

Integrated Annual
Report **2021**



grupoCorreos

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Internal references in this integrated annual report to facilitate information connectivity.



Link to related information within the report



Link to related web content



Link to related audiovisual content



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This integrated annual report of the Correos Group 2021 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



In 2021 the effects of the pandemic were still evident. At year end, new challenges such as rising inflationary pressures due to the increase in energy and supply costs, insufficient transport capacity, and the risks for supply chains made the much desired recovery even more difficult.

Correos Group activity was not immune to these factors, which came into play in its results, despite the increase in income from the parcel business. After the pandemic, **digitalisation has inevitably accelerated**, accentuating the reduction in postal activity.

Aware of this, the Group is immersed in a process of transformation, **to strengthen strategic business and encourage diversification, digitalisation, internationalisation, stable employment and improvements in efficiency**. This adaptation is based on our strengths, on that which we know how to do best, such as last mile distribution, e-commerce, and parcel delivery, which allow us to offer comprehensive solutions which are completely adapted to our customers' needs, throughout the value chain.

We wish to play a key role in strengthening the national economy and help the Spanish business network to take advantage of the **strategic position of our country**, with the potential to become a leading logistical nexus for the union between Asia, Europe, Africa, and Latin America, **contributing our technology, logistical capacity and capillarity**. With this aim in mind, at the beginning of 2022 we launched our new lines of logistic business, **Correos Cargo and Correos Frío**, to meet the needs of international and temperature controlled transport of goods.

In addition, we continue **offering our services to citizens, offering new solutions to make their daily lives better**. The nearly 22,000 new PDAs distributed among out professionals throughout the whole of Spain allowed us to optimise parcel classification, improve delivery and **allow the range of products and services offered in Correos post offices to be extended to all households**, avoiding the need for customers to leave their houses.

We are continuing with the **digitalisation of our service points in rural areas**, enabling access to all services under the same conditions as in urban zones. This project, along with the agreements signed with financial bodies to provide **basic banking services** at home, and the installation of cash machines in post offices in areas with a low population, was a step forward in our commitment to reduce the existing gap between urban and rural areas, contributing to economic and social development nationwide, **the fight against de population and the promotion of financial inclusion**.

Through the investments made last year, we improved our logistical capacity and reinforced our position as leader of the sector. Likewise, the subsidiaries **Correos Express and Correos Express Portugal** have increased their presence, with the incorporation of new centres and the increase of their operating area and automated processing equipment to meet the growing demands of the Iberian e-commerce sector. On the other hand, **Correos Nexea and Correos Telecom** improved their commercial range. The latter launched a **new catalogue of mobile phone services as a virtual operator**.

In 2021, **the plan for the provision of the universal postal service** provided for in Law 43/2010 was approved, which formalised the conditions for the provision of this public service by Correos. We trust that this step will contribute to guaranteeing the future sustainability of this **public service, essential for social and territorial cohesion**.

The effects of the current context will have unpredictable impacts on the achievement of the 2030 Agenda and the **Sustainable Development Goals** (SDGs), to which Correos is committed. It is therefore now more necessary than ever that we continue to contribute to these goals, promoting economic progress, equal opportunities, responsible consumption and sustainable urban development, without forgetting **our adherence to the United Nations Global Compact Principles** to which we have subscribed for 20 years.

In addition, I would like to express my solidarity with the citizens of the island of La Palma, affected **by the eruption of the Cumbre Vieja volcano**, as well as give a special **thank you** to the people who make up Correos in the island area and, in particular, **to the volunteers who made themselves available to the population** during these difficult times. The company collaborated with local authorities and institutions to propose solutions, through initiatives such as the Rounding up with Impact, along with the Spanish Red Cross, or the project *#MiNombreesLaPalma*, in collaboration with the NGO World Central Kitchen, to support products from the island through Correos Market.

At Correos Group we recognise the challenges which we face as a company and as a society. The geopolitical context, economic risks, cybersecurity, the energy transition and the European green and digital recovery goals, require innovative and bold responses. We

feel committed to the search for **solutions for decarbonisation, rural depopulation, the development of a circular economy and smart mobility**.

To tackle these challenges I am sure that we can count on the **best team of professionals**, whose worth and efforts are **recognised daily by citizens**. I also believe in our capacity for adaptation to a society which is becoming increasingly digitalised and sustainable. Finally, I am confident that we will continue to deserve **the trust of our customers** as we have maintained so far, and I thank them for letting us be there for them, **helping them to grow their businesses and facilitate their communications**.



Juan Manuel Serrano Quintana
Chairman

Milestones

Advancing in our goals for diversification

- **5.4% increase in the revenue**, thanks to the positive development of the national and international parcel business.
- Launch of **Correos Cargo**, our service for the **international air transport of goods**, in response to the increase in demand for parcel services of e-commerce sector.
- Creation of **Correos Frío**, a line of business for the **transport of goods at controlled temperature**, employing IoT technology to track deliveries.
- Marketing of new **mobile phone and fibre internet telecommunication services from Correos Telecom**, as a virtual operator.

Making our commercial options more accessible

- Extension of products and services **available in the post offices to households** through rural distribution professionals.
- Installation of **129 cash machines in Correos post offices in more than 90% of Spanish provinces**, to facilitate access to cash in small rural towns.
- Launch of the new **Correos Market mobile app** to facilitate the search for products and order tracking.



Improving our operative capacity

- Provision of nearly **22,000 PDAs with new features** for Correos professionals, making it easier to order, accept, process and deliver items.
- Incorporation of **new centres**, installation of **automated processing equipment**, and **extension of the operating space of Correos Express and Correos Express Portugal**.
- **Reduction in the number of complaints and claims** received by Correos, Correos Express Portugal, Correos Nexea and Correos Telecom.

Strengthening employment and empowering people

- **Incorporation of 3,381 people with permanent contracts** and the creation of **another 5,377 jobs** (later expanded to **7,757 positions**) to promote stability of employment.
- Development of the **training programme 'We Work Digitally'**, with grants from European funds, in which Correos was the **Spanish company with the highest number of participating employees**.

Increasing the sustainability of our activities

- Launch of a **new, more eco-friendly design** of the **Línea Bosques** sustainable packaging.
- **Prioritisation of sustainability** in awarding contracts for **land transport**, with **more than 95% of new routes being ECO-labelled**.



Recognitions

Leadership in the digital transformation of public administration

- @aslan award for the Correos Citizens' Services Platform, in the category Improving Citizen' Procedures.

Recognition for internationalisation

- Vocento Business Award, in the category of International Expansion, in recognition of the internationalisation of the company in China and Portugal.

Best digital transformation

- Special Computerworld 40th Anniversary Award, for the digitalisation of the company, and Best Digital Transformation Enterprise Award in the European Digital Mindset Awards for Correos Market and e-commerce solutions.

Correos Market, best global promotion of local producers

- Gourmet Excellence Award, as part of FITUR International Feria and Extraordinary Food from Spain Award, bestowed on Correos Market by the Minister of Agriculture, Fisheries and Food.



'Helping in any way we can' and Correos Market recognised in the World Post & Parcel Awards

- Correos won two awards at the World Post&Parcel Awards 2021, in the CSR category for the initiative 'Helping in any way we can', and in the Post e-commerce category for Correos Market.

'Helping in any way we can' best civil protection action in Aragon

- Plaque of Merit for Civil Protection from the Government of Aragon, in the special COVID-19 category, for the initiative 'Helping in any way we can'.

Recognition for raising awareness of the LGBTQ situation in Spain

- Institutional Diversity Award, for the initiatives undertaken to create work environments that are respectful of different sexual orientations and gender identities.

Commitment to diversity and inclusion

- Second place in the TOP INTERCULTURAL DIVERSITY COMPANY category, for encouraging the creation of inclusive and respectful work environments.

Most impactful project for sustainable mobility

- Spanish Sustainable Mobility Week 2021 Award, in the Organisations and Companies category, for the POSTLowCIT project for sustainable delivery.



Recognition of the creation of value for society and business

- SERES Award for innovation and social commitment for Correos Market.

#EnvíosResponsables (#ResponsibleDeliveries), best initiative for the planet

- Planet Social Corporate Commitment Award, awarded by IAB Spain for the #EnvíosResponsables (#ResponsibleDeliveries) campaign.

#NoSoloAmarillo (#NotJustYellow), best publicity campaign

- Bronze prize in the 2021 Efficiency Awards of the Spanish Association of Advertisers for the #NoSoloAmarillo (#NotJustYellow) campaign in the category Best Own Media Campaign.

#OrgulloPorLoNuestro (#PrideInWhatIsOurs) best creative idea

- Silver prize from the Creative Club for the #OrgulloPorLoNuestro (#PrideInWhatIsOurs) campaign in the Ideas category.

Greatest commitment to the promotion of the *Camino de Santiago*

- Medal of Honour from the Spanish Federation of Associations of Friends of the *Camino de Santiago*, for supporting the Jacobean Routes, with the commercialisation of services for pilgrims.

A company which attracts talent

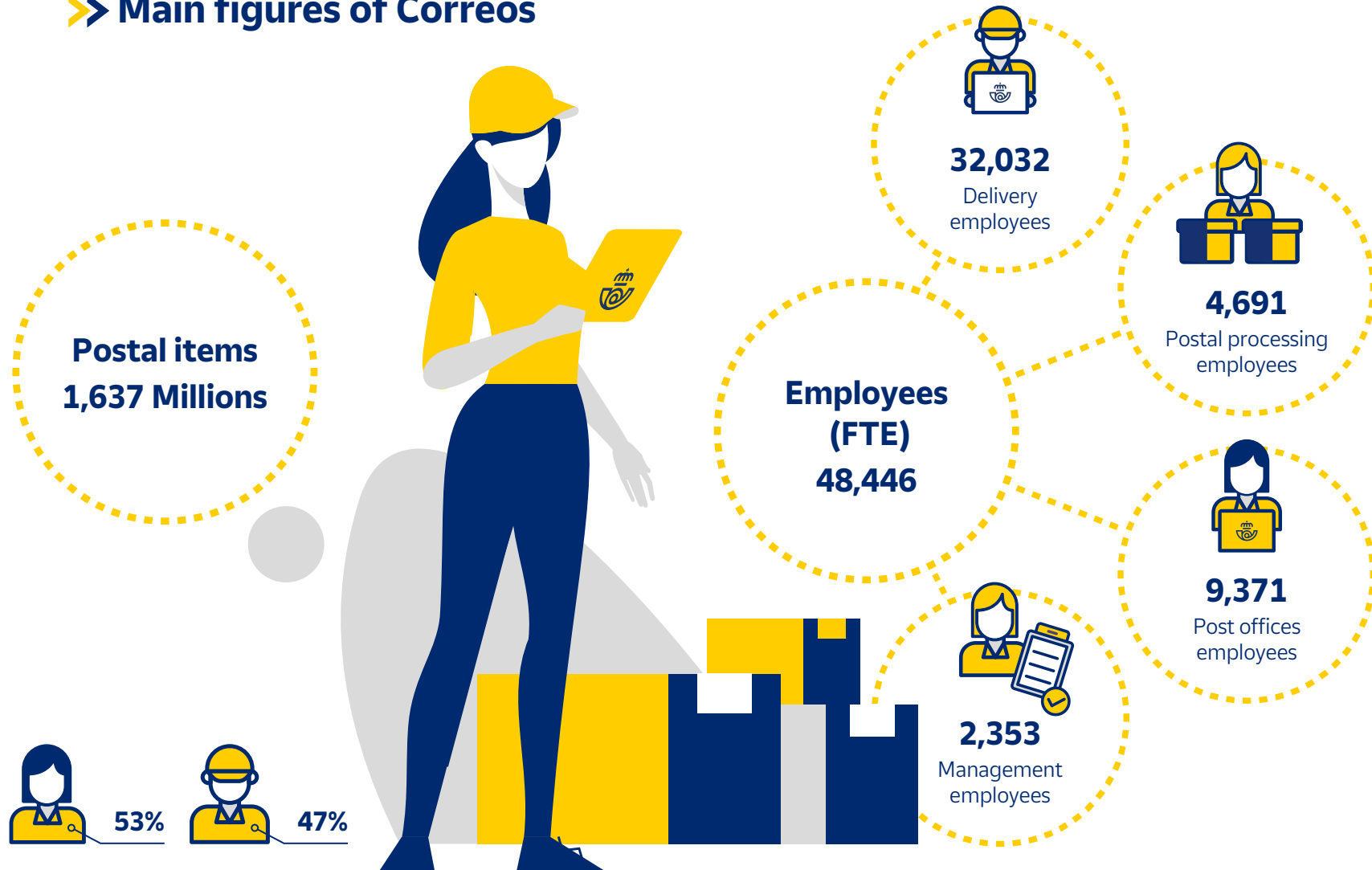
- Correos, first company in the goods transport sector in the Merco Talent Spain ranking.



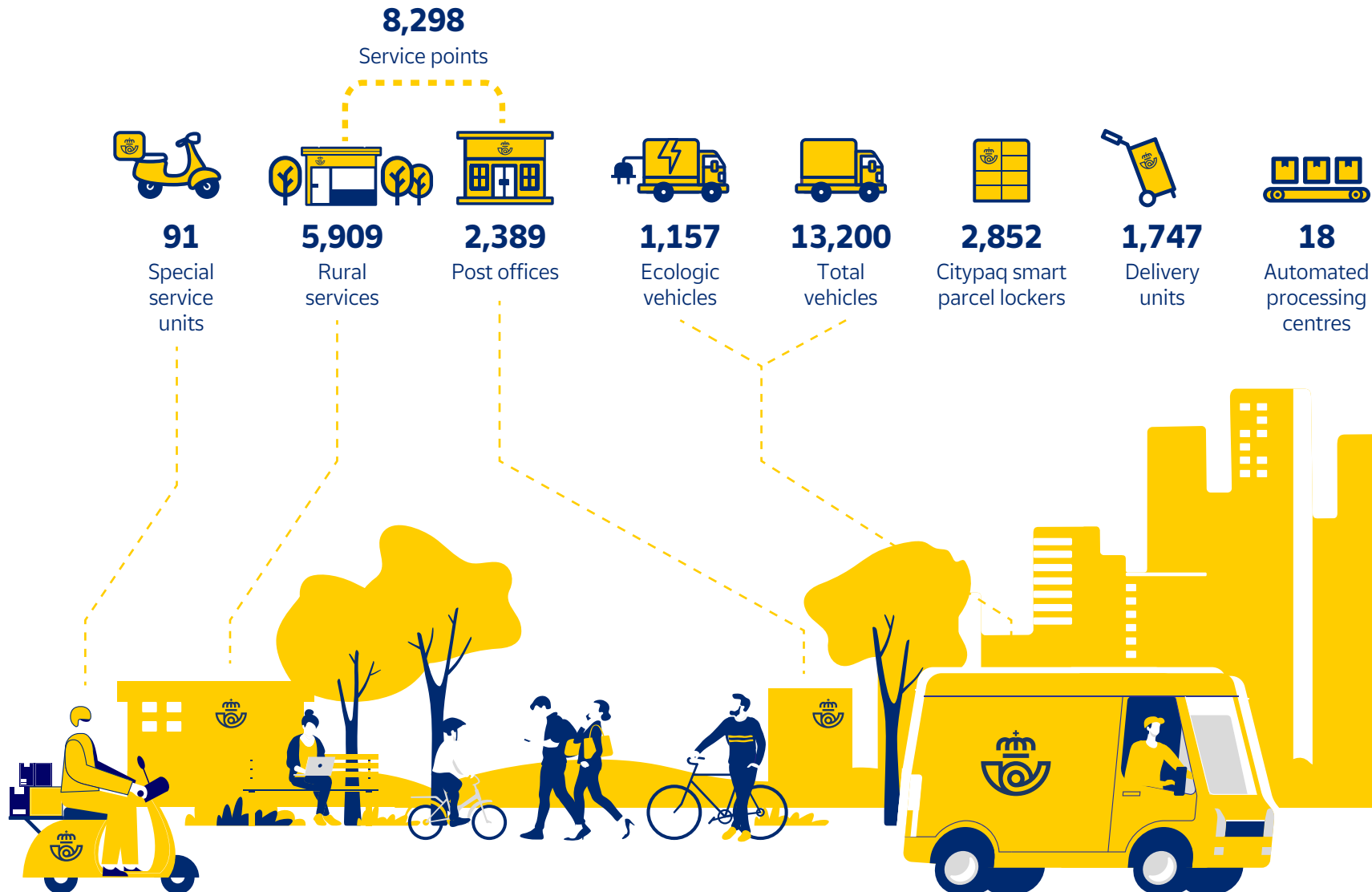
Main figures and impacts

GRI 102-7

>> Main figures of Correos



» Main figures of Correos



Main figures of Correos Group' subsidiaries



>> Correos Group triple impact

| Economic impact | 2021 | 2020 |
|--|-----------|-----------|
| Revenue (Thousand euros) | 2,081,445 | 1,975,209 |
| Result before tax (Thousand euros) | -136,949 | -366,475 |
| Result after tax (Thousand euros) | -105,559 | -264,198 |
| Investments (Thousand euros) | 88,999 | 98,718 |
| Work centres certified in accordance with UNE-EN ISO 9001 standard | 2,178 | 2,185 |
| Satisfied customers with post offices service | 75% | 76% |
| Domestic suppliers | 99% | 98% |
| Social impact | 2021 | 2020 |
| Employees (FTE) | 50,250 | 52,456 |
| Proportion of women in total staff | 52% | 52% |
| Proportion of women in Correos' Governing Board | 27% | 33% |
| Training hours (millions) | 1.8 | 1.7 |
| 'Young Talents' developing internships | 96 | 100 |
| Environmental impact | 2021 | 2020 |
| Emissions (Scope 1/2/3) (tCO2) | 160,799 | 149,361 |
| Environmental investments (Thousand euros) | 3,488 | 4,765 |
| Correos paper consumption (kg) | 542,993 | 648,170 |
| Correos energy consumption (Gj) | 424,792 | 428,859 |
| Carbon offset (t) | 7,288 | 5,442 |



