 391 thousand euros. All these adjustments made on the tax base have meant a reduction of the temporary differences originated in previous years.

On 27 November 2014, the Act 27/2014 on Corporation Tax was published in the Official State Gazette. It came into force on 1 January

2015 and applies to all tax periods from that date onwards. In accordance with article 29.1 of this Act, the general tax rate has been reduced from 30% to 25%. Moreover, a number of other measures were also brought in on a temporary basis, including Transitory Provision Thirty-Four i) which establishes a general tax rate of 28% for tax periods beginning in 2015.

The movement of liabilities due to deferred payment of the Corporation Tax during the 2020 and 2019 financial years is as follows:



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Financial year 2020

	Balance at 01/01/2020	Additions	Adjustment Exchange Rates	Reversal	Balance at 31/12/2020
Liabilities due to deferred taxed compensation UPS capital	77,931	-	-	(1,752)	76,179
Deferred tax liability for business combination	1,420	-	-	(328)	1,092
Temporary differences	-	-	-	-	-
Temporary differences tax effect	-	-	-	-	-
Total liabilities for deferred tax	79,351	-	-	(2,580)	77,271

Financial year 2019

	Balance at 01/01/2019	Additions	Adjustment Exchange Rates	Reversal	Balance at 31/12/2019
Liabilities due to deferred taxed compensation UPS capital	79,398	—	—	(1,467)	77,931
Deferred tax liability for business combination	—	1,638	—	(218)	1,420
Temporary differences	657	—	—	(657)	—
Temporary differences tax effect	164	—	—	(164)	—
Total liabilities for deferred tax	80,219	1,638	—	(2,506)	79,351



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Taxable Base

The reconciliation of the consolidated result with the taxable income as of
31 December 2020 and 2019:

Financial year 2020			
	Increases	Decreases	Total
Aggregate results before taxes	-	-	(342,556)
Consolidation adjustments	-	-	(23,919)
Consolidated pre-tax results			(366,475)
Permanent differences:			
- of each company	1,409	(15,373)	(13,964)
- of the consolidation adjustments	23,919	-	23,919
Temporary differences:			
- Arising in the year	18,154	(61)	18,093
- Arising in previous years	-	(18,240)	(18,240)
Previous taxable income (tax result)			(356,667)
Previous taxable income Spain			(355,836)
Previous taxable income Portugal			(831)
Compensation BINs generated before inclusion in the SEPI			(3,114)
Compensation BINs generated in the SEPI Tax Group			-
Taxable Base			(359,781)



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Financial year 2019

	Increases	Decreases	Total
Aggregate results before taxes	—	—	32,308
Consolidation adjustments	—	—	(26,925)
Consolidated pre-tax results			5,383
Permanent differences:			
- of each company	1,641	(1,852)	(211)
- of the consolidation adjustments	26,925	—	26,925
Temporary differences:			
- Arising in the year	10,828	(39)	10,789
- Arising in previous years	657	(12,680)	(12,023)
Previous taxable income (tax result)			(30,863)
Previous taxable income Spain			32,195
Previous taxable income Portugal			(1,332)
Compensation BINs generated before inclusion in the SEPI Tax Group			(2,778)
Compensation BINs generated in the SEPI Tax Group			(4,735)
Taxable Base			23,350



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The effective aggregate tax expense and the aggregate Corporation Tax expense are calculated as follows:

	Financial year 2020	Financial year 2019
	Consolidated Profit and Loss Account	Consolidated Profit and Loss Account
Aggregate results before taxes	(342,556)	32,308
Consolidation adjustments	(23,919)	(26,925)
Aggregate results before taxes	(366,475)	5,383
Breakdown of aggregate results before taxes:		
- Positive accounting basis	13,466	32,847
- Negative accounting basis	(356,022)	(539)
- Non-taxable accounting basis	(23,919)	(26,925)
	(366,475)	5,383
Theoretical tax charge	(2,796)	(7,850)
Tax credit	89,180	323
Non-calculable income	10,795	494
Non-deductible expenses	(302)	(507)
Deductions	5,262	3,764
Effective aggregate taxable income / (expense)	102,139	(3,776)
Breakdown of effective aggregate taxable income / (expense):		
Current taxes	(2,495)	(2,394)



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	Financial year 2020	Financial year 2019
Tax credit buyback	-	(1,184)
Tax credit	92,903	229
Deferred taxes	11,731	(428)
Total effective aggregate taxable income / (expense)	102,139	(3,777)
Tax rate change adjustment	(182)	(185)
Tax Rate Adjustment Tax Credit Buyback	-	(142)
Adjustment previous financial year Corporation Tax	-	74
Activation of negative tax bases and temporary differences	-	11,850
Consolidation adjustment	(8)	210
Tax effect Business Combination	328	-
Aggregate Income / (Expense) by Corporation Tax	102,277	8,031

The calculated Corporation Tax pending payment and collection as of 31 December 2020 and 2019 is as follows:

	Financial year 2020		Financial year 2019	
	Tax current debtor	Tax current creditor	Tax current debtor	Tax current creditor
Aggregate current tax (Note 20)	92,815	(2,049)	229	(2,169)
SEPI Tax Credit Buyback (Note 20)	-	-	—	(1,326)
Tax withholdings and prepayments (Note 20)	443	-	442	—



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For corporate income tax purposes, companies of the Correos Group residing in Spanish territory are included in the Consolidated Tax Group no. 9/86, comprising Sociedad Estatal de Participaciones Industriales and all companies residing in Spanish territory that form part of its consolidated financial group under the provisions of articles 42 and following of the Commercial Code, in accordance with the provisions of Law 5/1996, of 10 January, on the Creation of Certain Public Law Entities.

The application of the consolidated tax regime means, on the one hand, that the individual credits and debits for corporate income tax are integrated into the parent company (Sociedad Estatal de Participaciones Industriales) and, on the other, the right to obtain compensation for the tax credits included in the consolidation.

The negative taxable income generated in 2020 by the parent company of the Correos Group amounted to 368,647 million euros, and therefore, in accordance with the procedure established in Group 9/86 for tax consolidation, SEPI would pay Correos 25% of this negative taxable income once the consolidated tax return had been filed, which amounts to 92,162 million euros.