Materiality and contribution to SDG



Materiality and contribution to SDG

 GRI 102-40, 102-42, 102-43, 102-44, 102-46, 102-47, 102-50, 102-51, 102-52

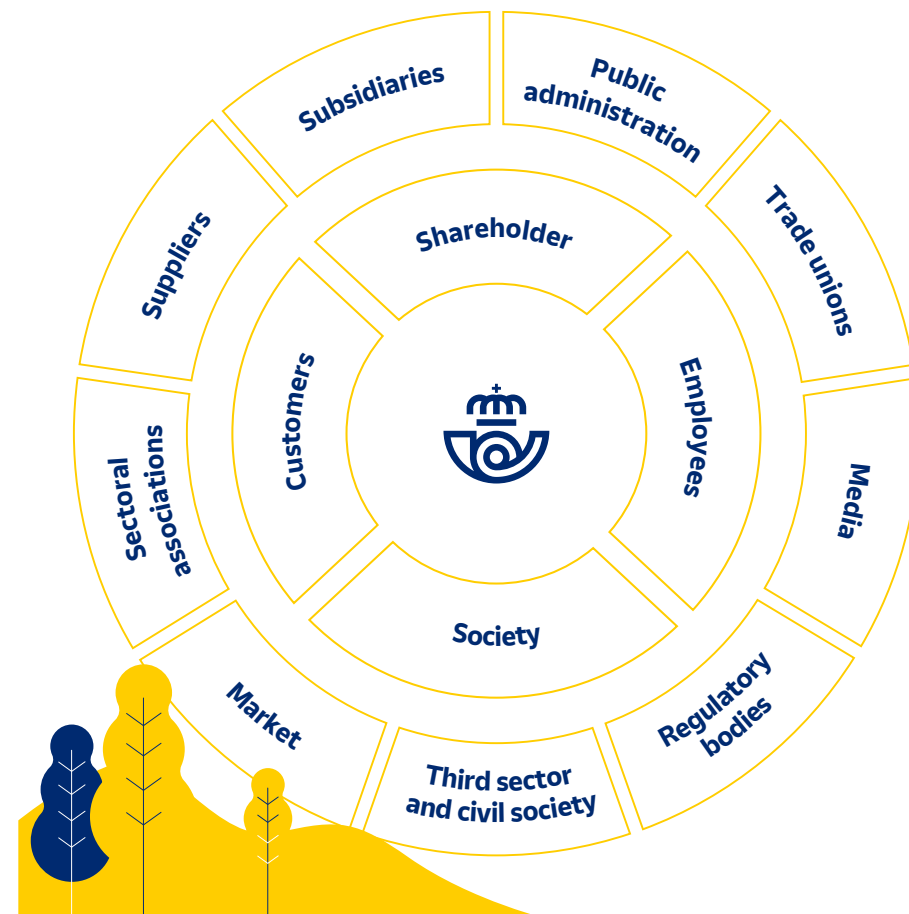
Determination of the material issues

The contents of the integrated annual report of the Correos Group 2021 corresponds to the period between 1 January and 31 December 2021 and covers the main activities of Correos and its subsidiaries. The Correos Group integrated annual report is published on the Correos [website](#) in June of the year after each financial year.

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. This material analysis includes interviews and surveys of directors and executive positions and the assessment of information on the Group published in the press and on social networks, which complements the **opinions of experts** and representatives of different stakeholders: customers, public administration, the media, and society.

This materiality analysis also considered 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.

➤ Main Correos Group stakeholders



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 2021, elaborated in accordance with the 2020 version of the Global Reporting Initiative's Standards (GRI) for the preparation of sustainability reports.

>> More relevant matters



Innovation and new technologies



Customer satisfaction and adaptation to their needs



Diversification



Business sustainability

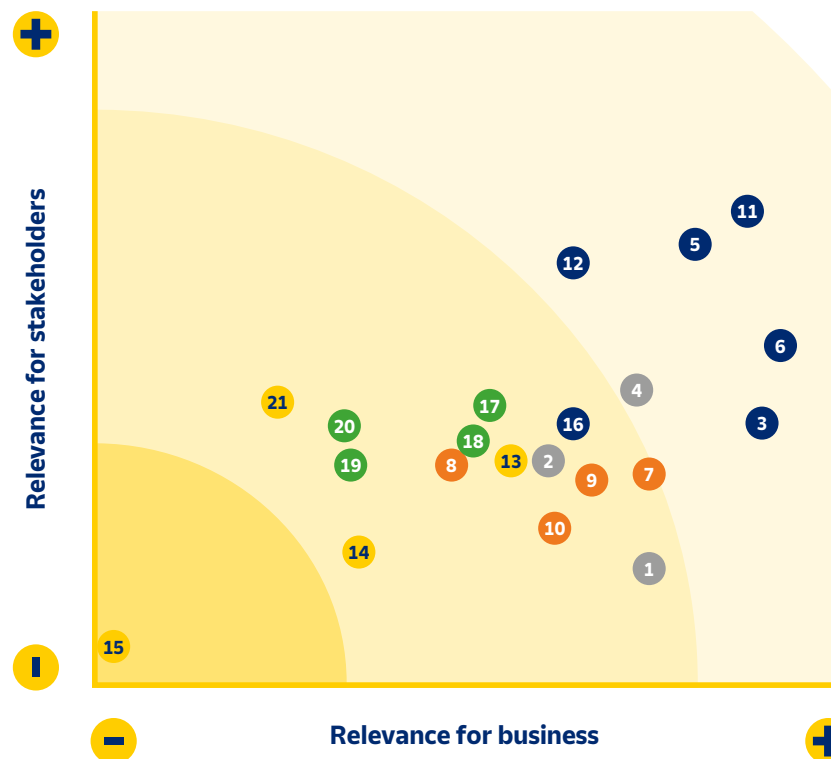


Transparency and good governance

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 procurement
- 21 Collaborative projects



● Corporate governance ● Society ● Business ● Environment ● People

➤ Treatment of relevant matters for stakeholders

| Matter | Chapter | Relevance for business and/or stakeholders |
|---|--|--|
| Customer satisfaction and adaptation to their needs | Relationship with customers. Commercial range of services. Integration of physical and digital communication. Multiservice post offices for citizens. Parcel services for every need. Boosting e-commerce. New logistics businesses. Telecommunication services. | Highest |
| Innovation and new technologies | Corporate governance and ethical compliance. Innovation. | Highest |
| Diversification | Business environment. Objectives, strategy and future trends. Relationship with customers. Commercial range of services. Multiservice post offices for citizens. Parcel services for every need. New logistics businesses. Telecommunication services. | Highest |
| Business sustainability | Main figures and impacts. Business environment. Objectives, strategy and future trends. | High |
| Transparency and good governance | Corporate governance and ethical compliance. | High |
| Security and cybersecurity | Corporate governance and ethical compliance. | Average |
| Strategic partnerships and international participation | Corporate governance and ethical compliance. SDG Alignment Model. Parcel services for every need. | Average |
| Emissions and climate change | SDG Alignment Model. | Average |
| Energy efficiency and consumption | SDG Alignment Model. | Average |
| Risk management | Risk management. Corporate governance and ethical compliance. | Average |
| Legal framework and adaptation to regulatory changes | Corporate governance and ethical compliance. | Average |
| Safety, health and wellbeing | Human team. | Average |

Continue

| Matter | Chapter | Relevance for business and/or stakeholders |
|--|---|--|
| Collaborative projects | Relationship with customers. Human team. SDG Alignment Model. Innovation. | Average |
| Responsible and green purchasing | SDG Alignment Model. Corporate governance and ethical compliance. | Average |
| Support for vulnerable groups and social cohesion | SDG Alignment Model. | Average |
| Training and professional development | Human team. | Average |
| Pride in belonging | Human team. | Average |
| Contribution to the local economy | SDG Alignment Model. | Average |
| Diversity and inclusion | Human team. SDG Alignment Model. | Average |
| Eco products and circular economy | SDG Alignment Model. | Average |
| Promotion of art, culture and sport | SDG Alignment Model. | Moderate |

Relationship with stakeholders

Correos Group maintains a **relationship of trust and transparency** with its stakeholders, based on continuous dialogue, which enables knowledge of their expectations and

communication of the achievements made with respect to commitments undertaken.

➤ Main communication channels with Correos Group stakeholders

| | Shareholder | Employees | Customers | Society |
|--|-------------|-----------|-----------|---------|
| General Meeting of Shareholders | ✓ | | | |
| Governing Board | ✓ | | | |
| Annual Operating Plan and Medium-Term Plan | ✓ | | | |
| Integrated annual report | ✓ | ✓ | ✓ | ✓ |
| Intranet/Corporate website | ✓ | ✓ | ✓ | ✓ |
| Email | ✓ | ✓ | ✓ | ✓ |
| SMS and Whatsapp messages | | ✓ | ✓ | |
| Personalised letters | | ✓ | | |
| Internal memos | | ✓ | | |
| Conected@s' internal magazine | | ✓ | | |
| Workshops | ✓ | ✓ | ✓ | ✓ |

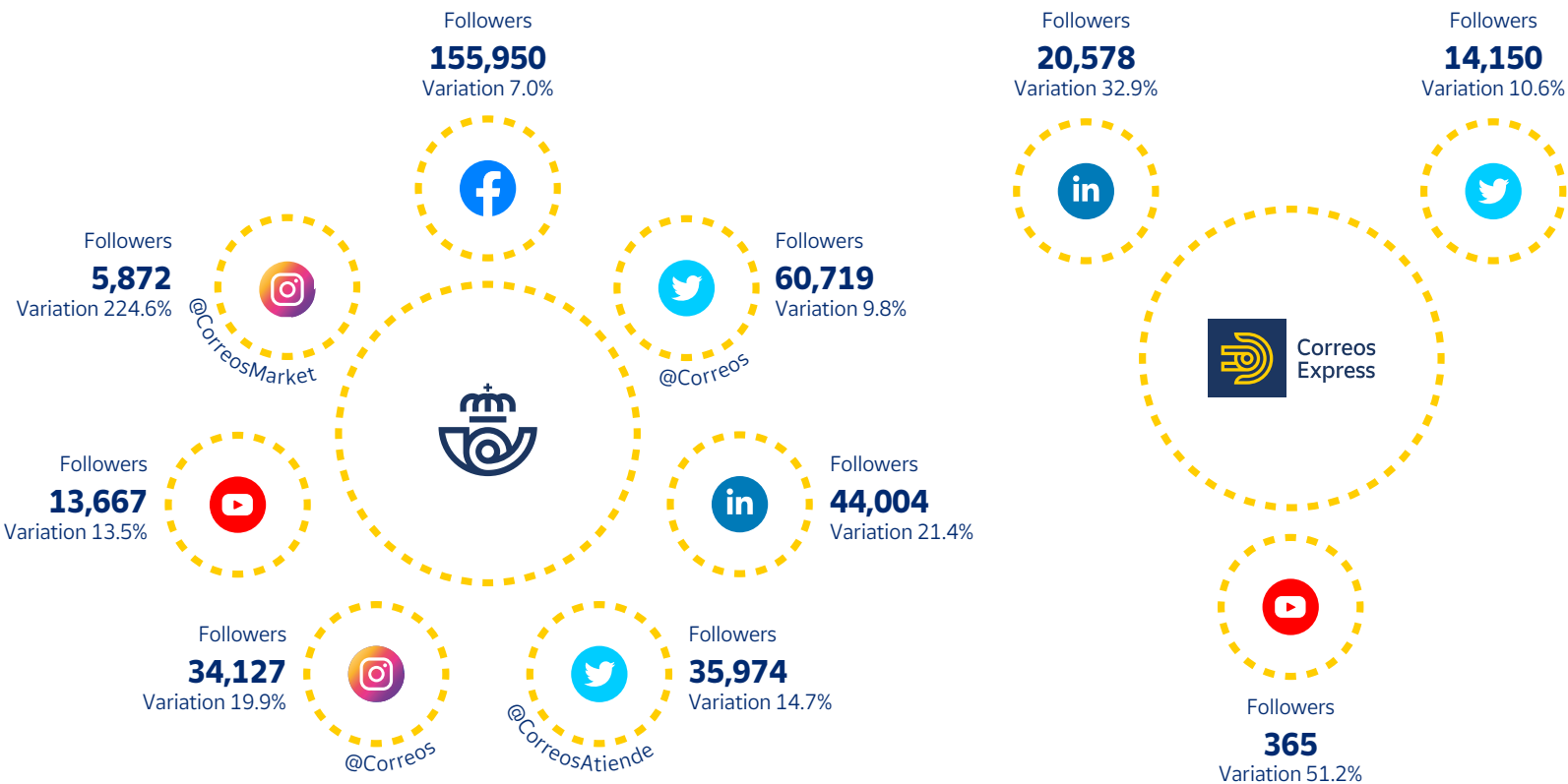
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| | Shareholder | Employees | Customers | Society |
|--|-------------|-----------|-----------|---------|
| Informal meetings | | ✓ | | |
| Training actions | | ✓ | | |
| Bulletins and surveys | | ✓ | ✓ | |
| Suggestion boxes | | ✓ | ✓ | |
| Participation programmes | | ✓ | | |
| Communication and complaint channel | | ✓ | | |
| Meetings with the Chairman | | ✓ | | |
| Social networks | | ✓ | ✓ | ✓ |
| Representation committees | | ✓ | | |
| Commercial channels and service points | | | ✓ | ✓ |
| Fairs, forums and other meetings | | | ✓ | ✓ |
| Advertising campaigns and branded content | | | ✓ | ✓ |
| Associations and collaborative projects | | ✓ | ✓ | ✓ |
| Press releases, reports and interviews | ✓ | ✓ | ✓ | ✓ |
| Institutional control (Parliament, Ombudsman, Court of Auditors) | | | ✓ | ✓ |

Digital communication

Digital channels allow Correos Group to establish a **close and immediate link** and maintain a fluid interaction with its stakeholders. In 2021, **Correos social media followers grew by 13%**, to reach 350,313, while those of **Correos Express rose by 23%** to 34,728.

>> Correos and Correos Express social networks





At the same time, more than 28,000 accounts followed the *El Camino con Correos* profiles on [Facebook](#), [Twitter](#), [Instagram](#) o [YouTube](#) to learn about the new commercial solutions that the company offers to pilgrims or access useful information about the different routes.

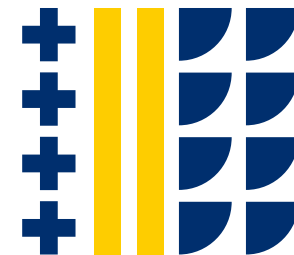
In total, Correos' activity on social media generated more than 1.6 million online mentions, with content related to the new services for citizens, improvements in operations, cybersecurity, philately offer, sustainable mobility and the sponsorships of Spanish basketball and handball federations.

Correos in the media

The presence of Correos in national, regional, and local media is reflected in **15,908 published news reports**, with 4.5 million mentions in the press, on the radio and television, and in digital media. **88% of these reports were positive or neutral in tone**, two percentage points more than in 2020

The company disseminated nearly 4,600 pieces of information and 1,423 zonal notes focused on the **role of Correos as leading logistics operator** and especially for the e-commerce sector, the digitalisation of activity and commercial offer, the **public service** and the contribution to social and territorial cohesion, the **internationalisation** process, the **diversity**, and the **sustainability**.

The **themes which sparked the most interest** were those related to **rural areas** and **job vacancies**. Information referring to the development of postal voting in Catalonia and Madrid, new logistics services and innovation also received ample coverage.



Campaigns that communicate and raise awareness

The campaigns that achieved the highest visibility, both on social networks and in other physical and digital media, were:



- **'Llevamos lo que llevas dentro'** (we carry what you carry inside) which placed value on the work carried out as a key actor in **enabling the daily lives of citizens**. The campaign showed real customers, business partners and providers who habitually use Correos services or collaborate with Correos



- **12 de octubre**, coinciding with the **National Bank Holiday** which, through an audiovisual piece, played homage to all the post men and women who travel every day to all corners of the country, at the same time celebrating the diversity of Spain today.



- **Responsible deliveries**, which raised awareness on the **impact or urgent deliveries on the environment** and the importance of citizens making responsible use of it with the motto **'Not everything is urgent, but looking after the planet is'**.



- **#ViveDondeQuieras**, (#LiveWhereYouWant) a campaign filmed entirely in Villanueva de la Vera (Caceres) which showed **support for people who live** or plan to live in a **rural area**, explaining the new services that rural postmen and women are bringing to every household thanks to digitalisation.



In addition, Correos was once again the **official logistics operator for La Vuelta 21**, transporting more than 400 tons of material necessary for the event over its 3,471 kilometres, and sponsoring the prize for the best team in each stage. This collaboration took the Correos brand all over Spain, strengthening its relationship with clients and other stakeholders, through the stand which the company kept up throughout the race.



Contribution of the company to the Sustainable Development Goals

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, is aware of its potential social impact and of the influence that its policies can have in the materialization of the 2030 Agenda. However, as a provider of an essential service for companies and citizens, which involves arrive daily at all homes in the country five days a week, the company travel thousands of kilometers to transport letters and parcels, which generates an environmental impact. In order to minimise this effect, it supports innovative

projects, technology and alliances for the development of intelligent mobility solutions.

In the evaluation of its potential help to the 2030 horizon, Correos identifies as priority SDG, the Goal 8 (Decent work and economic growth), Goal 9 (Industry, innovation and infrastructure) and Goal 11 (Sustainable cities and communities), in which its contribution may be most relevant. Due to its nature of public company and its activity, Correos considers that it can also favour the achievement of the targets associated with the Goal 12 (Responsible consumption and production) and Goal 13 (Climate action).

The Correos' contribution to these goals is revealed through its SDG Alignment Model, as well as its objectives for 2030: achieving carbon neutrality, adopting circularity and generating 'zero waste', supporting smart mobility and generating 'local value'.

➤ Strategic contribution



2021 contribution

Generation of stable employment, with new calls for the coverage of permanent jobs.
Training based on digital tools and the improvement of professional qualification.
New working models, fostering a culture of co-responsibility, flexibility and trust.
Talent management.

Relevant matters

Training and professional development • Pride in belonging • Diversification

Targets

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.



Targets



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.

2021 contribution

Extensive territorial presence, which ensures universal access to postal services, while contributing to cohesion and the economic development of citizens and companies, both in urban and rural areas.

Access to financial services and for the administration through the post office network and the PDAs of post men and women.

Infrastructures for cross-border trade, such as the new Rampa 7 logistic international centre.

Encouragement of digital connectivity in rural areas.

Promotion of entrepreneurship through CorreosLabs, Correos' innovation centre, and its Lehnica Challenge acceleration programme for new companies.

Participation in European projects focused on smart logistics, data infrastructure and sustainable mobility.

Relevant matters

Innovation and new technologies • Strategic partnerships and international participation • Collaborative projects



Targets



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.

2021 contribution

Access to public services for the citizens of the island of La Palma, affected by the eruption of the Cumbre Vieja volcano.

Secure means of payment, such as Correos Prepago cards.

Use of electric vehicles and alternative fuels.

Promotion of responsible deliveries.

100% renewable electricity consumption and energy efficiency measures.

Implementation of solar photovoltaic systems for self-consumption electricity generation at main operating centres.

Improvement of air quality in cities, through efficient driving, routes optimisation and on foot deliveries.

Development of sustainable urban logistics models, with the participation in European SENATOR project.

Relevant matters

Customer satisfaction and adaptation to their needs • Energy efficiency and consumption • Eco products and circular economy • Emissions and climate change



>> Relevant contribution



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

Targets

2021 contribution

Implementation of [Circular Economy](#) Action Plan.

[Responsible procurement](#).

Encouragement of responsible consumption, with the [Línea Bosques](#) range of packaging.

Support local consumption with [Correos Market](#).

Promotion of [sustainable Camino de Santiago](#) initiative, for the preservation of the natural and cultural heritage.

Relevant matters

Responsible and green purchasing • Eco products and circular economy



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

Targets

2021 contribution

Identification and management of [risks relating to climate change](#).

Participation in [SMMS project](#), promoted by International Post Corporation (IPC), in order to influence the sustainability performance of postal operators.

Financing of reforestation and fire prevention projects with the [Línea Bosques](#) range of packaging.

Application of collaborative solutions for the neutralization of emissions, such as the [Correos Compensa](#) project.

Rising [awareness](#) about climate change, in collaboration with associations, foundations and other entities.

Relevant matters

Emissions and climate change





Non-financial information statement



Este camión
es verde

The companies of the Correos Group

GRI 102-1, 102-4, 102-6



The Correos Group is one of the **main providers of physical and digital communication and parcel services in Spain**. Correos, the Group's parent company, is the leading company in the Spanish postal market and one of the leading companies in the B2C parcel sector, due to the excellence and reliability of its service, human capital and physical and digital infrastructure.

It is also the **operator designated by law to provide the universal postal service** throughout the territory, with criteria of efficiency, quality and affordability, contributing to the sustainability of postal communications for all citizens.

Correos complements its activities with those of its subsidiaries:



Dedicated to express parcel delivery for the B2B (business-to-business) and B2C (business-to-consumer) segments.



Specialising in multichannel solutions for mass physical and digital corporate communications.



Responsible for the management and marketing of Correos' telecommunications infrastructures, as well as providing technological support to the rest of the Group's companies.



Subsidiary of Correos Express, with which the Correos Group offers urgent parcel services in the Portuguese market.

Correos also holds a stake in the Chinese companies KCG eCommerce Solutions and K Parcel, joint companies with Asian operators Kerry Logistics Network Limited and Global Freight Systems (GFS). These shared companies carry out comprehensive management of outbound parcel volumes originating in China and Hong Kong, focusing on international e-commerce flows.

In 2021, Correos also signed a pilot collaboration agreement with Evelop Airlines for the development of a business plan for the air transport of cargo and packaging.

Business environment

 GRI 102-4, 102-6

2021: the year of the economic recovery?

The uncertainties caused by the pandemic and its economic effects remained through 2021. The strengthening of global activity and trade in the first half of the year was followed by a loss of momentum in the second half, culminating in the emergence of the new **Omicron** variant. At the end of the year, this **new wave of the pandemic** saw additional restrictions and an increase in absenteeism, which threatened to temporarily paralyse certain productive sectors and further postpone the recovery.

During the past year, the reactivation of demand resulted in shortages of certain raw materials and intermediate goods involved in production processes, as well as insufficient international transport capacity to smoothly meet trade flows. **Tensions in global supply chains and shortages** of certain materials posed a challenge to many productive sectors, with indirect effects on trade and on air and maritime transport costs, leading to significant **inflationary pressures** globally.

The increase in fuel and energy prices also had a significant impact on the transport sector. In this regard, continued inflationary trends during 2022 could put a brake on household consumption, affecting future demand for postal and parcel services.

Contraction of the postal market

In this volatile environment, the trend for companies to contain costs and adopt digital customer relationship models had a particular impact on the reduction of physical communications, **accelerating the substitution effect in the postal market**, where turnover fell considerably.

In a context of accelerated digitisation, part of this postal demand is moving towards hybrid solutions (physical and electronic), with which companies are seeking to reinforce the multichannel communication strategy with their customers, a segment of activity in which Correos and Correos Nexea are also present.

Furthermore, in 2021, the **plan for the provision of the universal postal service**, provided for in Law 43/2010, was approved. Following validation by the European Commission, this document



formalised the conditions for the provision of this public service by the designated operator, Correos, and the criteria for assessing its cost and financing.

It will also serve as a basis for the drafting of the regulatory contract to be signed with the Ministries of Finance and Transport, Mobility and the Urban Agenda, with the aim of guaranteeing the future sustainability of this service, which is essential for social and territorial cohesion.

High competition in the parcel sector

The parcel market, unlike the postal market, continued to benefit from the expansion of e-commerce among the population, driven by the pandemic and restrictions on commercial activity, **although growth was lower than in 2020.**

Competition in this sector continued to increase, especially in the B2C (business-to-consumer) segment, as it has been the fastest growing in recent years, but also the least profitable due to high delivery costs.

In addition to the progressive transfer of companies specialised in B2B parcels to the B2C segment, **international companies** (some belonging to European postal operators) continued to **increase their presence in Spain with new investments**, attracted by the high growth rates of e-commerce.

In addition, **operators in other markets**, such as digital and food delivery, consolidated **their own networks for parcel distribution**, positioning themselves in urban centres. These platforms have an operation adapted to the delivery requirements of local commerce (and also of some large companies) and manage the need for on-demand delivery drivers, minimising infrastructure requirements and salary costs.

Faced with the risk that this trend could make employment in the distribution sector more precarious, in 2021 Royal Decree-Law 9/2021¹, known as the 'rider law', was passed. Among other things, it requires food delivery companies and other digital platforms to formalise contracts with their workers. The immediate effect of its implementation was an increase in subcontracting and the



1. Royal Decree-Law 9/2021, of 11 May, amending the revised text of the Workers' Statute, approved by Royal Legislative Decree 2/2015, of 23 October, to guarantee the employment rights of those working in delivery in the field of digital platforms.

emergence of delivery cooperatives. These new requirements also put further pressure on the cost structure of these companies, which in some cases were forced to cease operations in Spain.

Several start-ups also sought to provide **innovative solutions for the different stages of the e-commerce value chain** (fulfilment, refrigerated collection lockers, delivery robots, reusable packaging, to name just a few), becoming partners or suppliers to traditional parcel operators, but also potential competitors.

In this regard, 2021 saw an **expansion of the supply of collection lockers** in Spain (such as Correos' Citypaq network), managed by different companies in both the parcel and retail sectors. This extension was motivated both by increasing customer usage and the added benefits they bring to the retailer in the context of a pandemic. The trend was also welcomed by local administrations, who are increasingly involved in promoting sustainable deliveries in urban areas.

New international business opportunities

Most of the characteristics of the Spanish parcel market mentioned above can be extended to **Portugal**, where the subsidiary Correos Express Portugal operates. The slower growth of e-commerce in this country compared to the rest of Europe and the foreseeable increase in international flows (especially with Spain) represents an **opportunity for future development in the delivery sector**.

The Correos Group also values other possible opportunities for **international expansion on other continents**, allowing for the construction of a global logistical axis in Spain, contributing to the development of the Spanish companies and economy.



In the scope of international activities, the **effect of European regulatory changes** was also significant. Since 1 July 2021, citizens and companies began to pay VAT for the import of all goods acquired outside the EU, with the removal of the exemption that previously existed for low-value items. In the last financial year, Correos prioritised collaboration with the Spanish Tax Agency, with the aim of efficiently coordinating their implementation and minimising the operational and technological impact.

In addition, this amendment in the legislation also had a dissuasive effect on consumers, leading to a reduction of **low value imports from Asia**. This resulted in a **fall in trade flows from Asia** and especially from China - where the Correos Group has an admission and sorting centre - to Europe.

Sustainability of the sector

In the last two years, the pandemic has tested the resilience of cities, with a greater uptake of **sustainable urban management policies, including mobility**. Even more so if we consider the social awareness already generated by the climate emergency.

Urban restrictions on certain types of vehicles, the pedestrianisation of streets and limits imposed on loading and unloading are becoming more common, with the **implementation of low emission zones** in municipalities with more than 50,000 inhabitants, in accordance with the new Spanish environmental legislation².

However, the current poor provision of public charging infrastructure for electric vehicles and alternative fuel options for heavy-duty transport, as well as a shortage of supply for the

automotive sector, are limiting the adaptation of transport fleets. Similarly, the solution to the complex problems of urban mobility is not limited to the electrification of transport.

These circumstances are forcing a **general reconsideration**, on the part of operators and administrations, **of last mile distribution** and the need to reconcile the economy and climate action. In 2021 the Correos Group continue to play a very active role in national and international forums and projects that seek to respond to the challenges of mobility management.

On the other hand, the reduction of transport emissions is in contradiction with the increasing demand for express and even same-day delivery services, the environmental cost of which is evident. Correos aims to provide an alternative to this problem by offering its customers **responsible delivery**, reducing polluting emissions through sustainable transport.



2. Law 7/2021, of 20 May, on Climate Change and the Energy Transition.

Future developments in parcel market

Over the coming years, the parcel delivery sector is expected to continue to show high growth rates and **new opportunities linked to the use of operators' physical network** are expected to emerge to enhance urban logistics, sustainable logistics and reverse logistics services.

The application of Artificial Intelligence, robotics, cloud computing and IoT combined with Big Data and blockchain technology to different processes will also allow for greater efficiencies and cost reductions. This **will require companies to commit to ongoing investment** to avoid being driven out of the market and for which European funds could be particularly important. That could also lead to further concentration of the sector in the medium term.

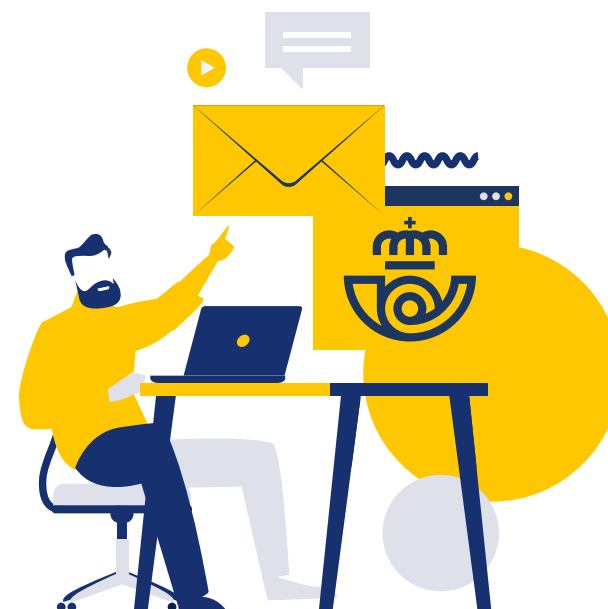
Developments to solve the digital divide

In the Spanish telecommunications market, the **extension of high-speed digital infrastructures** is expected to continue in the coming years. It will be driven by the 'Plan for the Connectivity and Digital Infrastructures of Society, the Economy and the Territories' (within the framework of the Digital Spain 2025 agenda), as well as the 'Programme for the Universalisation of Digital Infrastructures for Cohesion' (within the 'Plan for the Recovery, Transformation and Resilience of the Spanish economy'), both financed with European funds.

The aim of these programmes is to contribute to territorial structuring and social cohesion, improving the quality of the services necessary for **complete digital transformation** and working towards the **elimination of the digital divide between rural and urban areas**, an objective also pursued by the Correos Group.

Furthermore, the **development of 5G networks** in the coming years will provide greater agility and flexibility in data transfer and processing, **driving the Internet of Things (IoT)**. This will enable more networked devices, which is essential for the technological development of many industries, including **logistics, as well as for smart cities and urban mobility**.

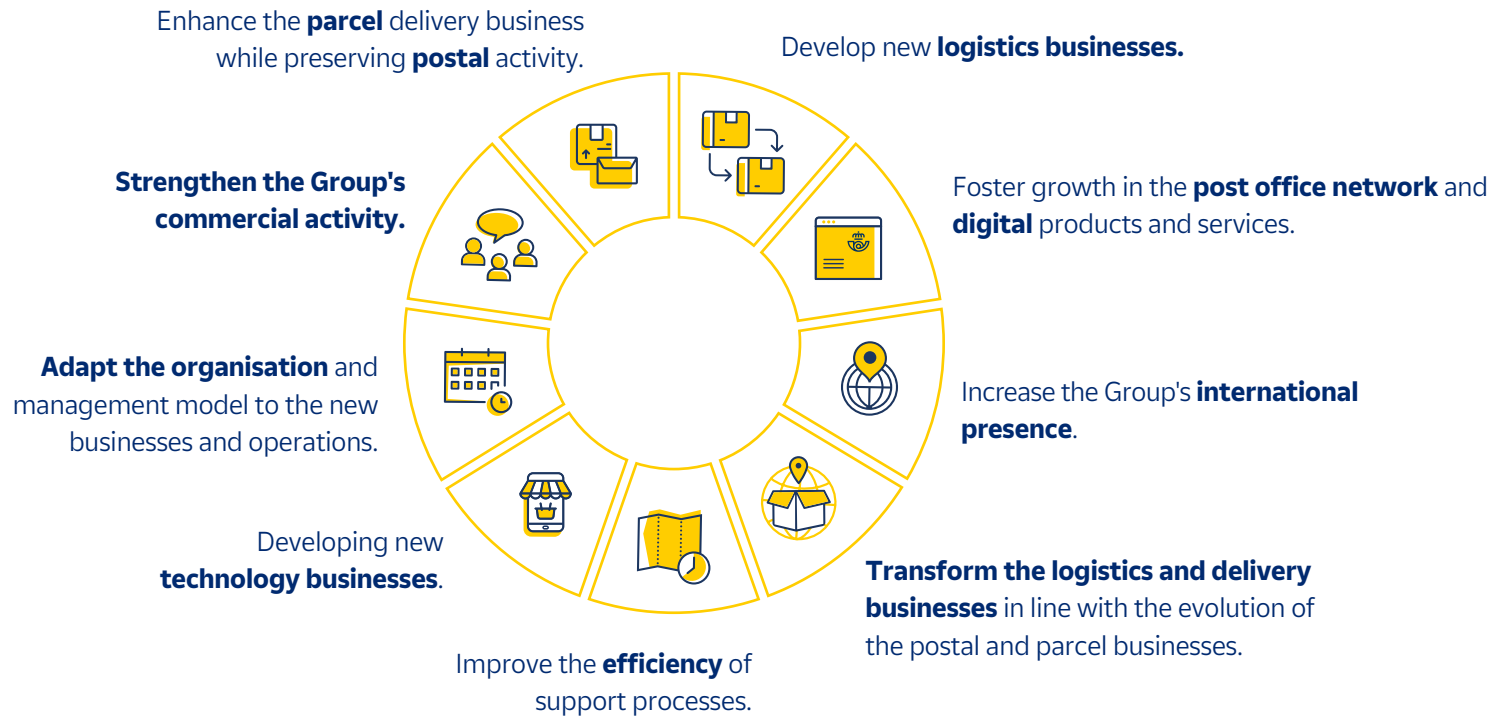
Finally, the digitisation of businesses opens up new opportunities for connectivity service providers such as Correos Telecom. In this sense, new public-private partnerships are expected to emerge, both to share networks and to develop business models based on 5G, in which the Correos Group aspires to play an important role.



Objetives, strategy and future trends



The **Strategic Plan 2020-2023 of the Correos Group** is based on 9 strategic objectives:



Future trends



The plan comprises 59 lines of work, with which the Group will deepen the **diversification** of its activities, **internationalisation**, **digitalisation** and adaptation of its **operating model**.