In accordance with the Corporation Tax Act 27/2014, effective in financial years starting from 1 January 2015, if a company's tax base is negative as calculated using the applicable rules, there is no maximum period for said amount to be offset. The offset must be made upon filing the Corporation Tax return, and is subject to the tax authorities' power of verification.

The negative tax amounts from before the integration in the Fiscal Group

No. 9/86 that Companies of Correos Group generated in the 2011 financial year or before, can be subject to compensation with future taxable amounts generated by these companies, as SEPI, the Parent Company of this consolidated fiscal group, allows it. In any case, and in accordance with the Fifteenth Additional Provision of Act 27/2014 after the approval of the Royal Decree Act 3/2016, the maximum compensation limit will be applied, by virtue of which the companies whose net revenue in the 12 months prior to the start date of the tax period is greater than 60,000 thousand euros may offset a maximum of 25 percent of the previous positive taxable base.

In financial year 2020 Correos Express Paquetería Urgente S.A., S.M.E. (Sole-Shareholder Company) has offset 3,114 thousand euros (2,778 thousand euros in 2019) from the negative taxable income generated by this subsidiary prior to its inclusion in the SEPI Tax Group.

At 31 December 2020, the Group companies, except CEP and CEP II, had tax loss carryforwards to offset against possible future taxable profits (generated prior to their inclusion in the SEPI Tax Group) amounting to 190,742 thousand euros (193,857 thousand in 2019). These tax bases correspond to Correos Express Paquetería Urgente, S.A., S.M.E. (Sole Shareholder Company) (188,041 thousand euros) and to Nexea Gestión Documental S.A. S.M.E. (Sole Shareholder Company) (2,701 thousand euros) and are detailed below:

Financial year	Correos Express Paquetería Urgente S.A, S.M.E.	Nexea Gestión Documental S.A. S.M.E.
2001	10,660	—
2002	19,350	—
2003	52,569	83
2004	38,670	135
2005	22,011	—
2006	11,179	—
2007	9,769	—
2008	1,475	—
2009	6,134	947
2010	6,933	115
2011	9,291	1,421
	188,041	2,701



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The tax loss carryforwards of the CEP and CEP II companies outstanding as of 31 December 2020 amounted to 6,150 thousand euros and are detailed in the following table:

Year of generation	Year of expiration	Negative Tax Bases
2015	2026	1,271
2016	2027	1,061
2017	2023	789
2018	2024	978
2019	2025	1,005
2020	2026	1,046
		6,150

CEP and CEP II are taxed at 21% in Portugal and CEP II, which has been incurring losses since previous years, has capitalised tax losses 1,291 thousand euros for 2015-2020, and the Directors consider that taxable profit will be generated at that company in the next five years, in accordance with Portuguese legislation, which will enable this asset to be recovered.

There is a tax credit arising from the tax deductions generated and not applied by the Group's Parent Company amounting to 14,084 thousand euros. This corresponds to the following deductions: for Technological Innovation (8,512 thousand euros), for investments in fixed assets made

in the Canary Islands (3,502 thousand euros), for investments in events of exceptional public interest (1,268 thousand euros), for reversal of temporary measures under Act 16/2012 (457 thousand euros), for job creation for people with disabilities (293 thousand euros) and for donations to non-profit entities (52 thousand euros).

Correos Express Paquetería Urgente S.A., S.M.E. (Sole-Shareholder Company), after entering into a profit path initiated in 2016, proceeded to activate from 2017 the taxable income tax bases that could be offset for the following 10 years, in addition to the existing temporary differences and deductions, generating a positive net impact on the consolidated income statement of 7,285 thousand euros in 2020 (11,982 thousand euros in 2019).

Current laws and regulations establish that taxes may not be deemed finally settled until filed tax statements have been inspected by the tax authorities or a statute of limitations of four years elapses. At 31 December 2020, the companies that make up Correos Group had all applicable taxes since 01 January 2016 open to inspection by the tax authorities. The Parent Company's Directors do not expect significant additional liabilities to accrue in any inspection procedure.



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19. Other information

a) Number of employees

The breakdown of the Group's average workforce (Full Time Equivalent) by number of employees during the 2020 and 2019 financial years was as follows:

	Financial year 2020	Financial year 2019
Management Committee	15	13
Rest of workforce:		
Civil servants	7,940	9,272
Employees	44,501	45,404
	52,456	54,689

As of 31 December 2020 and 2019, the number of employees of Correos Group broken down by job categories and gender was as follows:

	Data at 31/12/2020			Data at 31/12/2019		
	Men	Women	Total Staff	Men	Women	Total Staff
Management Committee	19	3	22	9	3	12
Rest of workforce:						
Civil servants	4,966	2,391	7,357	5,951	2,825	8,776
Employees	21,655	26,025	47,680	21,533	26,050	47,583
	26,640	28,419	55,059	27,493	28,879	56,372



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The average workforce (Full time equivalent) of the Group with disabilities of 33% or more during the 2020 and 2019 financial years was as follows:

	Financial year 2020	Financial year 2019
Civil servants	203	240
Employees	803	685
	1,006	925

b) Commitments and contingencies

At 31 December 2020, guarantees granted by various financial institutions to the Correos Group amounted to 84,564 thousand euros (62,223 thousand euros in 2019), of which 59,417 thousand euros (36,220 thousand euros in 2019) were derived from contracts with customers, 23,042 thousand euros (23,042 thousand euros in 2019) were derived from legal matters and the remainder were derived from other causes. The Directors of the Parent Company believe that any additional liabilities that may arise from the guarantees provided to third parties will not be in any way significant.

c) Fees for accounts auditors and group and associated companies

The sums accrued during 2020 for the audit services of Grant Thornton S.L.P. amounted to 150 thousand euros excluding VAT (172 thousand euros in 2019).

Furthermore, the fees accrued during 2020 and 2019 by other companies in the Grant Thornton, S.L.P. network amount to zero euros.



20. Related party transactions

a) Associated companies

Associated companies with which Correos Group companies have conducted business in 2020 and 2019, and the nature of these relationships, are as follows:

Name of the company	Nature of association
Sociedad Estatal de Participaciones Industriales (SEPI)	Parent company of tax group No 9/86
SEPI group	SEPI group companies
Rangel Invest, S.A.	Rangel Group Company (Portugal)
Rangel Invest Africa, S.A.	Rangel Group Company (Portugal)
Eduardo Rangel Despachante Oficial, Lda	Rangel Group Company (Portugal)
Rangel Transitários, S.A.	Rangel Group Company (Portugal)
Rangel Distribuição e Logística, S.A.	Rangel Group Company (Portugal)
Rangel Internacional- Aérea e Marítima, S.A.	Rangel Group Company (Portugal)
Gerastro, SGPS	Rangel Group Company (Portugal)
K Parcel	Company accounted for by the equity method (China)



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The balances receivable from and payable to the related companies detailed in the table above as of 31 December 2020 and 2019 are as follows:

	Group company clients and accounted for by the equity method		Group company Suppliers and accounted for by the equity method	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Grupo Rangel	4,290	4,391	(3,904)	4,563
K-Parcel Company Limited	4,638	-	-	-
SEPI Group remainder	104	13	-	-
	9,032	4,404	(3,904)	4,563
	(Note 11)	(Note 11)	(Note 16)	(Note 16)

	Cash flows and interests		Short-term debts		Long-term credits	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
SEPI	-	-	(500)	(1,820)	-	-
K-Parcel Company Limited	-	-	-	-	571	-
Grupo Rangel	-	2,023	-	(1,950)	-	-
	-	2,023	(500)	(3,770)	571	-
	(Note 12)	(Note 12)				



The cross credits and debits corresponding to the operation of the Fiscal Group (see Note 18) are described below:

Balances Fiscal Group No. 9/86				
Debtors Group companies			Debts Group companies	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
SEPI	93,258	483	(2,049)	(3,496)
	93,258	483	(2,049)	(3,496)

The details of tax reserves with SEPI are as follows:

Balance at 31/12/2020	Debtor	Creditor
Telecom	-	(296)
Nexea	653	-
Correos Express Group	-	(1,753)
Correos:		
- Tax fee SEPI	92,162	-
- Tax withholdings and prepayments 2019	210	-
- Tax withholdings and prepayments 2020	232	-
Total (Note 18)	93,258	(2,049)

Balance at 31/12/2019	Debtor	Creditor
Telecom	-	(350)
Nexea	41	-
Correos Express Group	-	(1,820)
Correos:		
- Tax fee SEPI	-	(1,326)
- Tax withholdings and prepayments 2017	232	-
- Tax withholdings and prepayments 2018	210	-
Total (Note 18)	483	(3,496)

The transactions with the companies of the SEPI and Rangel Groups in the 2020 and 2019 financial years are as follows:

	Income from provision of services		Operating Expenses	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
SEPI	2	2	-	—
Grupo Rangel	5,376	5,806	1,825	2,482
SEPI Group, remainder	146	174	-	—
	5,524	5,982	1,825	2,482

	Financial income	
	31/12/2020	31/12/2019
SEPI	-	44
	-	44

b) Directors and Senior Management of the Parent Company

The members of the Governing Board and the Management Committee of the Parent Company did not participate, either directly or indirectly, in unusual and/or relevant transactions with Correos Group companies during the 2020 and 2019 financial years.



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- Remunerations and other benefits to Directors and to members of the Management Committee of the Parent Company during the financial year

Pay received for all items during the 2020 financial year by members of the Parent Company's Board of Directors and Management Committee totalled 1,806 thousand euros (1,911 thousand euros in 2019), 154 thousand of which corresponded to assistance fees paid to members of the Governing Board of the Parent Company for attending Board meetings (159 thousand euros in 2019); the rest was paid as salaries and/or other pay items (including compensation) to the members of the Governing Board of the Parent Company.

As of 31 December 2020, no member of the Parent Company's Governing Board or Management Committee had receivable or payable balances with the Parent Company, nor did the Company have obligations contracted with them concerning pensions and/or life insurance.

- Other information regarding the Governing Board

In order to avoid conflicts with the interests of the Group's companies, the Directors holding positions on the Governing Board of the Parent Company complied with all of the obligations set out in article 228 of the amended text of the Capital Companies Act. Moreover, both the members of the Board and the people associated with them have refrained from falling into any of the conflict of interest scenarios set out in article 229 of said Act.

On the date of preparing these financial statements, the Governing Board of the Parent Company was made up of 8 men and 6 women.

21. Business combinations

The acquisition of CEP, which holds 100% of CEP II, is part of the Correos Group's internationalisation process.

Correos Express paquetería Urgente, S.A., S.M.E. (Sole Shareholder Company), acquired 51% of the shares of the company Rangel Expreso S.A. (REX) on 29 April 2019, located in Portugal, which included in its balance sheet 100% of a subsidiary, also located in Portugal, called Rangel Expreso II S.A. (REXII). The Management of the Parent Company has concluded that it has control over these companies, in accordance with Article 42 of the Commercial Code. Therefore, from that moment onwards the Company is the head of a group of subsidiaries and, in accordance with current legislation, is obliged to prepare separate consolidated accounts, not having availed itself of any of the exemptions established in Article 43 of the Commercial Code. The price paid for the acquisition of the aforementioned shares amounted to 11,220 thousand euros. This amount was paid in cash. In accordance with the provisions of the contract, in October 2019 an adjustment was made to the price in the amount of 170 thousand euros, which was paid in December 2019 by the seller to Correos Express and, therefore, the valuation of the consideration paid for the acquisition of REX was changed.

On 5 August 2019, the decision of the shareholders of the subsidiary companies regarding the modification of the corporate name of the companies was made public:

Name of the company

CEP – Correos Express Portugal, S.A.

CEP II – Correos Express Portugal, S.A.

The Management of the Parent Company has concluded that with this 51% it has control over CEP on the basis of the provisions of the Commercial Code and the NOFCAC.

In this purchase and sale transaction a put and call contract was signed for the possible acquisition of a larger stake in the subsidiary CEP. These options can only be activated in a number of circumstances which did not arise at year-end or at the date of preparation of these consolidated annual accounts. The contract has been awarded free of charge.

In view of the background to the deal, as detailed above, and the fact that the Correos Group has taken control of CEP - Correos Express Portugal, S.A. and CEP II, it has been determined that Correos Express Paquetería Urgente, S.A., S.M.E. (Sole Shareholder Company) is the acquiring company, with 1 May 2019 as the acquisition date (since the effect of taking 29 April and 1 May as the acquisition date is not significant).