The Correos Group has identified a number of external factors with a potential short, medium or long-term impact on its activity and on the markets in which it operates. These trends can represent both a challenge and an opportunity, depending on the strategic responses adopted by the Group.

SHORT/MEDIUM TERM TRENDS









Uncertainty of economic recovery

-  Inflationary pressures and energy prices
-  Disappearance of companies
-  Supply crisis and slowdown in international trade flows
-  Reconfiguration and re-localisation of supply chains
-  Next Generation EU Funds
-  Labour reform
-  Political tensions and polarisation
-  Intensification of public-private partnerships








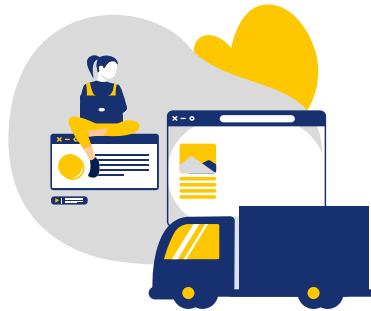
Climate emergency

-  Decarbonisation of the economy and its technological constraints
-  Urban logistics, mobility and demand for sustainable delivery
-  Acceleration of the energy transition
-  Boosting the circular economy and sustainable packaging
-  Increasing Spain's climate vulnerability
-  Stepping up environmental sustainability policies in the public sector



Demographic and social challenges

-  Ageing of the population
-  Increasing concentration of urban dwellers
-  Rural depopulation and loss of services in rural areas
-  Sustainable urban planning and smart cities
-  Social inequality



Digitalisation of the economy and society

- Continued reduction of postal communications
- Integral digitisation of businesses and society
- Intensification of the digital divide
- Blockchain and Big Data
- 5G, IoT and digital twins
- AI, robotics and cloud computing
- Self-driving vehicles
- Digital identity management
- Cybersecurity



Greater awareness and knowledge among consumers

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



Resilient and responsible companies

- The growing role of business in responding to societal challenges
- Adoption of remote work
- Importance of employee health and safety and well-being
- Greater challenges in attracting and retaining business talent, especially specialised profiles
- Growing importance of continuous business risk management and innovation

Medium/long-term trends



Legal and geopolitical developments

- Regulatory changes in the international and Spanish sphere
- Transformation of the universal postal service obligations in Europe
- Macroeconomic and geopolitical uncertainty
- Transformation of the European tax and customs framework
- Shift of economic hegemony to the new Asian powers
- Increased protectionism



Transformation of markets

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

Generated and distributed economic value

 GRI 201-1, 201-4

In 2021, the Group's net sales increased by 5.4% to 2,081.4 million euros. However, continued pressure on operating costs meant that the year ended with a net result of -105.6 million euros. This figure, however, represents a decrease from the losses recorded in 2020, which were heavily influenced by the pandemic. The **positive performance of the parcel delivery business**, on the other hand, was reflected in the results of the subsidiaries Correos Express and Correos Express Portugal. With regard to the latter, the profit obtained last year in Portugal was 1.3 million euros.

In 2021, the Group capitalised tax credits in accordance with corporate income tax regulations from tax loss carryforwards generated in previous years, resulting in aggregate income tax income for the year of 31.4 million euros.

Correos received 13,000 euros in grants linked to European projects for the promotion of sustainability in which the company participates and 503,000 euros in subsidies for the purchase of electric vehicles. Correos Telecom received aid worth 4,960 euros.



Risk management

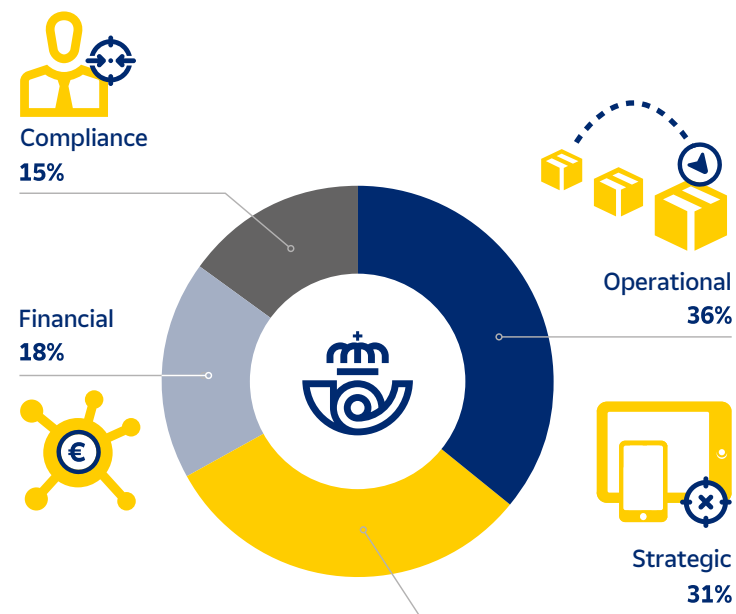
GRI 102-11, 102-15, 102-30, 103-2, 103-3

The Correos Group employs a **risk management and control system** based on the **international COSO framework**. This system is aimed at identifying, controlling, preventing and guaranteeing an adequate response to their materialisation. The corporate risk map contains a total of **55 risks**, of which 15 have been classified as critical for correct management.

The activity of the Group's various companies is conditioned both by factors that are common to their sectors and by unique impacts that only affect each of them. The existing risk categories are:

- **Strategic** risk: responds, among other factors, to the progressive decline in postal activity due to the electronic substitution, increased competition, the evolution of the economic environment, the protection and monetisation of innovation, the need for partnerships or the emergence of disruptive technologies that lead to rapid changes in demand.
- **Operational** risk: responds to the structural complexity of the Group, the need for the flexible incorporation of new resources and equipment to increase efficiency in processing and delivery processes, the speed of adaptation of the production model to new demands, the changes in international trade flows or the challenges of personal data management and cybersecurity.
- **Compliance** risk: associated with non-compliance with regulations or codes of good governance and ethics on the part of managers and employees, in terms of procurement,

Correos Group risk types



use of funds, accountability, adoption of agreements, use of information or conflicts of interest, among others. In addition to these, there are other risks linked to possible changes in sectoral regulations and the company's own operations.

- **Financial** risk: includes tax, credit, liquidity and market risk, which in turn include interest rate, foreign exchange and other price risks.

Within these four categories there are other dimensions that can materialise in different types of risks, the following being of particular importance:

- **Occupational** risk: linked to its status as one of the country's major employers, the need to maintain a nationwide presence, the difficulties associated with rigid recruitment procedures, occupational health and safety, especially in the current context, or the ability to retain talent.
- **Environmental and climate** risk: due to the impact of the extensive infrastructure network and vehicle fleet, increasing national and international regulation, as well as future requirements arising from the commitments assumed by Spain and the European Union.
- **Reputational** risk: associated with unforeseen changes in the Group's relationships with its various stakeholders.

An update of the critical risks, approved at the end of 2020, will be proposed to the Board of Directors in early 2022.



Relationship with customers

The companies of the Correos Group permanently offer customers **commercial advice and specialised service** 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 media platforms.

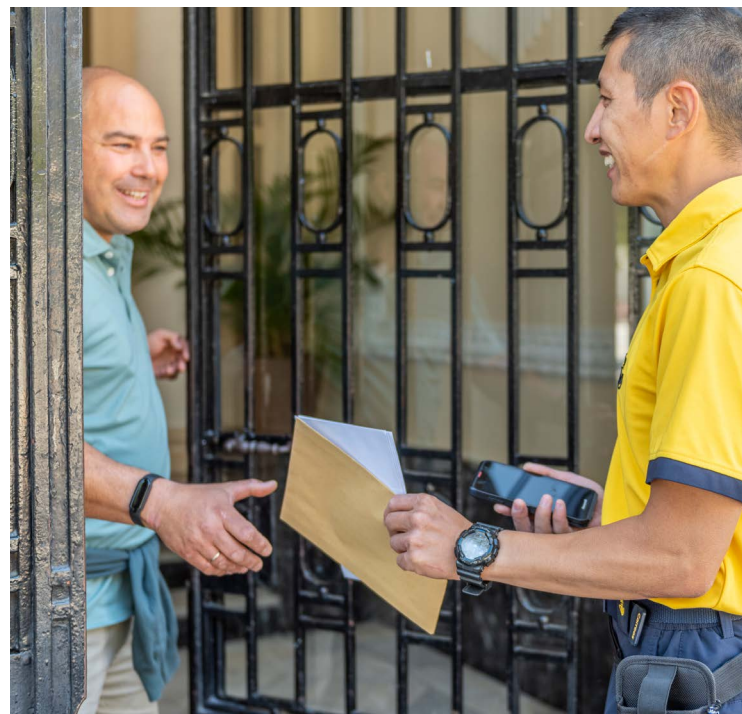
The Group has widely accessible procedures in place to exercise the right to submit complaints as well as to make enquiries on any matter relating to the provision of services.

In addition to their electronic forms for customer service, post offices make available to users the official consumer complaints forms of the respective Autonomous Communities.

The Correos customer service system distinguishes between:

- Service claims, which include information queries and complaints relating to delivery or service in post offices.
- Product claims, relating to delays, damage, loss or other incidents involving any product, which are eligible for compensation.

Last year, Correos dealt with **90,541 service claims, 34.4% fewer than in 2020**, and 400,461 product claims, 12.8% fewer, reducing the ratio of claims to 303 per million items handled. The percentage of the latter that required compensation was 17%.



The Group's subsidiaries operate their own customer service systems and complaints and claims procedures. In 2021 **Correos Express Portugal, Correos Nexea and Correos**

Telecom also recorded a drop in the total number of complaints and claims. The Group companies' management indicators in this area are as follows:

| | Correos | | Correos Express | | Correos Express Portugal | | Correos Nexea | | Correos Telecom | |
|---------------------------------------|---------|---------|-----------------|---------|--------------------------|--------|---------------|------|-----------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Complaints and claims | 491,002 | 597,208 | 835,903 | 582,532 | 7,509 | 10,235 | 156 | 170 | 2 | 4 |
| Complaints (Service claims) | 90,541 | 137,927 | 1,426 | 1,481 | - | - | 144 | 145 | 2 | 4 |
| Claims (Product claims) | 400,461 | 459,281 | 834,477 | 581,051 | 7,509 | 10,235 | 12 | 25 | 0 | 0 |
| Claims resolved with compensation (%) | 17 | 12 | 7 | 7 | 43 | 13 | 6 | 7 | 0 | 0 |

Managing excellence in operations

The Correos Group has a **quality management system based on the UNE-EN ISO 9001:2015 standard**, with which it applies the continuous improvement cycle to all activities and processes.

In the case of Correos, the post office network, the customer service and 24 operational centres of various types are certified in accordance with this standard. Similarly, last year all Correos Express centres (including two new offices) and Correos Nexea facilities renewed their certification, as did Correos Telecom's fibre optic infrastructure business.

Correos also uses the **League of Excellence**, a management tool available through the company intranet, which provides operational units with individualised information for continuous improvement in their key processes. The results of this assessment also serve as a benchmark for the national excellence award, which recognises the employees of the best units each year.

The company also uses the **LEAN continuous improvement system**, which aims to achieve maximum efficiency in processes to offer maximum value to 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



19 automated processing centres and the integrated logistics centre (CLI) of Barcelona

1 mass admission centre

3 international processing centres



16 main post offices



Correos Express

6 operating centres of Correos Express



Correos Nexea

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



Correos Telecom

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

4 international processing centres



2.093 main post offices



Correos Express

58 operating centres of Correos Express



Correos Nexea

2 operating centres of Correos Nexea



Correos Telecom

Integral management of Correos Telecom's communication network

ISO 27701 INFORMATION PRIVACY



Correos Nexea

Management system of Correos Nexea's information security

Development of customer service channels

In 2021, the website www.correos.es received 180.9 million visits, with 579,266 requests for information recorded through this channel and email. Correos also handled **3.6 million telephone enquiries**.

The company continued to automate various customer service processes through the **use of robotics**. The change in the after-sales customer service model, with a more personalised service, based on segmentation and adaptation of proposals, improved satisfaction rates and response times.

In 2021, **75% of post office users were satisfied** with the service they received.³ In total, these establishments served more than 89 million customer visits, an increase of 8.7% compared to 2020.

For its part, the subsidiary Correos Express developed a new telephone complaint management model, capable of automating the opening of incidents, which reduced processing and response times.

The subsidiary also created a pioneering tool to make it easier for its customers to **record deliveries and collections requests by voice**, without the need for manual data entry. This voice assistant, integrated into the app, is **based on Artificial Intelligence** and guarantees accessibility for people with visual or motor disabilities. This innovation is in addition to other improvements to the mobile application, such as **fingerprint access**, which provides greater security and protection of information.

3. Spanish National Commission on Markets and Competition (2021). CNMC Household Panel. First semester 2021. Postal Sector.

Evaluation of customer satisfaction

In 2021, the Correos **customer satisfaction index** improved to a score of 7.6 out of 10.

The Correos Group also prepares an annual **Net Recommendation Index** by conducting periodic surveys of contract customers, post office users and addressees (at home, in post offices or Citypaq), in order to ascertain their experience with the service provided. The study aims to determine the level of recommendation of different types of customers by obtaining the ratings based on the percentage difference between customers and recipients who give 9 and 10 points out of 10 (promoters) and those who give less than 6 points (detractors).

In 2021, **Correos's overall rating improved by 5 points**, with a recommendation rating of 13.3. The ratings for post office and delivery professionals increased to 24.1 and 34.2 points, respectively. In the case of post office customers, more than 50% were promoters of the company (those who give a rating between 9 and 10).

Also noteworthy is the satisfaction expressed with the **Correos Express delivery staff**, with the collection and delivery of items being the most highly rated aspects, as well as the score given to **commercial employees of Correos Nexea and Correos Telecom**, the latter achieving an overall recommendation index of 79.



Human team

GRI 102-15, 103-2 |
 SDG 8

Integral 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 **job quality and stability, training and career development, talent attraction and retention, diversity and inclusion**, as well as **occupational health and safety**.

>> Lines of action in people management

Generating quality employment



Promoting healthy and diverse work environments



Improving the skills of our professionals



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 in the international postal sector.

Generation of quality employment

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

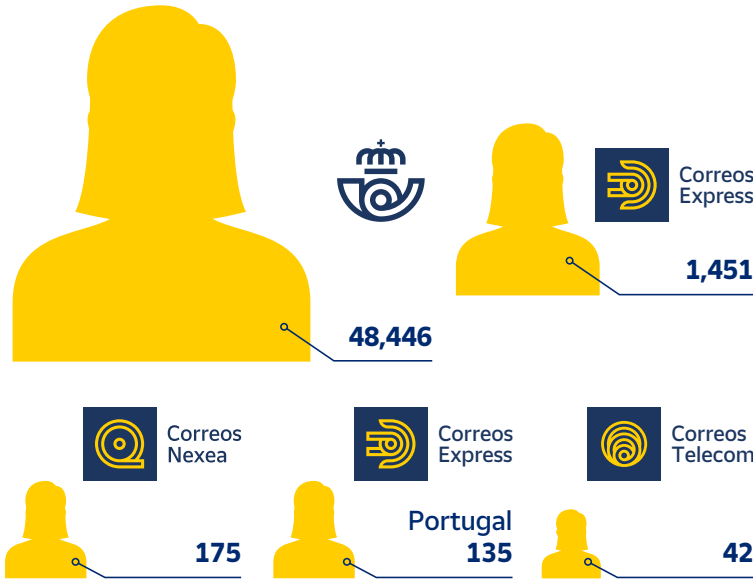
At the end of 2021, **the Correos Group had an average workforce of 50,250** (FTE). The parent company, Correos, contributed the largest proportion, 48,446 professionals, 86% of whom were workers under ordinary employment contracts and 14% civil servants.

| Average staff (Full Time Equivalent) | 2021 | 2020 |
|--------------------------------------|--------|--------|
| Correos | 48,446 | 50,822 |
| Correos Express | 1,451 | 1,271 |
| Correos Express Portugal | 135 | 136 |
| Correos Nexea | 175 | 189 |
| Correos Telecom | 42 | 38 |

As part of the measures included in the **multi-year agreement 2018-2020, signed between Correos and the trade unions** to strengthen the public postal service and the business project, during the last financial year the consolidation process of

permanent employment, the de-provisioning of distribution, logistics and post office manager roles, the remuneration update, the implementation of internal promotion processes, the call for the early partial retirement programme linked to relief contracts and the permanent transfer system continued.

Average staff 2021 (FTE)



Labour consolidation processes

In September 2021, selection tests were held in 32 cities to fill **3,381 operational positions**, which will perform urban and rural delivery functions, as well as logistics and customer service tasks in post offices **across the country**.

Nearly 150,000 applicants registered for the tests, demonstrating the social recognition of Correos as an attractive company to work for. **More than 5,600 employees collaborated to ensure that the tests were carried out correctly** and that the health measures established in each territory for the pandemic were complied with.

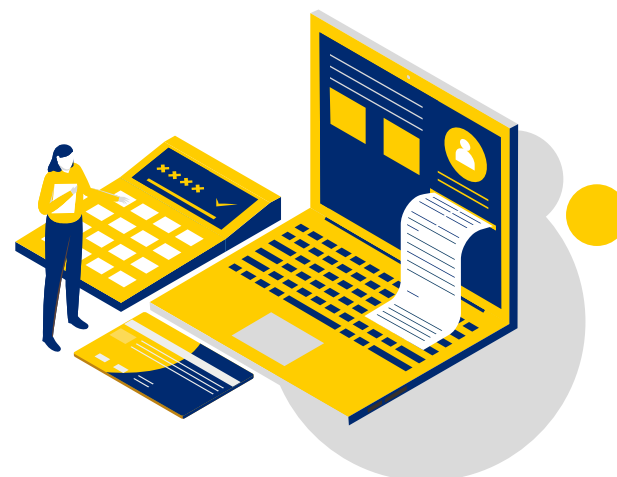
This process was part of a joint call for applications to fill the posts corresponding to the replacement rates approved for 2019, as well as those included in the **temporary employment stabilisation** plan of the 2018-2020 multiannual agreement.