Details of the consideration given, the fair value of the net assets acquired and the goodwill are as follows:



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Euros (thousands)

Fair Value Consideration Given

Payment in cash	11,050
Total, Consideration Given (1)	11,050

Euros (thousands)

Identifiable net assets acquired

Intangible assets (Note 6)	11
Property, plant and equipment (Note 7)	117
Non-current financial investments	37
Deferred tax assets	948
Non-current provisions (Note 15)	(69)
Grants	(27)
Current Assets	12,715
Current liabilities	(15,374)
New fair value assets acquired	
Intangible assets (a) (Note 5)	7,802
Deferred tax liability (a) * 21%.	(1,638)
Fair value of total identifiable net assets acquired	4,522
Fair value of identifiable net assets acquired (51%) (2)	2,306
Goodwill on first consolidation (Note 6.1) (1) - (2)	8,744



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The Correos Group has hired an independent expert to assign the fair values of the assets and liabilities acquired, and has identified intangible assets amounting to 7,802 thousand euros. Specifically, 3,629 thousand euros corresponds to the software of these acquired companies and 4,173 thousand euros to customer relations. In addition, a deferred tax liability of 1,638 million euros was recorded in relation to these intangible assets due to their non-deductibility for tax purposes, taking into account the tax rate of 21% applicable in Portugal, since the expected flows from these assets are generated almost entirely in Portugal.

As a result of the recognition of the aforementioned assets and liabilities, goodwill on first consolidation of 8,744 thousand euros became apparent (Note 6.1).

The revenue and profit attributable to the combination from the date of acquisition to the close of the 2019 fiscal year are as follows, in thousands of euros:

	Amount (Thousands of euros)
Revenue	14,854
Result for the financial year	(1,145)

If the above-mentioned business combination had been achieved at the beginning of 2019, the amount of the acquired companies' income and profit for the year would have been as follows:

	Amount (Thousands of euros)
Revenue	24,904
Result for the financial year	(975)

At the date of preparation of the consolidated financial statements for 2019, there was a contingent consideration that could reduce the final price paid for the acquisition detailed above by a maximum of 206 thousand euros, and the price paid could not be increased, unless by exercising the purchase options detailed above.

Based on the foregoing, at the date of preparation of these consolidated financial accounts, the accounting for the business combination detailed above is definitive.



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22. Segment results

Correos Group's segment results for the 2020 and 2019 financial years, as well as the balance sheet and the statement of cash flows are as follows:

Financial year 2020				
	Postal, telegraphs and Parcels	Urgent Parcel and Others	Homogenisations and Eliminations	Total
Revenue	1,583,399	405,423	(13,613)	1,975,209
Supplies	(153,610)	(249,949)	8,241	(395,318)
UPS compensation	60,000			60,000
Staff costs	(1,493,388)	(63,210)	2,105	(1,554,493)
Other results	(349,852)	(83,775)	(18,246)	(451,873)
Result before tax	(353,451)	8,489	(21,513)	(366,474)
Financial year 2019				
	Postal, telegraphs and Parcels	Urgent Parcel and Others	Homogenisations and Eliminations	Total
Revenue	1,967,033	312,609	(13,158)	2,266,483
Supplies	(159,781)	(181,388)	4,288	(336,881)
UPS compensation	120,000	—	—	120,000
Staff costs	(1,605,273)	(54,442)	32	(1,659,683)
Other results	(302,749)	(65,297)	(16,490)	(384,536)
Result before tax	19,230	11,482	(25,328)	5,383



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Balance at 31/12/2020

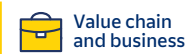
	Postal, telegraphs and Parcels	Urgent Parcel and Others	Homogenisations and Eliminations	Total
Fixed assets and investment property	1,404,480	62,746	-	1,467,226
Non-current investments in Group companies	167,522	-	(163,950)	3,572
Other non-current assets	3,272	1,619	(28)	4,862
Deferred tax assets	26,540	34,296	-	60,836
Non-Current Assets	1,601,814	98,661	(163,978)	1,536,496
Trade and other receivables	601,886	102,974	(7,472)	697,388
Other current assets	24,823	13,103	(14,742)	23,184
Cash	41,157	3,311	-	44,467
Current Assets	667,866	119,388	(22,214)	765,040
Total Assets	2,269,680	218,049	(186,192)	2,301,535



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Balance at 31/12/2019

	Postal, telegraphs and Parcels	Urgent Parcel and Others	Homogenisations and Eliminations	Total
Fixed assets and investment property	1,389,178	56,907	—	1,446,086
Non-current investments in Group companies	138,403	—	(138,403)	0
Other non-current assets	1,139	1,324	(12)	2,451
Deferred tax assets	21,885	27,224	—	49,109
Non-Current Assets	1,550,605	85,455	(138,415)	1,497,646
Trade and other receivables	537,471	86,177	(8,233)	615,415
Other current assets	20,687	5,129	(7,994)	17,822
Cash	97,310	3,284	—	100,594
Current Assets	655,468	94,590	(16,227)	733,831
Total Assets	2,206,073	180,045	(154,642)	2,231,477



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Balance at 31/12/2020	Postal, telegraphs and Parcels	Urgent Parcel and Others	Homogenisations and Eliminations	Total
Shareholder's equity	1,057,673	52,902	(154,746)	955,829
External Partners	-	626	(294)	331
Grants, donations and bequest received	229,626	323	1,454	231,403
Equity	1,287,299	53,851	(153,586)	1,187,563
Non-current provisions	17,197	10,073	-	27,271
Deferred tax liabilities	1,386	8,106	(28)	9,464
Other non-current liabilities	76,542	5,894	(364)	82,072
Non-current liabilities	95,125	24,073	(392)	118,807
Current payables	364,544	5,860	-	370,404
Trade and other payables	505,910	113,099	(7,472)	611,537
Other current liabilities	16,802	11,166	(14,743)	13,225
Current liabilities	887,256	130,125	(22,215)	995,166
Total Equity and Liabilities	2,269,679	208,049	(176,192)	2,301,536



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Balance at 31/12/2019	Postal, telegraphs and Parcels	Urgent Parcel and Others	Homogenisations and Eliminations	Total
Shareholder's equity	1,314,307	38,305	(133,520)	1,219,092
External Partners	—	1,265	—	1,265
Grants, donations and bequest received	235,099	358	1,489	236,946
Equity	1,549,406	39,928	(132,031)	1,457,303
Non-current provisions	14,858	10,080	—	24,939
Deferred tax liabilities	78,303	1,420	(372)	79,351
Other non-current liabilities	3,100	20,415	(6,012)	17,503
Non-current liabilities	96,261	31,915	(6,384)	121,793
Current payables	36,419	4,372	1,951	42,742
Trade and other payables	507,926	90,958	(2,186)	596,698
Other current liabilities	16,060	12,872	(15,990)	12,941
Current liabilities	560,405	108,202	(16,225)	652,381
Total Equity and Liabilities	2,206,072	180,045	(154,640)	2,231,477



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Financial year 2020	Postal, telegraphs and Parcels	Urgent Parcel and Others	Homogenisations and Eliminations	Total
Operating activities				
Result for the financial year before taxes	(353,451)	8,488	(21,512)	(366,475)
Adjustments to the result	42,279	6,390	28,590	77,259
Changes in current capital	(3,279)	2,358	(9,496)	(10,418)
Other cash flows from operating activities	1,573	(2,258)	4,406	3,721
Total cash flows from operating activities	(312,878)	14,978	1,988	(295,913)
Investment activities				
Payments for investments	(95,366)	(18,091)	5,403	(108,054)
Proceeds from disposals	12,107	1,955	53	14,115
Total cash flows from investment activities	(83,259)	(16,136)	5,456	(93,939)
Financing activities				
Total cash flows from financing activities	331,075	1,185	(7,440)	324,820.43
Effect of exchange rates fluctuations	8,909	-	-	8,909
Net variation in cash or equivalents	(56,153)	27	(2)	(56,128)
Cash and other cash equivalents at the start of the financial year	97,310	3,284	-	100,594
Cash and other cash equivalents at the end of the financial year	41,157	3,311	-	44,466



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Financial year 2019	Postal, telegraphs and Parcels	Urgent Parcel and Others	Homogenisations and Eliminations	Total
Operating activities				
Result for the financial year before taxes	19,231	11,481	(25,329)	5,383
Adjustments to the result	(3,848)	9,702	21,566	27,420
Changes in current capital	(3,834)	1,372	(7,623)	(10,085)
Other cash flows from operating activities	14,376	(1,327)	(425)	12,624
Total cash flows from operating activities	25,925	21,228	(11,811)	35,342
Investment activities				
Payments for investments	(64,240)	(28,634)	5,475	(87,399)
Proceeds from disposals	2,574	471	(471)	2,574
Other financial assets	—	—	24	24
Total cash flows from investment activities	(61,666)	(28,163)	5,028	(84,801)
Financing activities				
Total cash flows from financing activities	—	7,743	6,788	14,531
Effect of exchange rates fluctuations	7,408	—	(4)	7,404
Net variation in cash or equivalents	(28,334)	808	—	(27,524)
Cash and other cash equivalents at the start of the financial year	125,643	2,475	—	128,118
Cash and other cash equivalents at the end of the financial year	97,310	3,285	—	100,594



23. Environmental information

The itemised details of the Parent Company's investments and costs in environmental protection and improvement in financial years 2020 and 2019 are as follows:

	Financial year 2020	Financial year 2019
Investments	4,765	3,682
Costs		
Environmental protection services	126	196
Environmental management costs	149	67
Environmental taxes	699	707
Clean-up costs	118	96
Prevention costs	3,100	413
Total Expenses	4,192	1,479

Environmental subsidies were received during the financial year amounting to 390 thousand euros (12 thousand in 2019).

The Parent Company's Directors take the view that no significant contingencies exist in relation to environmental protection and improvement, and therefore do not think it necessary to allocate any

environmental items to the provision for risks and expenses as of 31 December 2010.

24. Contingent liabilities

In November 2019, the CNMC received an agreement to initiate disciplinary proceedings in relation to discounts to large customers, which are currently in the investigation phase, without having received the Statement of Objections, which specifies the alleged infringements and their classification. It is possible that an administrative sanction may result from the Agreement, which will be appealed in administrative proceedings before the Audiencia Nacional (National High Court). At the date of preparation of these consolidated financial statements, it is not possible to quantify the penalty reliably, as the proceedings are at an early stage.

On 4 June 2020, UNIPOST S.A.U. filed a lawsuit before Barcelona Commercial Court no. 7, in which the company brought an action for non-contractual liability against the Parent Company, seeking to order the Company to pay UNIPOST compensation of 301,259,464 euros, as well as interest from the date of filing of the lawsuit and the costs of the proceedings.

At the date of preparation of these consolidated annual accounts, the response to the lawsuit has not yet been filed and although the risk is considered possible, the legal proceedings are still at a very early stage, so it is not possible to estimate the amount to be provisioned, and it is advisable to await the filing of the response to the lawsuit and the submission and admission of evidence.

25. Subsequent events

As a result of the continuation of the situation arising from COVID-19, the Group has ongoing financing needs over time to meet its payment obligations. As a result, on 14 January 2021, the Parent Company initiated the procedure to contract one or several bank loans for a total amount of 325 million euros for a term of 3 years, with a single repayment at maturity. As of that date, binding bids were received for more than 1 billion euros, and on 26 February 2021 the Board of Directors approved the award of the requested amount to a financial institution. The aforementioned credit line will therefore be transformed into a bank loan with a three-year maturity and a single repayment of the principal in 2024. Thus, it has been possible to minimise the imbalance in the working capital in the future, improving the financial structure of the Correos Group, having demonstrated the parent company's capacity to obtain financing and therefore minimising the liquidity and solvency risk. In addition, the Group intends to contract credit lines once again to support additional future liquidity needs, estimated to be at least 80 million euros in 2021.

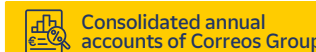
According to the Parent Company's directors, except as detailed above, no events have come to light after the balance sheet date that could have a significant impact on these consolidated annual accounts.



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1. Business model and evolution

The Correos Group operates in the physical and digital communications sector, as well as in the parcel market. It is a market leader in the non-urgent transport sector, and is a benchmark for the e-commerce industry.

Correos, the Group's parent company, is Spain's leading postal company and one of the leading companies in the parcel delivery sector, thanks to the excellence and reliability of its service. It is also the operator designated by law to provide Spain's Universal Postal Service, with criteria of efficiency, quality and affordability, contributing to the sustainability of postal communications for all of the general public.