In addition, in December 2021, the **specifications for the recruitment of 5,377 permanent staff positions** were published, corresponding to the replacement rates for 2020 and 2021, plus 2,000 positions from the third phase of the stabilisation plan. The contents of the official syllabus will be published in the first half of 2022 and the entrance exams are expected to be held in November 2022.

With these calls for applications, the company remains committed to the creation of stable employment as the main **guarantee to continuing to offer the best service** to all citizens. It also guarantees a stable framework for labour relations and promotes talent as an accelerator of change in the company, in the face of new challenges and customer demands.

Remuneration update

Last year, Correos **paid the additional salary funds for 2019 and 2020** (of 0.25% and 0.30%, respectively) retroactively, following approval by the Secretary of State for Budgets and Expenditure and the Commission for Monitoring Collective Bargaining of Public Companies. Similarly, having obtained authorisation from the competent public bodies, the 0.9% **salary increase** provided for in the General State Budget Law **for 2021** was applied.



Call for manager roles

In July 2021, a **call for 1,005 distribution, logistics and post office manager positions** was launched, with the selection test scheduled to take place in February 2022, with the aim of making progress in the **de-provisioning of these positions**.

Correos offered a training programme for the merit-based competition for these positions, consisting of several courses on corporate applications, tools, products and services, with more than 96,000 teaching hours. The number of applicants was 3,916 employees.

Internal promotion of civil servants

Due to the pandemic, the completion of the **internal promotion process for civil servants**, scheduled for 2020, had to be postponed until 2021. With an offer of **395 places**, for groups A1, A2, C1 and C2, the selection tests were held at 11 locations, in an attempt to reduce travel and congestion. The lists of successful candidates for each of the groups were published in October and December.

Permanent transfer system

The permanent transfer system made it possible to meet the **functional or geographical mobility expectations of 2,516 professionals** in distribution, classification and post office positions, through the 5 new destination assignments that took place in 2021.

The people who joined the various secondments also received specific training on their new job, within the existing training itineraries, with more than 7,000 hours of training for 1,537 trainees.



➤ Generating quality employment

Correos ranks first in the *Merco Talento* and *Merco Talento Universitario* rankings as the best company to work for in the freight transport sector



One of Spain's largest employers

48,446

Employees (FTE)



Gender equality

53%

female employment



Promoting recruitment

60,000

people registered on the employment exchanges



Stability of employment

3,381

Permanent contracts and call for 5,377 new vacancies



Employer brand recognition

150,000

Applications to take part in the last employment consolidation process held

Call for applications for job vacancies

At the end of the year Correos published the **new recruitment campaigns**, aimed at covering **temporary needs in operational positions** (distribution, sorting and customer service in post offices), for which nearly 60,000 people were registered.

These new recruitment campaigns will come into force on 1 February 2022, and will be set up at provincial level, in order to optimally address the job vacancies in the different localities, work centres, post offices and/or rural services that make up the geographical scope of the recruitment processes. The new criteria introduced for the evaluation of candidates included, among others, language skills (English and official languages of each Autonomous Community), to ensure better service to the public.

Early partial retirements

At year-end, the terms and conditions for the 2022 call for applications for the **early partial retirement programme linked to relief contracts** were published, following their approval by the State Secretariat for Budgets and Expenditure and the Public Enterprises Collective Bargaining Monitoring Committee.

The application of this measure will make it possible to improve the working conditions of the applicants and the rejuvenation of the workforce, making it possible to reconcile the reduction in work activity with the Social Security pension.

Development of electoral processes

On the occasion of the elections to the Parliament of Catalonia on 14 February and the Assembly of Madrid on 4 May, Correos

carried out nearly 2,500 reinforcement contracts and adopted the necessary organisational measures, both in delivery and in post offices, to **guarantee the correct development of the activities related to the management of postal voting**, in the exceptional context generated by the pandemic.

These actions (such as the extension of post office timetable, the provision of additional digital terminals for the admission or collection of votes by mail carriers, the installation of dedicated counters for elections or the incorporation of additional routes) were aimed at ensuring the fulfilment of the public service obligations entrusted. At the same time, Correos continued to ensure preventive measures of an organisational, collective and individual protection nature in order to offer professionals and voters all the health guarantees when carrying out the different procedures.

Thanks to the extraordinary efforts made to facilitate postal voting for citizens, record numbers were achieved with the delivery of **more than 269,000 ballots** to Catalan polling stations (more than three times more than in the previous electoral process in 2017) and more than 222,000 to polling stations in Madrid (47% more than in the 2019 elections).



Organisation of social dialogue

Correos has a 'Framework Agreement on Labour Relations', in force since March 2000, which establishes, among other things, the essential criteria for permanent dialogue between trade unions and the company.

This agreement regulates the levels of dialogue at the state level, with the trade union sections of the trade unions established throughout the country, through their general secretaries and state executive bodies and, at the more local level, through the provincial secretaries and executive bodies, in addition to the unitary bodies (Works Councils and Staff Boards).

The agreement also sets out the composition of the highest levels of employee workers' representative bodies - the 12-member Negotiating Committee - and for the civil servants - the 18-member Sectoral Committee.

For its part, the collective agreement for workers under ordinary employment contracts sets out the general principles of trade union participation and collective bargaining and the functions of the central (central employment, social action, training, equality, working time, transfer system and occupational health) and provincial (employment and working time commissions, together with provincial health and safety committees) joint committees.

The agreement contains a specific section on health, safety and occupational risk prevention policy, the company's own prevention service and prevention plan, the prevention delegates and the rights to information and consultation in this area (channelled through the state occupational health commission and provincial health and safety committees, with equal representation of the company and trade unions).

During the past year, the dialogue with the trade union organisations involved **more than 80 meetings of the different negotiating tables**, to deal with issues such as the call for temporary employment recruitment, the transfer system, the remuneration of work and preventive measures during the elections to the Parliament of Catalonia and the Assembly of Madrid, the negotiation of the new Equality Plan and the call for applications for permanent employment.

In addition, at Correos Express there are 42 centres with legal worker representation, of which 4 are constituted as works councils. In the rest, dialogue takes place through 85 staff delegates. In the area of occupational risk prevention, 42 workplaces have prevention delegates, with a health and safety committee in 4 of them.



The collective bargaining agreements applicable to Correos Express are those for road freight transport in the provinces where the company's centres are located (48 at present) and the collective agreement for the freight forwarding sector in Madrid, as well as the 2nd General Agreement for road freight transport companies at state level.

For its part, in the operational centres of Correos Nexea, trade union representation is constituted through a company council, and the sectoral agreement for the graphic arts applies⁴. At Correos Telecom and Correos Express Portugal, employees have not promoted their union representation and company-employee relations are channelled directly through the area managers, who receive proposals. At Correos Express Portugal, the collective agreement for road freight transport in Portugal applies.

In 2021, the percentage of Correos **employees covered by collective bargaining agreements** was 86%, 100% for Correos Express and Correos Express Portugal, 97% for Correos Nexea, while Correos Telecom does not apply any collective bargaining agreement.

Organisation and flexibilization of working time

A wide **variety of working times** coexist within Correos, due to 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 time.

4. Collective bargaining agreement for graphic arts, paper handling, cardboard handling, publishing and auxiliary industries.



In order to achieve a good work-life balance and efficient working practices, the collective agreement provides for the negotiation, participation and information powers of the working time committee. Similarly, any substantial modification of working days, working hours and/or shifts is subject to review 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. In the subsidiary Correos Telecom, the working day is flexible, as the organisation of working time is oriented towards project management. At Correos Express Portugal the working day is split according to national legislation.

Since the outbreak of the pandemic and the adoption of **remote work** as the preferred method of work, the Group has continued to use this option as a preventive and personal reconciliation measure in those positions where it is possible. This decision also responds to the need to offer more flexible and agile ways of working, facilitating the achievement of professional objectives and fostering a **culture of co-responsibility, flexibility and trust**.

During 2021, Correos continuously monitored the provision of equipment, systems and connections to ensure that its professionals had the appropriate resources to do their jobs, both in the on-site and virtual environments. Due to the change of the company's headquarters and the transfer of the technical administrative staff to different buildings, these new locations were adapted to incorporate the latest technologies to facilitate connectivity and **labour collaboration, both face-to-face and virtual**.

In this regard, an application was designed to manage the booking of physical spaces by employees to **ensure compliance with the physical distancing**, and training needs related to working in digital environments were assessed. Progress was also made on the implementation of a digital working time register system, which will be piloted in 2022.

The criteria and conditions for the development of remote working, as well as policies regarding the right to digital disconnection⁵, have been included in a proposal, submitted to the SEPI Group for validation. Once shareholder approval has been obtained, it is planned to present and negotiate this programme with the legal representatives of the employees for immediate implementation, in accordance with the provisions of Royal Decree-Law 28/2020⁶.

5. Organic Law 3/2018, of 5 December, on the Protection of Personal Data and Guarantee of Digital Rights.

6. Royal Decree-Law 28/2020, of 22 September, on remote working.



Talent support and professional development



The Correos Group has a **policy aimed at identifying and developing talent**, both internal and external, ensuring the coverage of essential functions, in order to meet its strategic needs and the professional development of its employees.

This talent management policy is based on the performance evaluation system, the 'Clic' programme for professional and personal development, the 'Young Talent' internship programme, the 'employer brand' projects on social networks, the Talent Community space on the corporate website, the internal eTalent portal, the substitution programme, the '*Correos en femenino*' project and other actions to manage the employee experience throughout their life cycle in the company.

This has enabled Correos to be selected among the **100 companies with the greatest capacity to attract and retain talent** in 2021, according to the results of the Merco Talento España ranking, and **the first among companies in the freight transport sector**.



Performance evaluation system

The performance evaluation system enables the identification of internal talent, through the evaluation of their contribution to performance, as well as the **alignment of individual performance with organisational goals**, through management by objectives. This tool also enables more **effective selection, promotion, training and career development plans**.

Moreover, in the current pandemic context, where it is necessary to foster remote working, the performance evaluation system becomes an essential tool for work management.

In 2021, the 'objectives meetings' were held for the second time, at which the strategic goals for the coming year were made known, supporting the managers in defining the objectives of their teams.

Similarly, half-yearly performance meetings were organised between managers and employees, which enable employees to receive **regular feedback to further their professional development**. These meetings were rated by participants with a score of 8.7 out of 10. In addition, exit interviews were conducted with professionals who were part of the performance evaluation system to identify the main talent loss risk factors.

The Group's subsidiaries also have performance evaluation systems, which in Correos Nexea are applied to all managers, in Correos Express to 12.1% of its professionals and in the case of Correos Telecom, to the entire workforce. Correos Express Portugal plans to introduce a new performance evaluation model from 2022.

'Clic' development programme

The **'Clic' programme** allows employees to participate voluntarily in defining their **professional and personal development path**, based on information analysed jointly in interviews, work sessions and activities, as well as through assessment tools (360°, development centres). This process is renewed every two years.



>> The talent cycle



In 2021, a **new cycle of the programme** began, with virtual interviews for the more than **1,200 employees who signed up**, defining the new routes 'Start' (aimed at 'Young Talent' and trainees), 'Grow', 'Foster' and 'Transform'. Professionals from the latter two routes were supported by the talent coaching team to design their individual development plan. The 'significant experiences' and initiatives to be carried out for the different routes were also defined.

Following the closure of the internal **mentoring programme** developed in 2020, in which 22 mentors and 22 mentees participated, with a satisfaction rating of 3.9 out of 4, an intensive programme was launched last year, with 7 mentees from the 'Foster' route. Another initiative was launched to bring the company's professionals closer to customers through visits to accompany sales employees.

In addition, 36 managers and executives took part in the **executive coaching** programme, as well as 58 other selected professionals. The company also created a network of internal coaches who mentored a collective of 11 people.

The participants in the 'Grow' route were accompanied in the implementation of their individual action plans by the 'Road to the Goal' group sessions, which were attended by more than 400 people. These professionals also shared their learning and experiences at Correos through 18 'Journey Talks' (motivational videos created in teams and shared within the company).

The 'Clic' programme also allows for the identification of internal talent, for their **participation in the company's cross-cutting strategic projects**, while enhancing their strengths

and the acquisition of new skills. In 2021, members of the team of employees working on the **project SENATOR** were selected and mentored.



Finally, during the year, four virtual mindfulness **workshops** were held, an initiative **within the** framework of the '**Healthy Company**' project, attended by 100, as well as four sessions with a stress trainer, to consciously activate habits to improve stress management, both in the personal and professional environment.

'Young Talent' business internship programme

The '**Young Talent**' programme is aimed at university students who wish to complement their education 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 more than 80 students completed curricular and extracurricular internships, through 30 collaboration agreements in force with academic and university institutions. In addition, they were able to complement their training project with guided visits to work centres, days to learn about the activity of some areas or relevant projects of the company (#Start the day) or workshops to improve their employability, such as the 'Start' talent route of the 'Clic' programme. Participants' satisfaction with the programme was 9.3 out of 10.

The subsidiaries Correos Express and Correos Telecom also have 'Young Talent' integration programmes, through agreements with universities or vocational training centres, in which 12 and 4 students participated, respectively.

'Correos en femenino' programme

As part of the '*Correos en femenino*' programme, focused on **making women's talent more visible**, information and awareness-raising actions on gender diversity were carried out in internal communication channels and the session 'Let's build a diverse culture together at Correos' was held on the occasion of International Women's Day.

After analysing the results of the survey of women in middle management positions in the company's territorial areas, the '1,2,3...Empower your Talent!' **development programme** was launched in 2021 **for women interested in taking on more responsibility** in the distribution and post office areas. This initiative included three dynamic sessions, titled 'Believe in yourself', 'Lead by communicating' and 'Build your personal brand', along with the creation of a mentoring programme for this group.

Within the framework of the **STEM** (Science, Technology, Engineering, Mathematics) **Talks** project, 6 female employees from the field of technology or engineering gave motivational lectures at public universities, with the aim of raising the profile of women in this field.

In 2021, the '*Talentiza tu perfil*' project continued to be developed to improve the positioning of Correos as a quality employer brand in professional social networks, through the company's employees.



Encouraging internal promotion

The Correos Group considers internal promotion as one of the mechanisms for boosting and retaining talent, prioritising the filling of vacant positions with internal candidates who fit the required profile. Thus, in 2021, **83% of the posts offered were filled through internal promotion**, with a focus on diversity and promoting parity between women and men selected.

On the other hand, the **substitute programme** trains professionals in operational positions to temporarily fill unfilled manager positions in post offices, distribution and logistics, and also offers a training programme that can be assessed in the selection process, consisting of several courses on the company's main functions, products, services and initiatives.



Last year, 1,622 people registered for the new call for applications, which had a specific information space in the [Talent Community](#) on the corporate website. Also during the year, 999 professionals joined the selective training process of the 2020 programme, also with parity criteria.

These staff are evaluated on their performance during substitutions and remain in the pool if satisfactory. Those qualified for these positions of responsibility **accumulate experience in order to reach this position on a permanent basis** when it is necessary to fill it.

The success rate of the selection process is very high, as 90% of the candidates submitted annually are validated and their subsequent performance during the replacement is satisfactory in 93% of the cases. Likewise, each year the units with the greatest demand for personnel are analysed in order to identify those provinces and geographical areas where there may be a need for additional resources, seeking to align the programme with the activity.



As a result, 85 appointments were made in 2021 to fill manager positions in post offices, distribution and logistics, proving the value of this programme for filling these types of positions quickly and efficiently.

Correos also offers a **welcome and follow-up programme** to accompany the person who joins or changes position within the company for six months, assessing their degree of satisfaction with the process, their adaptation to the work team and the adequate provision of resources, as well as possible obstacles during the trial period. Last year 410 professionals participated in this programme, which they rated 8.7 out of 10.

As part of the overall employee life cycle measurement project at Correos, the experience of candidates in recruitment processes was assessed. In addition, the **'Employee's Voice' project** was launched to assess the employee experience, with the aim of fostering two-way communication, increasing commitment and identifying **areas for improvement**.

Due to the health situation, candidate assessment and selection procedures continued to be conducted remotely, using digital interviews, tests and online group dynamics, fostering a positive candidate experience while minimising health risks.

Training for new strategic challenges



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. The 2021 training plan focused on training professionals in different areas to contribute to the strengthening of the public service, diversification and international expansion.

In 2021, the training management processes were automated by **incorporating robotics**, ensuring the availability of training actions to be completed according to the position and speeding up the updating of information systems.

Last year, the company reached a **record number of participants in the courses offered**, with **more than 429,521 attendances**, for the 383 training actions carried out. In total, postal workers received **1.7 million hours of training**, with an average of 25.1 hours per person.

In the context of the pandemic, the emphasis was on replacing face-to-face training with its equivalent in the electronic environment, through virtual classrooms. **55% of the participants took the training online**, through the Correos virtual campus, compared to 45% of those attending face-to-face, remotely and in the workplace.



A new **m-learning** training option was also introduced via **the PDA handheld devices used by delivery staff**. These courses were largely delivered by the company's more than 750 in-house trainers. The evaluation of the courses given during the year was 7.9 out of 10.