Correos complements its activity with that of its subsidiaries:

- Correos Express, dedicated to the express delivery of parcels for the B2B (business-to-business) and B2C (business-to-consumer) segments.
- Correos Nexea, specialised in multichannel solutions for physical and digital mass company communications.
- Correos Telecom, responsible for the management and marketing of

Correos telecommunications infrastructures, as well as providing all other Group companies with technological support.

- Correos Express Portugal, the Group's subsidiary since April 2019, following the acquisition of 51% of Rangel Expresso by Correos Express. With this incorporation, the Group has begun the internationalisation process defined in its strategy, offering an integrated express parcel service for the entire Iberian market..

In May 2019, Correos' Governing Board also approved the formation of two new joint ventures with Asian operators Kerry Logistics Network Limited and Global Freight Systems (GFS), with a 35% stake in each. These two companies were founded in the first half of 2020. The shared companies KCG Ecommerce Solutions Company Limited and K Parcel Company Limited carry out the comprehensive management of export parcels originating in China and Hong Kong, in response to increasing international activity arising from e-commerce.



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2. Market and business environment

The 2020 financial year was undoubtedly one of the most complex and challenging of recent decades. The effects of the COVID-19 pandemic were felt in all spheres of public and private life, including the business environment.

In Spain, one of the worst affected European economies since its inception, there was a historic fall in GDP – 11% for the year as a whole – despite a sharp upturn in activity in the third quarter. The most immediate consequences have been job losses, the disappearance of many SMEs and a reduction in consumption.

The latest economic projections suggest that euro zone GDP will not return to its pre-crisis level until mid-2022, although growth could resume during 2021, boosted by European recovery funds and the expected improvement in the health situation.¹

Postal market

The above circumstances accelerated trends such as the digitalisation of consumption, production, public administration and, above all, personal and commercial communications, shortening their widespread implementation by decades. This process has only intensified the decades-long substitution of physical communications, accentuating the decline in postal volumes in 2020, which was double that observed in 2019.

Due to the traditional linkage of postal demand to economic

developments and unstoppable digitalisation, the decline in letter mail and marketing is expected to remain significant during 2021. In contrast, the digital services offered by the Correos Group are also expected to grow in response to society's new needs.

Correos is the only company in the postal market that provides national coverage to citizens, companies and administrations. Likewise, as the designated operator for the provision of the Universal Postal Service, it promotes territorial cohesion and equal access to postal communications.

This role of the company as the backbone of the territory and facilitator of communications and commercial exchanges was reinforced last year, especially during the period of lockdown, when postal and parcel service became more than ever an essential service for society.

Despite this, the mobility restriction had a particular impact on the service and on meeting the quality deadlines for timely delivery set by postal regulations. In strict observance of health protocols and prioritising the safety of workers, Correos adopted various organisational measures, such as adapting the collection, sorting and delivery processes or reducing the capacity and opening hours in the post office network, in accordance with the recommendations of the competent authorities.

In 2020, the company's collaboration in the regional elections in the Basque Country and Galicia also posed an enormous additional challenge, not only due to the provision of technological, material and human resources for the proper fulfilment of public service obligations, but also due to the need to adapt the operational processes of the distribution networks and offices to the new healthcare requirements.

¹ Banco de España (2021). Economic bulletin. Fourth quarter of 2020.



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It is also clear that the postal sector is a mature market. For decades, traditional shipping volumes have been declining each year due to digital technology, and in 2020 this trend was even more pronounced, with declines of more than 24%.

Against this backdrop, the main business opportunities continued to be linked to the integration of physical and electronic communications, through higher value-added multi-channel services such as those offered by Correos and its subsidiary Correos Nexea, especially for transactional communications and the direct marketing and e-commerce sectors. Correos Nexea is one of the two main companies in this business segment, focusing its value proposition on comprehensive communication solutions, which are efficient and adaptable to the needs of the customers.

Parcel delivery market

The global economic slowdown and problems in global supply chains, mainly due to mobility constraints, also led to a significant slowdown in domestic and international trade traffic, with a major impact on the parcel service and logistics sector. Cross-border trade, especially with China, was disrupted or delayed for months, impacting on delivery times in the sector.

Also, operators also had to bear higher operational costs, due to new health requirements and the scarcity of air transport routes. This, combined with a decline in B2B deliveries, replaced by B2C deliveries, had an impact on margins in the sector.

In this complex context, the European Union agreed to postpone until 1 July 2021 the entry into force of the measures provided for in Directive 2017/2455², for the elimination of the VAT exemption for extra-EU imports of low-value commercial consignments and the implementation of important changes to the customs clearance of such consignments.

In addition to this transformation of the European customs framework, there are the changes resulting from Brexit, with the introduction of new requirements and controls for cross-border shipments between the UK and the continent from 2021.

Restrictions on mobility, fear of contagion and the need for companies to find new ways to sell their products or services also spurred the rise of e-commerce. In order to avoid the need for contact, consumers used the online channel as their primary mode of purchase, accelerating its mass adoption, even among shoppers that were using e-commerce for the first time.

During the most stringent lockdown period (Q2), although e-commerce turnover only grew by 0.2% year-on-year (due to the fall in tourism sales), the volume of transactions set a new all-time high, with more than 244 million.³

This process, which is expected to continue in the future, forced the parcels service sector to expand and adapt its structures and infrastructure to a higher volume of unanticipated activity. In this context, new non-home delivery systems (such as Correos and Citypaq parcel box and post office

² Directive (EU) 2017/2455 of 5 December 2017 amending Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods.



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networks) brought an added advantage.

Thus, 2020 was the year in which delivery to automatic parcel terminals was consolidated in Spain, both due to the greater acceptance of customers, who appreciated the possibility of collecting their deliveries in uncrowded places and times, and due to the encouragement of local administrations, interested in promoting sustainable delivery in urban areas.

Also, an atypical Christmas campaign (being the most digital, early and prolonged so far), anticipated by large e-commerce vendors to stimulate sales, forced parcel operators to bring forward the reinforcement of their workforces, but also allowed for a few weeks' extension of the deadline to meet such a usually concentrated demand. This helped the sector to record volumes in this period.

At the same time, large domestic and foreign e-commerce vendors continued to push for the development of their own delivery networks in Spain, not only to reduce their dependence on transport providers, but also to ensure full coverage of their logistical needs during these peaks of increased commercial activity.

The pandemic has spurred growing environmental awareness among consumers. The realisation of the connection between the environment and human health has led to the consumption of more environmentally friendly services, including parcel service.

This, coupled with European 'green recovery' plans, led companies in

the sector to accelerate their sustainable mobility and energy efficiency projects.

However, lockdown also drove increased demand for same-day delivery, a business segment in which more and more sharing economy platforms and local courier companies are operating. Although some of these companies offer to deliver by 'green' means of transport, the environmental impact of this type of delivery is usually greater (increased number of trips, with half-loaded vehicles). In this sense, Correos, being aware of the climate cost of the most urgent parcels, tries to make its customers aware of the responsible use of this type of service.

Telecommunications and digital services market

As with the parcel delivery market, the Spanish telecommunications sector is characterised by a high concentration of supply and intense multi-service competition. In 2020, despite the higher demand for domestic use of telephony and internet due to the confinements, the fall in the *B2B* segment (which represents around 30% of the business of companies in the sector), due to the economic difficulties of SMEs, had an impact on the sector's turnover.

As a result, the downward trend in revenues of previous years continued, due to the narrowing of margins, in a scenario of greater sensitivity to customer prices.

In the *B2C* segment, operators' commercial efforts have for years focused on the sale of convergent packages, combining fixed and mobile

³ Spanish National Commission on Markets and Competition (08/01/2021). 'E-commerce exceeds 12.0 billion euros in Spain in the second quarter of 2020'.



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connections (associated telephony and broadband services) and also, increasingly, pay-TV services.

The Correos Group, through its subsidiary Correos Telecom, offers the main companies in the sector wholesale services (infrastructure rental, dark fibre, high-capacity connectivity and sites), which are particularly useful for strengthening the networks of these operators, as well as its own Internet access and public cloud services. As part of its objective to diversify its business and make infrastructure profitable, the Group is configuring its own retail service offering (with telephony and pay TV), which it expects to start marketing in 2021, completing its catalogue of services in this sector.

Finally, the entry into force in 2021 of Act 4/2020⁴ has created the Tax on Certain Digital Services (known as the 'Google tax'). The various services taxed by this new tax figure include online intermediation services. This category includes some of the digital solutions offered by Correos, although for the time being they are exempt as they do not meet the minimum revenue threshold set by the regulations.

⁴ Act 4/2020 of 15 October on the Tax on Certain Digital Services.



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3. Objectives and strategy

The Correos Group's strategy is based on strengthening public service; diversification (mainly through parcel delivery, digital services and retail business) and international expansion.

The achievement of these objectives is structured around seven lines of action, aimed at sustaining revenue growth, improving efficiency, optimising costs and positioning the Group as a benchmark operator in the parcel delivery market.

During 2020, the Correos Group revised its new strategic plan 2020- 2023, which was scheduled to be implemented in the first quarter of 2020, to adapt it to the new market conditions resulting from the COVID-19 pandemic and its economic effects. The Group has thus updated its roadmap for the coming years, identifying and addressing new risks and opportunities in order to consolidate the transformation process and ensure long-term business sustainability.

4. Future trends

The outbreak of the pandemic has accelerated the materialisation of some trends predicted for the coming decades, while delaying the evolution of others. In this context of 'new normality', the Correos Group identifies various external factors with a potential short, medium or long-term impact on its activity and on the markets in which it operates, which may represent both a challenge and an opportunity.

In the short and medium term:

Challenges for economic recovery

- New mobility and activity restrictions
- Declining consumption and significant public and private indebtedness
- Disappearance of companies, financial and liquidity risks
- Strengthening supply chains

Climate emergency

- Urgent demand for urban logistics and sustainable mobility solutions
- Accelerating the energy transition
- Boosting the circular economy and sustainable packaging
- Increased decarbonisation requirements

Digitalisation of the economy and society

- Reduction of postal communications and comprehensive digitalisation of personal communications with the incorporation of the 'non-native' population
- Widening of the digital divide



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- Massive application of robotics, IoT, blockchain, AI and cloud computing at all stages of the logistics chain
- The protection of personal data and cyber security
- New impetus for eGovernment
- 5G development, Big Data and autonomous driving
- Expansion of the collaborative economy

More informed and aware consumers

- Full adoption of the digital economy and expansion of e-commerce
- Health and health security concerns
- Increased preference for local and sustainable consumption
- Increased price sensitivity, increased demand for transparency and business sensitivity

Demographic and social challenges

- The progressive ageing of the population
- The increasing concentration of citizens in urban environments
- Mayores retos para la atracción y la retención del talento empresarial

Resilient and responsible companies

- The growing role of business in responding to societal challenges
- Increased use of tele working
- Importance of employee health, safety and well-being
- Greater challenges in attracting and retaining business talent

In the short term, but also in the mid/long term:

Legal and geopolitical developments

- Evolution of the European and Spanish regulatory framework
- Macroeconomic and geopolitical uncertainty
- The transfer of economic hegemony to rising Asian powers

Market transformation

- Business concentration in the digital marketplace and blurring of the boundaries between logistics and e-commerce business
- Increased use of 3D printing
- Development of the silver economy



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5. Generated and distributed economic value

The economic effects of the pandemic during 2020, with an unprecedented decline in business activity and consumption and an increase in operating costs, had a negative impact on the income statement of all Group companies. The Correos Group therefore ended the year with a net result of -264.2 million euros, compared to a profit of 13.4 million euros in 2019.

The Group used tax credits for this financial year, in accordance with the regulations on corporate income tax, from tax losses generated in previous years, and therefore the resulting aggregate income for corporate income tax for the year is 102.3 million euros.

Despite the increase in parcel activity, linked to higher demand from the e-commerce sector, the decline in the traditional postal business caused the Group's revenue to fall by 12.9% to 1,975 million euros.

During the last financial year, Correos received 705 thousand euros in subsidies for training, as well as grants associated with European projects for the promotion of safety, efficiency and sustainability in which the company participates. The Group's subsidiary, Telecom, has received 29 thousand euros in grants for European projects.