The company provided employees with specialised training areas such as:

- The **'Product School'**, a continuous autonomous learning space on the virtual campus, which includes training content 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, with the possibility of certifying the learning process at the end of the study, through the *'Verify Yourself'* project.
- The **'Sales School'**, aimed specifically at expanding and standardising the training of sales managers and post office professionals.
- The **'Knowledge Experts'** project, based on the collaboration of company professionals with extensive experience in certain areas, for the creation and updating of training content.
- The **'Trainers' School'**, which enables the training of company professionals to lead internal training actions.
- The support programme in post offices, logistics and distribution, to promote the transfer of knowledge and the adoption of best practices among managers.
- The **'Leadership School'**, which focuses on training more than 1,500 middle managers and team leaders in people

management skills. In 2021, resources were offered for self-learning, as well as to strengthen the leadership skills of women in middle management positions, as part of the *'Correos en femenino'* programme.

- The spokespersons project, which trains a qualified multidisciplinary team of people to support the institutional representation of the company in specialised areas.
- The **Management Environment**, a platform with content on management, personal development, competencies and strategy, from renowned authors and business schools. This space is offered to all managers and participants in the *'Clic'* talent programme.

In addition, all employees dedicated to rural deliveries were trained in the **use of their PDA device for the door-to-door sale** of the wide range of **products and services offered by the post offices**, thus facilitating citizens' access to Correos' services in these areas. This training methodology also allowed for the professional training who collaborated in the electoral processes for the admission of postal voting at home.

Post offices managers and their staff also received courses on customer service in rural areas (satellite post office), commercial skills, use of the corporate CRM tool and the Correos Cash service. Similarly, training for the group of professionals who make up



the substitute programme enabled them to be fully trained to cover management and team leadership positions in post offices, distribution and logistics, with the support of mentors, both during the training process and during the substitution.

The company also developed a programme to promote 'procurement ambassadors', professionals from different areas who are facilitators in the training of all management units in the proper use of electronic invoicing tools, file tendering and accounting management.

As part of the technology adoption and upgrading programme to facilitate personal productivity in virtual environments, courses on the Office 365 system were given to more than 2,500 participants, and on office automation to more than 400 people, through online training and virtualised face-to-face sessions.

The company, **with the support of the European Next Generation EU funds**, made the **'Working Digital' programme** available to employees. With this training, Correos was the first Spanish company in terms of participating employees, with 4,193 students having completed it, who were able to obtain the official qualification of 'Digitalisation applied to the Productive Sector', with which they acquired digital skills adapted to the job.

In addition, the open call for training for all groups was maintained, with 100,000 participants, for the actions entitled 'International Trade in the Correos', 'Customs Management', 'Digitalisation', 'Integration of the SDGs in Correos' and 'Correos in Figures'.

2021 also saw the company reach a **collaboration agreement with Fundae to provide training to** SMEs, companies and entrepreneurs on the **digital solutions available to them**, such as Create Online Store, Create an App, Marketplaces or Cross-border eCommerce, contributing to Fundae's 'Digitalízate' training space.



Compliance training

Last year, the Correos Group adapted its procedures and policies - such as the General Code of Conduct - to the new regulatory requirements, in response to the recommendations of the Court of Auditors regarding the implementation of models for the prevention of crime and unethical behaviour.

As part of the update of the 'Criminal Risk Prevention Programme', **all Group employees** were trained on the most important principles and contents of **compliance and criminal risk**. The content was delivered online, via the PDA devices of delivery staff and via training files to 57,154 people. A course on **risk control and management within the COSO framework** was also held for 172 managers and technicians.

The biannual **training plan on personal data protection** included on-the-job training for all employees in the logistics area, PDA training for delivery staff, and online training for managers and technical staff. These contents, which also included aspects of **information security**, were delivered to 28,996 employees.

Regulatory training also included annual training on the prevention of money laundering, transport of dangerous goods and aviation security regulations.

As for the subsidiaries, Correos Express provided courses on the prevention of criminal or occupational risks, quality, customs management and international trade, handling of dangerous goods, customer service, cybersecurity, wage gap analysis and Agile project management methodology. These actions were aimed at strengthening team management and leadership skills, facilitating the adaptation of new recruits, ensuring proactive knowledge of occupational risk prevention and healthy

habits, as well as promoting the company's commercial and internationalisation objectives.

Correos Express Portugal, for its part, offered training on occupational risk prevention, commercial service and dynamic delivery management, while Correos Nexea carried out training activities on occupational risk prevention, information security, new technologies, quality and environment management.



» Training

1.7 millions

training hours



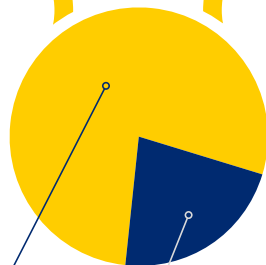
429,521

participations in training



7.9/10

average rating for training



78%
Online sessions

22%
Face-to-face, distance and blended sessions



Product School

Virtual self-learning space, through a collaborative environment, training units on the commercial offering and video tutorials for the post office network



Mentoring programme on post offices, logistics and distribution

Promotes the adoption of best practices in management and knowledge transfer



Leadership School

Offers tools and resources to middle managers to improve people management in their units



29.7

training hours per female employee

20.5

training hours per male employee



57,154

people trained on compliance and ethical commitment



28,996

people trained on privacy and information security



6,794

attendances at training on the prevention of money laundering



20,000

professionals trained on customer satisfaction



156,958

hours of training on the prevention of risks at work



Sales School

Focused on the training of commercial managers



Trainers' School

Facilitates the training of company professionals to lead internal training actions



Management environment

Platform with academic content on management, personal development, skills and strategy from renowned authors and business schools

Internal communication and participation

The company intranet, **Conecta**, is the **communication channel of reference** for employees, registering nearly 8.9 million visits in 2021, 15% higher than the previous 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 270 national corporate news articles and 22 videos were published on Conecta, publicising various campaigns related to new products and services, exclusive service offers for the Group's professionals or diversity and inclusion.

During the year, 363 territorial or local notes or bulletins were published, which were also posted on the notice boards of all operational centres in the company's seven territorial areas.

In addition, the **internal magazine, CONECTAD@S**, was redesigned, adapting it to the corporate image and to sustainability and accessibility criteria (now published exclusively in digital format), maintaining it as a channel for recognising, thanking and highlighting the work of the company's professionals.

More than 286 news items were distributed through the **'Correos Informa' mass mailing platform**, with links to audio-visual information (videos or publications on other websites or on the [Correos YouTube channel](#)), documents, surveys and infographics. A further 187 communications relating to health and safety protection measures against Covid or exceptional weather events were also distributed.

During the year, an internal communication plan called 'Let's move with you' was carried out, aimed at accompanying employees of

the technical-administrative structure in the change to new ways of working and in the move to new buildings due to the relocation of the corporate headquarters and the central territorial area.

'Correos Informa' disseminated useful information on the move and the new building, applicable preventive and organisational measures and how to use devices and applications for booking workstations and meeting rooms. 1,800 welcome packs with various items for use in the new workplace were handed out.

Each year, Correos organises **national recognition** and continuous improvement **programmes** for its employees, which include:

- Award for excellence in the management of operational units.
- Artemis Award for the improvement of customer experience.
- Athena Award for people and their best practices.
- Environmental Commitment Award aimed at improving energy efficiency.
- The Spreading Solidarity Award for Social Commitment.

Due to the pandemic, last year the prizes were awarded to the winners of the 2019 and 2020 editions in each territorial area, adopting the prevention measures recommended in the current health situation.

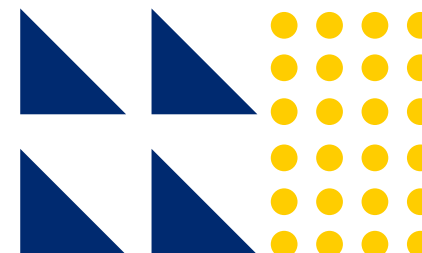
As part of the employer branding programme titled 'Professionals with commitment', in 2021, employees were invited to participate



in order to highlight their work in the field of urban and rural distribution, post offices services, logistics centres, commercial activity or support and back-up. The employees selected will explain the activities they carry out and share their stories through audio-visual interviews and other internal communication media to be published during 2022.

Other **participation campaigns aimed at professionals** or their families included the children's drawing competitions 'What would we be like at Correos if we had superpowers?' and 'What would you like to receive in a Correos package?', as well as the promotion of their collaboration in solidarity races and social awareness events.

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



Diverse and inclusive management



GRI 102-12, 103-2, 103-3, 401-2, 401-3, 405-1, 405-2

Correos, a pioneer in Spain in bringing women into the workforce and the implementation of equality initiatives, employed **25,459 women** in 2021, **representing 53% of all its professionals** (52% of the Correos Group workforce).

In 2021, in compliance with the provisions of the new equality regulations, mainly Royal Decree 901/2020⁷ and Royal Decree 902/2020⁸, Correos began to draft and negotiate with trade unions the Second Equality Plan. To this end, in May 2021, the negotiating committee for this Plan was set up, made up of members of the company and of the workers' legal representatives, with knowledge or experience in equality issues.

During the year, 10 meetings were held to discuss the diagnosis of the situation, the areas of action and the objectives and measures. A remuneration register was also drawn up and a remuneration audit was carried out using the latest available full financial year (2020) as the reference period. This register and the pay audit report to determine whether or not there is a pay gap, due to their specificity and technical complexity, were drawn up by a company specialising in the field. In this pay audit, Correos received an A-Favourable rating, concluding that gender is not a determinant of current remuneration practice in the company and that it is a stable and cross-cutting pattern.

7. Royal Decree 901/2020, of 13 October, which regulates equality plans and their registration and amends Royal Decree 713/2010, of 28 May, on the registration and deposit of collective bargaining agreements and collective labour agreements.

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

The Second Equality Plan, drawn up with reference to the aforementioned legal framework, was finalised at the end of December for presentation to the trade unions in January 2022. Its general objectives include, among others, guaranteeing the principle of equal treatment and opportunities for women and men in access to employment and in professional development and promotion, generating a culture of gender diversity that promotes the presence of women in positions of greater responsibility and raising awareness of the importance of co-responsibility between both genders for the distribution of time in the family and personal spheres. To this end, areas of action, objectives and measures are established, as well as a calendar of actions and a Monitoring Committee to ensure compliance.

Correos has a protocol against sexual, labour or moral harassment, included in the First Equality Plan, with the aim of preventing and resolving situations of this type that may arise. The Second Equality Plan, presented to the trade union organisations, establishes as a measure the need to update it in order to adapt to other gender identities and changes in legal regulations through a negotiation process.

For its part, the Correos Express Equality Plan includes specific lines of action to ensure equal opportunities in the selection, promotion and professional development processes; to offer specific training on equality; to facilitate the reconciliation of work and family life; to offer protection measures for female workers in situations of gender violence; and to adapt internal and external communication to ensure its gender neutrality. The subsidiary also has its own protocol against sexual and gender-based harassment.

Correos Nexea also has an Equality Plan (which integrates the protocol against sexual and workplace harassment that it had in place previously), approved in 2020 and which proposes measures applicable to promotion processes, reconciliation of work and family life or the extension of leave. Correos Express Portugal and Correos Telecom, as they are not included in the scope of application of this regulation, do not have specific plans, although they promote management that fosters equal opportunities.

In addition, the General 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.

Work-life balance

The company encourages personal and professional reconciliation through training and awareness-raising activities, the availability of remote work in those positions that allow it, as well as through measures included in 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 a family member or minor with a serious illness, leave of absence, etc.).

Correos also contemplates specific policies for the assistance and protection of victims of gender-based violence, favouring swift treatment that guarantees confidentiality, with measures such as reduced working hours and special consideration of the victim's absences, leave of absence due to gender-based violence or guaranteed job transfers.

In this area, the company is a member of the 'Network of companies for a society free of gender violence', promoted by the Government Delegation against Gender Violence, supporting various awareness-raising campaigns. On the International Day for the Elimination of Violence against Women, Correos released a poster and a video, presenting the main signs of digital gender-based violence, along with a guide for action in situations of risk.

Employees also have access to the 'Correos help you' guide, in the company intranet and the [Talent Community](#) of the corporate website, which includes detailed information and guidance on the measures available to deal with gender-based violence, and a leaflet summarising the essential information for requesting support or assistance.



Diversity and inclusion agenda

Diversity and inclusion management is a lever for harnessing the full diverse potential of the people in the organisation, representing a competitive advantage for companies. Correos actively promotes an inclusive work environment through diversity and aims to foster a management model and leadership style among its professionals 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 a diversity and inclusion agenda, which complements the measures contained in the collective bargaining agreement, the General Agreement for civil servants and the Equality Plan. Through this roadmap, it acts on five dimensions

(gender, generational, functional, cultural and LGBTI diversity), in turn supported by seven work axes:

- Career development, to identify and address possible inequalities.
- Diversity training.
- Promoting talent 'without labels'.
- Promoting an inclusive culture.
- Promoting sustainability, as well as the achievement of the 2030 Agenda, the promotion of women and solutions to the demographic challenge.
- Health promotion, committing to becoming a 'healthy company'.
- Internal and external communication and awareness-raising through specific content on the company intranet, campaigns, gender, LGBTI or culturally inclusive language guides, recommendations for the use of inclusive language or the 'Diversity and inclusion dialogues' space, among other initiatives.

The diversity and inclusion agenda is characterised by being 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.



>> Diversity agenda

Dimensions



Communication
Internal and external communication and awareness-raising



Professional development
Identifying and addressing potential inequalities



Talent
Promoting talent 'without labels'



Culture
Creating an inclusive culture

Healthy company
Health promotion to become a 'healthy company'



Training
Diversity training throughout the employee's life cycle



Sustainability
Promoting sustainability, as well as the achievement of the 2030 Agenda, the promotion of women and solutions to the demographic challenge



As part of this agenda, a new space for diversity and inclusion was incorporated into the Talent Community on the corporate website, linked to the internal talent management platform eTalent, which makes diverse talent visible and shows the management developed in this area.

Videos, interactive infographics and inclusive language guides were disseminated through the 'Correos Informa' mass mailing platform and the company intranet to mark the occasions of International Women's Day, International Day for Intergenerational Cooperation, European Diversity Month, Pride Week, Rural Women's Day, World Breast Cancer Day and International Day for the Elimination of Gender Violence.

Last year, the course 'Diverse with our own stamp' was also given on diversity and inclusion actions and the benefits they bring, and a new training course was started for 200 people managers on unconscious bias.

During 2021, several **virtual meetings** were held as part of the **Dialogues for Diversity and Inclusion initiative**, which saw renowned professionals such as the lecturer and writer Pilar Jericó and the professional Spanish national water polo team player Víctor Gutiérrez participate in discussions on 'intelligent diversity' or the creation of safe and respectful work environments for LGBTI people. At the first of these meetings, female Correos employees also gave their stories about the benefits they have gained from the '*Correos en Femenino*' programme.

The company renewed its adhesion to the European Diversity Charter, a code of conduct whose signatories commit to respect social differences, and to the Business Network for LGBTI Diversity and Inclusion (REDI), being the first public company to

assume the objective of promoting the management of diversity and inclusion of this group in the workplace.

On the occasion of the 50th anniversary of the Great Pasaje Begoña Raid, a commemorative postmark was created, which was added to the first LGBTI stamp, issued and marketed since 2020.

The company also took part in the Target Gender Equality accelerator programme, an initiative of the United Nations Global Compact, which aims to help companies achieve ambitious targets for women's representation and leadership at all levels. In 2021, it improved its score in this programme to 69% (advanced level).

It also continued to participate and share best practices in the Red Acoge and Intrama Top 30, which recognised Correos as one of the 10 companies most committed to diversity and inclusion.

It also continued its collaboration with the Generacciona observatory, for research and training in generational diversity, and with the IE University's Observatory of Demography and Generational Diversity.

Last year, the company joined the International Day of Persons with Disabilities by disseminating a document on inclusive language to highlight language practices used incorrectly when addressing or referring to people with disabilities and launched an inclusive language guide against racism. Both documents were added to the gender and LGBTI inclusive language guides, available on the company intranet.

Finally, Correos was recognised at the FactorW event as a company



committed to diversity and inclusion, with the Top Diversity Company 2021 certificate, and received the second prize in the TOP INTERCULTURAL DIVERSITY COMPANY category for its inclusive language guidelines. It was also awarded the Empowering Women's Talent seal by the Diversity Talent programme for its commitment to the development of female talent.

In 2021, the Group's companies integrated 2,374 people with functional diversity in their workforce (1,007 in 2020), collaborating, as a measure contemplated by the regulations⁹, with Foundations, Special Employment Centres and Occupational Centres, which promote their full integration into the workplace.



Social benefits for employees

Correos's social action programme helps improve the socio-occupational well-being of its professionals and facilitates work-life balance. In 2021, workers and their families were able to access 12,306 grants for healthcare treatment, university studies, early education and school supplies, care for disabled children or death. Advances and interest-free loans were also available to permanent staff.