6. Risk management

In 2020, the Correos Group implemented a new integrated risk management (ERM) system, in accordance with the COSO II methodology, following a comprehensive review of its corporate risk map and the adoption of some of the CNMV's recommendations for sound risk management. This system is aimed at identifying, controlling, preventing and ensuring an adequate response to risks that arise.

The activities of the different companies of the Group are conditioned by factors that are common to their sectors and by exclusive impacts that only affect each one of them. Among the most relevant are strategic, operational, employment, environmental, reputational, legal, fiscal or financial risks.

The strategic risk is due to, among other factors, the progressive decline in postal activity due to electronic substitution, increased competition, changes in the economic environment, the protection and profitability of innovation, the need for alliances or the emergence of disruptive technologies that lead to rapid changes in demand.

Operational risk, in turn, reflects the structural complexity of the Group, the necessity for an agile incorporation of new resources and equipment to increase efficiency in the processing and delivery processes, the speed of adaptation of the production model to new demands, changes in international trade flows or the challenges of personal data management and cyber security.

As the employer of more than 52,000 professionals, the Correos Group also faces an occupational risk linked to the need to maintain a presence throughout the country, to the difficulties associated with rigid recruitment procedures, to health and safety at work, especially in the current climate, or to the ability to retain talent.

Equally significant is the environmental risk, due to the impact of the extensive infrastructure network and the vehicle fleet, the growing national and international regulations, as well as the future demands arising from the commitments made by Spain and the European Union. Reputational risk is associated with unforeseen changes in the Group's relations with its various stakeholders.

Legal risks include those associated with non-compliance with regulations or codes of good governance and ethics by managers and employees, in terms of recruitment, use of funds, accountability, adoption of agreements, use of information or conflicts of interest, among others. To these risks we must add other risks associated with possible changes in sectoral regulations and in the very operation of the company.

Lastly, Group companies are exposed to financial risks, including credit, liquidity and market risks, which in turn include interest rate, exchange rate and other price risks.

7. Staff

In 2020, the Correos Group had an average workforce of 52,456 (FTE). The parent company, Correos, contributed the largest proportion, with 50,822 professionals, 84% of whom were non-civil servant staff and 16% were civil servant staff.

Average number of staff (Full Time Equivalent)	2020	2019
Correos	50,822	53,041
Correos Express	1,271	1,191
Correos Express Portugal	136	214
Correos Nexea	189	199
Correos Telecom	38	44



8. Environment protection

The information about environmental activities is included in Note 23) to the Annual Accounts Report of Sociedad Estatal Correos y Telégrafos, S.A., S.M.E. (Sole Shareholder Company) and its Subsidiaries corresponding to the financial year ended 31 December 2020.

9. Subsequent events

As a result of the continuation of the situation arising from COVID-19, the Group has ongoing financing needs over time to meet its payment obligations. As a result, on 14 January 2021, the Parent Company initiated the procedure to contract one or several bank loans for a total amount of 325 million euros for a term of 3 years, with a single repayment at maturity. To date, binding bids have been received for more than 1 billion euros, and the Board of Directors approved the award of the requested amount to a financial institution on 26 February 2021. This will transform the previously detailed credit line into a bank loan with a three-year maturity and a single repayment of the principal in 2024. Thus, it has been possible to minimise the imbalance in the working capital in the future, improving the financial structure of the Correos Group, having demonstrated the parent company's capacity to obtain financing and therefore minimising the liquidity and solvency risk. In addition, the Parent Company intends to contract credit lines again to support additional future liquidity needs, estimated for the year 2021 at least 80 million euros.

According to the Parent Company's directors, except as detailed above, no events have come to light after the balance sheet date that could have a significant impact on these consolidated annual accounts.



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10. Other

At the close of the financial year the Parent Company had no outstanding amount due to suppliers that was delayed beyond the legal limit established by Act 15/2010 of 5 July.

In accordance with the provisions of Act 15/2010 and the ICAC's Resolution of 29 January 2016, the information from the Parent Company on the average period for payment to suppliers in commercial transactions at 31 December 2020 and 2019, since it is the most representative of the Group, is as follows:

	Financial year 2020	Financial year 2019
	Days	Days
Average settlement period for supplier invoices	16	19
Ratio of paid transactions	15	20
Ratio of outstanding transactions	27	16
	Thousands euros	Thousands euros
Total payments made	479,840	458,875
Total outstanding payments	59,928	24,048

Correos Group holds no treasury shares, nor did it conduct transactions with financial products during the 2020 financial year.

Correos Group made investments in R&D&i during the 2020 financial year.



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11. Non-financial information Statement

The 'Non-Financial Information Statement 2020 of the Correos Group' forms part of this Consolidated Management Report, which is presented in a separate 79-page document, which is included with this Consolidated Management Report.



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SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS, S.A., S.M.E. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 OF SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS, S.A., S.M.E. AND SUBSIDIARIES

The previous **CONSOLIDATED** Annual Accounts of Sociedad Estatal Correos y Telégrafos, S.A., S.M.E, comprising the Consolidated Balance Sheet (on two pages of ordinary paper), the Consolidated Profit and Loss Account (on one page of ordinary paper), the Consolidated Cash Flows Statement (on one page of ordinary paper), the Consolidated Statement of Recognised Income and Expenditure (on one page of ordinary paper), the consolidated statement of changes in equity (on a single page of common paper) and the accompanying consolidated annual report on the common sheets of paper numbered consecutively from page 1 to 90 (both inclusive) for the year ended **31 December 2020**, as well as the management report for the same year contained on the pages numbered consecutively from page 1 to 11 (both inclusive), were submitted for approval by the Board of Directors of the Parent Company on **11 March 2021**.

In accordance with the provisions in force, the directors proceed to sign and approve all the aforementioned documents.

In Madrid on 11 March 2021.

Chairman

D. Juan Manuel Serrano Quintana

Directors

D. Juan Manuel Argaba Gonzalo

D. David Benito Astudillo

D^a Marta Fano González

D. Aquilino González Hernando

D^a Noelia M^a Gutiérrez Retuerto

D. Juan Emilio Maillo Belda

D. José Ángel Partearroyo Martín

D. Jaime Pérez de la Cruz

D^a M^a José Pérez Ruiz

D. Alberto Requena Navarro

D. Luis Gonzaga Serrano de Toledo

D. Tomás Suárez-Inclán González

D^a Belén Triana ReyesD^a Belén Villan Sánchez