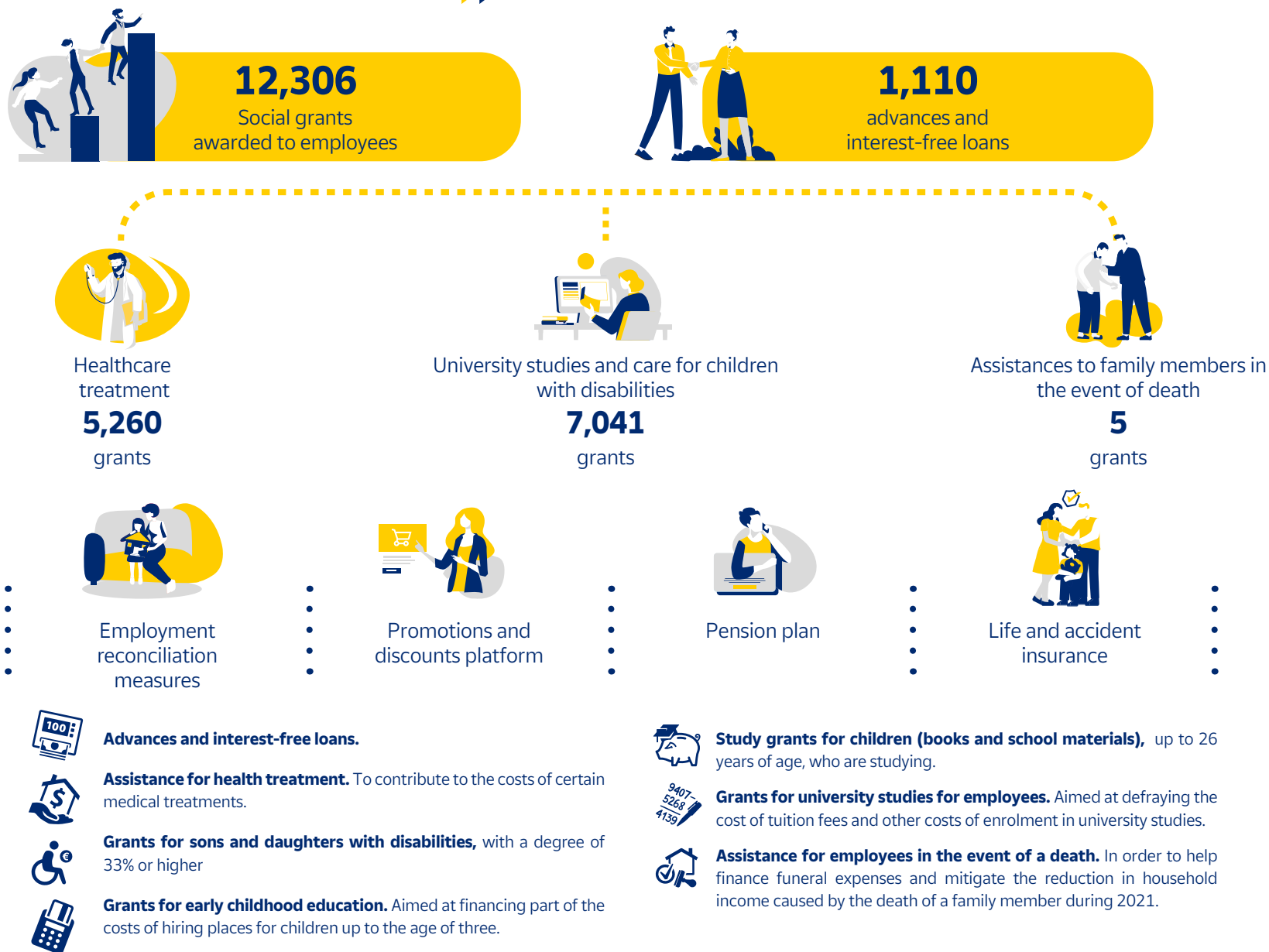
Employees also benefit from a preferential offer of life and accident insurance policies, as well as a web platform for promotions and discounts on leisure, culture, health, sports equipment and consumer goods products and services.

Finally, Correos and Correos Telecom have a pension plan for their employees. However, since 2012, in compliance with Royal Decree-Law 20/2011¹⁰, no contributions have been made to this plan, although employees may make them voluntarily. The Group's other subsidiaries do not have pension plans.

9. Royal Legislative Decree 1/2013, of 29 November, approving the Revised Text of the Law on the General Rights of persons with disability and their social inclusion.

10. Royal Decree-Law 20/2011, of 30 December, on urgent budgetary, tax and financial measures to correct the public deficit.

Social benefits



Safe and healthy working environment



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

Risk prevention and occupational health constitute a fundamental element of the corporate risk management policy, prioritising the integration of a preventive culture model at all levels of the organisation, through information, upskilling and ongoing professional training.

Correos applies an internal preventive management policy, with its own occupational risk prevention service, with a central and peripheral structure in each of the company's territorial areas, which is permanently involved in identifying any risk situation that may affect the health and safety of workers and customers.

With the approval in 2021 of the amendment to the operating regulations of the State Occupational Health Commission, the company's main joint consultation and participation body in occupational health matters was strengthened, and a draft framework was also provided for the operating regulations of the Provincial Health and Safety Committees.

Pandemic management

The recent evolution of the Covid-19 pandemic, marked by widespread and sustained community transmission, required the continuous updating of risk assessments, recommendations and prevention guidelines according to the instructions of the health authorities, in order to ensure maximum protection of employees and customers from exposure to SARS-COV-2.

The company continuously adapted its action protocol for possible cases and adopted measures of an organisational nature, as well

as collective and personal protection measures. It also continued to manage the situation of particularly vulnerable workers, as well as the study and management of confirmed cases and contacts and collaboration on temporary incapacitation.

Correos promoted up-to-date training to prevent the risk of contagion, with more than 60,700 attendances, through online, on-the-job and m-learning training methodologies (through the PDA devices used by delivery staff).



The preventive measures implemented in 2020 continued to be applied over the past year, such as:

- The promotion of remote work for those positions where this was possible.
- Providing workers with personal protective equipment, informing them of its correct use, fitting and removal. To this end, the company distributed nearly 11.2 million FFP2 type masks, over 350,000 litres of hydroalcoholic gel, over 26,600 litres of disinfectant gel, nearly 100,000 pairs of gloves and 630 methacrylate screens for customer service posts, 950 face shields and 579 protective suits were provided to those professionals who collaborated in the electoral processes.
- 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.
- The adaptation of workspaces to comply with interpersonal distance, through the relocation or removal of furniture and redistribution of workspaces.
- Signposting of workplaces, indicating maximum capacities, preventive measures, safety distances, etc.
- The reinforcement of daily cleaning and continuous disinfection of all elements, work articles and vehicles, paying special attention to the frequently contacted surfaces, as well as ventilation and air conditioning



measures appropriate to the characteristics and intensity of use of the workplaces.

- The holding of 4 ordinary and 5 extraordinary meetings of the State Commission on Occupational Health, for monitoring, consultation and trade union participation in the evolution of the health crisis.

>> Protection of employees and customers from COVID-19

Continuous updating and dissemination of prevention guidelines and protocols for each workplace



- Reinforcement of daily cleaning and continuous disinfection of working equipment and vehicles as well as ventilation and air-conditioning measures
- Control and monitoring of positive, probable and quarantine cases
- Reduction or suspension of non-essential travel, meetings, training, presentations and face-to-face events
- Adaptation and signposting of workplaces to comply with capacity limits and interpersonal distance
- Application of measures for flexibility and adaptation of working hours and promotion of remote working, in order to facilitate work-life balance
- Provision of means of protection against Covid-19 to employees and customers and installation of partitions
- Management of vulnerable staff with regard to Covid-19
- Training, awareness-raising and employee involvement

AENOR COVID-19 certification of strict compliance with the official health recommendations

Distribution of means of protection



11.2
millions of
FFP2 masks



350,000
litres of
hydroalcoholic gel
for workers and
customers



26,600
litres of
disinfectant



100,000
pairs
of gloves



630
methacrylate
partitions for
post offices and
administrative points



950
face
shields

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 over the course of the year to remind people of the importance of prevention.

Correos, Correos Express and Correos Nexea have also held AENOR certification since the end of 2020, which recognises that the preventive measures, procedures and action protocols implemented against the risk of COVID-19 comply with the instructions of the competent health authorities in this area. The audit carried out in 2021 for the maintenance of this label also verified in person the implementation of, and compliance with, preventive measures in delivery units, post offices, sorting centres and administrative buildings.

On World Day for Safety and Health at Work, Correos also reaffirmed its commitment to health and safety by **renewing its certification as a Healthy Company** with a score of 91.5 out of 100, an improvement of more than 8 points on the previous audit. The company also **renewed the regulatory certification of its occupational health and safety management system**.

These accreditations in the area of workplace health and safety demonstrate our commitment to the overall health of our employees and to the safety of customers, suppliers, collaborators and, in general, the citizens who place their trust in the Correos Group on a daily basis.

Efficient preventive management

In the area of occupational risk prevention, Correos continued to develop other actions such as:

- Specific training in occupational risk prevention, which was attended by more than 115,000 employees, with 156,958 teaching hours. This included the training of 1,960 middle managers and 115 members of provincial occupational health committees at the basic risk level, as well as the promotion of the effective management of personal protective equipment, with 2,151 people trained. In response to the pandemic, more than 60,700 employees were trained in prevention against the risk of infection and voluntary training pills in psychosocial management of COVID-19 were offered (1,300 trainees).
- The delivery of 98,575 health and safety sheets to 33,363 employees, including specific information broken down by job and work centre on risks, preventive measures and protocols for emergency situations.
- Risk assessment in 375 centres, as well as 171 psychosocial risk assessments, 183 specific studies (noise, ergonomics, etc.) and 364 emergency plans.
- The execution of 850 site safety inspections and 3 assessments of work equipment.
- The application of the procedure for assessing the effectiveness of integration, which in 2021 focused on the management of personal protective equipment and the implementation of the emergency plans procedure,

with the analysis of more than 250 workplaces. In addition, the introduction of occupational risk prevention was verified through the internal audit programme, with 1,044 audits carried out.

- The development of pilot projects for the evaluation of various prototypes of electric vehicles or delivery trolleys.
- The installation of 27 semi-automatic defibrillators at workplace and the training of emergency teams in their use, in addition to the 13 defibrillators installed in previous years.
- 15,760 preventive medical check-ups, adapted to different positions and personal circumstances, including early detection tests for prostate cancer in men over 45 years of age, as well as the annual flu vaccination campaign.
- The extension of information and training to employees through internal communication channels and participation in the 'Atenea Award', in the category of occupational risk prevention.
- The review of the procedure for the information, consultation and participation of workers, whose annexes include the operating regulations of the State Occupational Health Commission (CESL) and the framework model of the operating regulations of the Provincial Health and Safety Committees, approved in 2021.

- The holding of 4 ordinary and 11 extraordinary meetings of the State Occupational Health Commission and 121 meetings of the Provincial Health and Safety Committees.

The Group's subsidiaries have their own occupational risk prevention systems, the management of which is integrated at all organisational levels. In the case of Correos Telecom, its occupational risk prevention plan extends to its suppliers, maintaining a zero workplace accident rate in recent years. The subsidiary continued to carry out voluntary medical check-ups for its employees and to provide regular information on healthy habits.

In this area, Correos Express applied measures to reduce occupational risks due to handling loads (such as process automation and job rotation), travel (with training on road safety) or thermal stress (with the adaptation of facilities and clothing), as well as various COVID-19 preventive actions. The '*ProtegetX*' campaign, through which security audits were carried out in all delegations, also sought to reinforce the use of operational security measures in these facilities.

Workplace health and safety

Correos, a healthy company

Workplace risk prevention

- Review and update of prevention plan procedures
- Covid-19 health crisis management
- Own prevention service with 4 specialities:

Health monitoring

- Periodic medical check-ups
- Health care and first aid
- Re-adaptation of jobs for vulnerable and pregnant workers

Safety, hygiene, ergonomics and applied psychosociology:

- Occupational risk assessments
- Emergency plans
- Training, communication and awareness-raising
- Road safety

Physical well-being

- Annual flu vaccination campaign
- Healthy eating
- Physical activity and postural hygiene
- Management of temporary incapacity
- Reducing cardiovascular risk and curbing strokes
- Women's health: breast cancer prevention, osteoporosis and pelvic floor strengthening
- Conference on smoking cessation

Emotional well-being

- Positive attitude
- Self-knowledge
- Positive change management
- Managing emotions

156,958
training hours in prevention



15,760
preventive medical check-ups carried out



98,575
health and safety data sheets submitted, including risks by job and work centre



171
psychosocial risk assessments



183
specific risk studies (noise, ergonomics, work equipment, ATEX)



375
sites where risk assessments were carried out



1,300
people trained in COVID-19 psychosocial management



364
emergency plans



60,700
COVID-19 training sessions



27
new defibrillators installed

Measures taken in extraordinary situations

In 2021, Correos' own prevention service dealt with the management of various extraordinary situations, such as Storm Filomena and the eruption of the La Palma volcano through actions aimed at safeguarding the health and safety of employees, in accordance with the instructions of the competent authorities.

In the case of the storm that affected the centre of the country for several days, the adverse weather conditions procedure was activated.

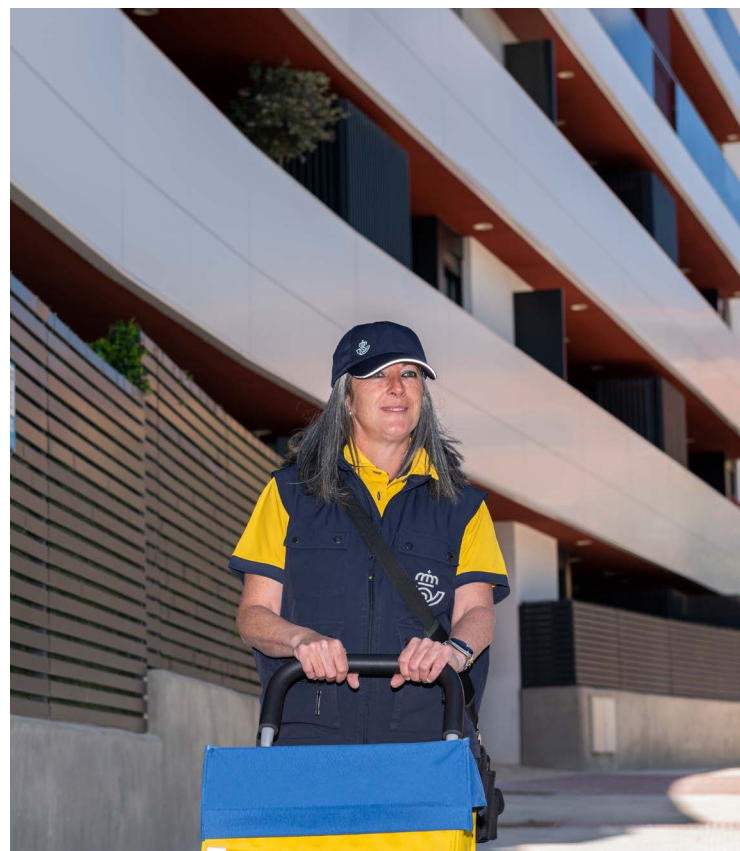
For its part, the measures implemented on the island of La Palma included the suspension of delivery and public service activities in restricted areas, the acquisition of specific personal protective equipment, the implementation of information activities on the risks of the volcanic emergency and preventive action guidelines, the implementation of specific actions of professional psychological intervention at a distance and especially in person, and the reinforcement of cleaning activities in vehicles or on rooftops, among others.

The company, through local managers, maintained contact with employees of the affected units in order to address their needs on an individual basis.

Comprehensive occupational health

Correos contributes to occupational health from an integral approach, which considers not only the provision of a healthy and safe working environment, but also all aspects relating to overall wellbeing, through three lines of action: physical wellbeing, emotional wellbeing and health and safety of workers.

Within the 'Healthy Company' project, lifestyle habits are promoted that contribute to improving the health of professionals, with a multidisciplinary perspective. As part of this initiative and on the occasion of World Cancer Day, an awareness-raising and information campaign on this disease was developed, disseminating a video on the company intranet and social media channels on the prevention breast cancer.



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 in 2021 are:

| | Correos ¹ | | Correos Express ¹ | | Correos Express Portugal ¹ | | Correos Nexea | | Correos Telecom | |
|---|----------------------|--------|------------------------------|-------|---------------------------------------|------|---------------|------|-----------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Employees by gender | | | | | | | | | | |
| Women | 25,459 | 26,577 | 431 | 374 | 42 | 36 | 72 | 77 | 11 | 11 |
| Men | 22,987 | 24,245 | 1,020 | 897 | 93 | 100 | 103 | 112 | 31 | 27 |
| Employees by age | | | | | | | | | | |
| Until 35 | 5,120 | 5,948 | 314 | 223 | 42 | 37 | 23 | 39 | 5 | 4 |
| From 36 to 45 | 11,458 | 12,068 | 396 | 353 | 48 | 54 | 70 | 70 | 13 | 17 |
| From 46 to 60 | 28,229 | 29,456 | 684 | 643 | 42 | 39 | 73 | 73 | 23 | 16 |
| More than 61 | 3,638 | 3,350 | 58 | 51 | 4 | 6 | 9 | 7 | 1 | 1 |
| Employees by nationality | | | | | | | | | | |
| National | 48,277 | 50,647 | 1,314 | 1,231 | 127 | 133 | ND | ND | 42 | 38 |
| Other nationalities | 169 | 175 | 137 | 40 | 8 | 3 | ND | ND | 0 | 0 |
| Employees by professional category² | | | | | | | | | | |
| Management and non-management staff | 141 | 145 | 24 | 23 | 3 | 4 | 6 | 6 | 1 | 1 |
| Senior technical staff and managers | 466 | 450 | 25 | 21 | 29 | 26 | 6 | 13 | 5 | 5 |
| Mid-level technical and managerial staff | 798 | 831 | 504 | 473 | 58 | 59 | 45 | 38 | 35 | 31 |
| Middle management staff | 5,777 | 5,959 | 199 | 204 | - | - | - | - | - | - |
| Operational staff | 41,197 | 43,356 | 693 | 544 | 45 | 48 | 116 | 130 | 1 | 1 |
| General services staff | 66 | 81 | 7 | 6 | - | - | 2 | 2 | - | - |

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

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

| | Correos ¹ | | Correos Express ¹ | | Correos Express Portugal | | Correos Nexea ¹ | | Correos Telecom ¹ | |
|---|----------------------|--------|------------------------------|------|--------------------------|------|----------------------------|------|------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Employees by contract type and gender | | | | | | | | | | |
| Permanent staff | | | | | | | | | | |
| Women | 18,777 | 18,453 | 336 | 274 | 42 | 36 | 53 | 55 | 9 | 8 |
| Men | 16,827 | 17,146 | 787 | 647 | 93 | 100 | 89 | 89 | 27 | 24 |
| Temporary staff | | | | | | | | | | |
| Women | 6,682 | 8,125 | 95 | 101 | 0 | 0 | 19 | 22 | 2 | 3 |
| Men | 6,160 | 7,099 | 233 | 249 | 0 | 0 | 15 | 24 | 3 | 4 |
| Employees by type of work day and gender | | | | | | | | | | |
| Full-time | | | | | | | | | | |
| Women | 23,275 | 23,929 | 335 | 277 | 42 | 36 | 71 | 76 | 11 | 11 |
| Men | 21,618 | 22,127 | 896 | 784 | 93 | 96 | 103 | 112 | 31 | 27 |
| Part-time | | | | | | | | | | |
| Women | 2,184 | 2,649 | 96 | 97 | 0 | 0 | 1 | 1 | 0 | 0 |
| Men | 1,369 | 2,118 | 124 | 113 | 0 | 4 | 0 | 0 | 0 | 0 |

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

| | Correos ¹ | | Correos Express ¹ | | Correos Express Portugal | | Correos Nexea ¹ | | Correos Telecom ¹ | |
|--|----------------------|--------|------------------------------|------|--------------------------|------|----------------------------|------|------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Employees by contract type and age | | | | | | | | | | |
| Permanent staff | | | | | | | | | | |
| Until 35 | 1,898 | 1,808 | 145 | 74 | 42 | 37 | 11 | 18 | 3 | 1 |
| From 36 to 45 | 7,632 | 7,367 | 313 | 262 | 48 | 54 | 61 | 61 | 11 | 15 |
| From 46 to 60 | 22,924 | 23,523 | 609 | 536 | 42 | 39 | 60 | 59 | 22 | 16 |
| More than 61 | 3,150 | 2,901 | 56 | 49 | 4 | 6 | 9 | 6 | 1 | 1 |
| Temporary staff | | | | | | | | | | |
| Until 35 | 3,222 | 4,140 | 169 | 150 | 0 | 0 | 13 | 21 | 2 | 1 |
| From 36 to 45 | 3,826 | 4,702 | 83 | 91 | 0 | 0 | 9 | 9 | 2 | 5 |
| From 46 to 60 | 5,305 | 5,933 | 75 | 108 | 0 | 0 | 13 | 14 | 1 | 1 |
| More than 61 | 488 | 449 | 2 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| Employees by type of work day and age | | | | | | | | | | |
| Full-time | | | | | | | | | | |
| Until 35 | 4,010 | 4,344 | 240 | 158 | 42 | 37 | 23 | 39 | 5 | 4 |
| From 36 to 45 | 10,425 | 10,665 | 326 | 277 | 48 | 51 | 70 | 70 | 13 | 17 |
| From 46 to 60 | 26,955 | 27,838 | 615 | 582 | 42 | 38 | 72 | 72 | 23 | 16 |
| More than 61 | 3,504 | 3,209 | 50 | 44 | 4 | 6 | 9 | 7 | 1 | 1 |
| Part-time | | | | | | | | | | |
| Until 35 | 1,111 | 1,604 | 74 | 66 | 0 | 0 | 0 | 0 | 0 | 0 |
| From 36 to 45 | 1,034 | 1,404 | 70 | 76 | 0 | 3 | 0 | 1 | 0 | 0 |
| From 46 to 60 | 1,274 | 1,618 | 68 | 62 | 0 | 1 | 1 | 0 | 0 | 0 |
| More than 61 | 134 | 141 | 7 | 6 | 0 | 0 | 0 | 0 | 0 | 0 |

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

| | Correos ¹ | | Correos Express ¹ | | Correos Express Portugal ^{1,2} | | Correos Nexea ¹ | | Correos Telecom ¹ | |
|---|----------------------|--------|------------------------------|------|---|------|----------------------------|------|------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Employees by contract type and professional category | | | | | | | | | | |
| Permanent staff | | | | | | | | | | |
| Management and non-management staff | 139 | 143 | 23 | 21 | 3 | 4 | 6 | 6 | 1 | 1 |
| Senior technical staff and managers | 452 | 431 | 18 | 14 | 29 | 26 | 6 | 11 | 5 | 5 |
| Mid-level technical and managerial staff | 774 | 796 | 419 | 359 | 58 | 59 | 31 | 23 | 30 | 25 |
| Middle management staff | 5,712 | 5,886 | 185 | 182 | - | - | - | - | - | - |
| Operational staff | 28,484 | 28,289 | 475 | 340 | 45 | 48 | 96 | 104 | 1 | 1 |
| General services staff | 43 | 54 | 4 | 4 | - | - | 2 | 1 | - | - |
| Temporary staff | | | | | | | | | | |
| Management and non-management staff | 2 | 3 | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior technical staff and managers | 14 | 19 | 7 | 7 | 0 | 0 | 0 | 2 | 0 | 0 |
| Mid-level technical and managerial staff | 25 | 35 | 85 | 113 | 0 | 0 | 14 | 16 | 5 | 6 |
| Middle management staff | 64 | 73 | 14 | 21 | - | - | - | - | - | - |
| Operational staff | 12,713 | 15,067 | 218 | 204 | 0 | 0 | 20 | 26 | 0 | 0 |
| General services staff | 24 | 27 | 3 | 2 | - | - | 0 | 1 | - | - |
| Employees by type of working day and professional category | | | | | | | | | | |
| Full-time | | | | | | | | | | |
| Management and non-management staff | 140 | 145 | 23 | 23 | 3 | 4 | 6 | 6 | 1 | 1 |
| Senior technical staff and managers | 466 | 449 | 23 | 20 | 29 | 24 | 6 | 13 | 5 | 5 |
| Mid-level technical and managerial staff | 798 | 831 | 432 | 390 | 58 | 59 | 44 | 37 | 35 | 31 |
| Middle management staff | 5,776 | 5,959 | 194 | 199 | - | - | - | - | - | - |
| Operational staff | 37,664 | 38,612 | 552 | 424 | 45 | 46 | 116 | 130 | 1 | 1 |
| General services staff | 50 | 61 | 7 | 5 | - | - | 2 | 2 | - | - |
| Part-time | | | | | | | | | | |
| Management and non-management staff | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Continue to the next page

| | | | | | | | | | | |
|--|-------|-------|-----|-----|---|---|---|---|---|---|
| Senior technical staff and managers | 1 | 1 | 2 | 2 | 0 | 2 | 0 | 0 | 0 | 0 |
| Mid-level technical and managerial staff | 0 | 0 | 72 | 83 | 0 | 0 | 1 | 1 | 0 | 0 |
| Middle management staff | 1 | 1 | 5 | 5 | - | - | - | - | - | - |
| Operational staff | 3,534 | 4,744 | 141 | 120 | 0 | 2 | 0 | 0 | 0 | 0 |
| General services staff | 16 | 20 | 23 | 0 | - | - | 0 | 0 | - | - |

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

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

| | Correos | | Correos Express | | Correos Express Portugal | | Correos Nexea | | Correos Telecom | |
|--|---------|------|-----------------|------|--------------------------|-------|---------------|-------|-----------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Dismissals by gender (%)¹ | | | | | | | | | | |
| Women | 0.05 | 0.03 | 0.93 | 1.34 | 14.29 | 0.00 | 2.78 | 1.31 | 0.00 | 0.00 |
| Men | 0.10 | 0.07 | 0.98 | 0.78 | 16.13 | 18.00 | 2.90 | 2.68 | 100.0 | 0.00 |
| Dismissals by age (%) | | | | | | | | | | |
| Until 35 | 0.04 | 0.12 | 1.27 | 0.89 | 9.50 | 8.00 | 0.00 | 2.57 | 0.00 | 0.00 |
| From 36 to 45 | 0.05 | 0.07 | 1.52 | 2.27 | 23.12 | 15.00 | 2.84 | 1.43 | 0.00 | 0.00 |
| From 46 to 60 | 0.09 | 0.03 | 0.58 | 0.31 | 9.50 | 27.00 | 1.37 | 1.38 | 100.0 | 0.00 |
| More than 61 | 0.11 | 0.00 | 0.00 | 0.00 | 54.55 | 29.00 | 22.86 | 13.81 | 0.00 | 0.00 |
| Dismissals by professional category (%)² | | | | | | | | | | |
| Management and non-management staff | 2.84 | 1.38 | 0.00 | 4.35 | 33.33 | 25.00 | 32.84 | 0.00 | 100.0 | 0.00 |
| Senior technical staff and managers | 1.29 | 0.44 | 7.95 | 9.39 | 20.69 | 10.00 | 0.00 | 15.81 | 0.00 | 0.00 |
| Mid-level technical and managerial staff | 0.13 | 0.00 | 0.40 | 0.63 | 17.12 | 8.00 | 6.71 | 0.00 | 0.00 | 0.00 |
| Middle management staff | 0.12 | 0.10 | 1.51 | 0.98 | - | - | - | - | - | - |
| Operational staff | 0.04 | 0.03 | 1.01 | 0.74 | 8.89 | 20.00 | 0.00 | 1.54 | 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. In Correos Express Portugal, the category Senior technical staff and managers includes middle management staff.

| Correos | 2021 | | | 2020 | | |
|--|--------|--------|---------------------|--------|--------|---------------------|
| | 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^{2 3} | 71,868 | 69,695 | 3.02 | 75,544 | 71,893 | 4.84 |
| Senior technical staff and managers | 42,236 | 41,725 | 1.21 | 41,944 | 41,163 | 1.86 |
| Mid-level technical and managerial staff | 34,208 | 33,965 | 0.71 | 33,620 | 33,651 | -0.09 |
| Middle management staff | 24,186 | 24,141 | 0.12 | 23,700 | 23,695 | 0.04 |
| Operational staff | 19,495 | 19,425 | 0.36 | 19,207 | 19,132 | 0.39 |
| General services staff | 14,908 | 14,908 | 0.00 | 14,696 | 14,696 | 0.00 |
| Average remuneration by age and gender (thousands of euros) | | | | | | |
| Until 35 | 19,659 | 19,703 | -0.21 | 19,347 | 19,342 | 0.03 |
| From 36 to 45 | 20,216 | 19,972 | 1.13 | 19,794 | 19,567 | 1.09 |
| From 46 to 60 | 20,303 | 19,856 | 2.01 | 19,895 | 19,480 | 1.96 |
| More than 61 | 20,716 | 19,652 | 4.73 | 20,467 | 19,272 | 5.42 |

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.

| Correos Express | 2021 | | | 2020 | | |
|--|--------|--------|---------------------|--------|--------|---------------------|
| | 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^{2 3} | 62,322 | 57,917 | 7.07 | 71,370 | 54,410 | 23.76 |
| Senior technical staff and managers | 30,181 | 30,033 | 0.49 | 38,272 | 35,726 | 6.65 |
| Mid-level technical and managerial staff | 27,799 | 25,901 | 6.83 | 26,878 | 24,892 | 7.39 |
| Middle management staff | 29,212 | 29,312 | -0.34 | 31,738 | 33,354 | -5.09 |
| Operational staff | 21,770 | 20,707 | 4.89 | 21,127 | 18,560 | 12.15 |
| General services staff | - | - | - | 27,302 | 23,420 | 14.22 |
| Average remuneration by age and gender (thousands of euros) | | | | | | |
| Until 35 | 21,093 | 22,738 | -7.80 | 21,000 | 20,960 | 0.19 |
| From 36 to 45 | 24,431 | 24,005 | 1.74 | 24,390 | 24,560 | -0.70 |
| From 46 to 60 | 27,048 | 26,016 | 3.82 | 27,470 | 26,000 | 5.35 |
| More than 61 | 23,254 | 21,830 | 6.12 | 25,140 | 21,660 | 13.84 |

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

| Correos Express Portugal | 2021 | | | 2020 | | |
|--|--------|--------|---------------------|--------|--------|---------------------|
| | Men | Women | Gender wage gap (%) | Men | Women | Gender wage gap (%) |
| Average remuneration by professional category and gender (thousands of euros)^{1,2} | | | | | | |
| Management and non-management staff^{2,3} | - | - | - | 33,222 | - | - |
| Senior technical staff and managers | 26,348 | 25,326 | 3.88 | 25,394 | 26,758 | -5.37 |
| Mid-level technical and managerial staff | 10,332 | 10,542 | -2.03 | 11,221 | 11,778 | -4.96 |
| Middle management staff | - | - | - | - | - | - |
| Operational staff | - | - | - | 9,796 | - | - |
| General services staff | - | - | - | - | - | - |
| Average remuneration by age and gender (thousands of euros)¹ | | | | | | |
| Until 35 | 12,478 | 13,954 | -11.83 | 12,507 | 13,386 | -7.02 |
| From 36 to 45 | 13,805 | 13,803 | 0.01 | 12,072 | 13,896 | -15.11 |
| From 46 to 60 | 14,719 | 16,862 | -14.56 | 14,737 | 15,521 | -5.32 |
| More than 61 | 19,208 | - | - | 23,020 | - | - |

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

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

| Correos Nexea | 2021 | | | 2020 | | |
|--|--------|--------|---------------------|--------|--------|---------------------|
| | 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^{2 3} | - | - | - | 59,403 | - | - |
| Senior technical staff and managers | 39,572 | - | - | 35,176 | 37,422 | -6.39 |
| Mid-level technical and managerial staff | 23,977 | 23,610 | 1.53 | 24,951 | 22,053 | 11.62 |
| Middle management staff | - | - | - | - | - | - |
| Operational staff | 18,676 | 14,595 | 21.85 | 19,066 | 14,495 | 23.98 |
| General services staff | - | - | - | - | - | - |
| Average remuneration by age and gender (thousands of euros) | | | | | | |
| Until 35 | 13,188 | 14,789 | -12.13 | 18,831 | 13,860 | 26.40 |
| From 36 to 45 | 23,253 | 20,200 | 13.13 | 23,231 | 18,918 | 18.57 |
| From 46 to 60 | 24,805 | 16,312 | 34.24 | 25,688 | 15,746 | 38.70 |
| More than 61 | 37,599 | 16,652 | 55.71 | 46,777 | 17,620 | 62.33 |

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

| Correos Telecom | 2021 | | | 2020 | | |
|--|--------|--------|---------------------|--------|--------|---------------------|
| | 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^{2 3} | - | - | - | - | - | - |
| Senior technical staff and managers | 65,642 | 51,981 | 20.81 | 65,056 | 51,516 | 20.81 |
| Mid-level technical and managerial staff | 40,985 | 36,071 | 11.99 | 40,631 | 34,292 | 15.60 |
| Middle management staff | - | - | - | - | - | - |
| Operational staff | - | - | - | - | - | - |
| General services staff | - | - | - | - | - | - |
| Average remuneration by age and gender (thousands of euros)¹ | | | | | | |
| Until 35 | - | - | - | - | - | - |
| From 36 to 45 | 46,492 | 38,575 | 17.03 | 42,802 | 34,812 | 18.67 |
| From 46 to 60 | 48,316 | 38,893 | 19.50 | 50,861 | 44,539 | 12.43 |
| More than 61 | - | - | - | - | - | - |

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

| | Correos | | Correos Express | | Correos Express Portugal | | Correos Nexea | | Correos Telecom | |
|--|---------|------|-----------------|------|--------------------------|------|---------------|------|-----------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Average training hours by professional category | | | | | | | | | | |
| Management and non-management staff | 60.6 | 69.0 | 11.4 | 31.7 | 10.5 | ND | 0.0 | 6.7 | 3.0 | 27.0 |
| Senior technical staff and managers | 42.2 | 44.9 | 18.7 | 11.1 | 30.8 | ND | 5.0 | 15.0 | 26.4 | 38.4 |
| Mid-level technical and managerial staff | 33.4 | 39.1 | 6.5 | 8.4 | 28.7 | ND | 5.0 | 6.7 | 30.9 | 46.6 |
| Middle management staff | 17.5 | 40.1 | 4.9 | 6.8 | - | - | - | - | - | - |
| Operational staff | 27.8 | 21.4 | 4.3 | 3.2 | 10.5 | ND | 5.2 | 4.5 | 17.4 | 30.0 |
| General services staff | 2.2 | 2.4 | 6.6 | 3.8 | - | - | 0.0 | 5.0 | - | - |
| Average training hours by gender | | | | | | | | | | |
| Women | 29.7 | 25.5 | 27.4 | 29.1 | 31.7 | 14.2 | 4.3 | 4.2 | 26.2 | 34.7 |
| Men | 20.5 | 21.4 | 29.4 | 21.0 | 23.8 | 10.0 | 7.1 | 6.9 | 30.6 | 50.2 |
| | Correos | | Correos Express | | Correos Express Portugal | | Correos Nexea | | Correos Telecom | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Paternity or maternity leave by gender ^{1 2} | | | | | | | | | | |
| Women | 246 | 367 | 7 | 7 | 1 | 0 | 1 | 0 | 1 | 0 |
| Men ² | 531 | 570 | 29 | 22 | 4 | 2 | 0 | 1 | 1 | 0 |

1. 100% of employees who took paternity/maternity leave returned to work at the end of their leave, except in the case of Correos Telecom (one woman).

2. Includes both paternity leave and assignment of maternity leave.

| | Correos | | Correos Express | | Correos Express Portugal | | Correos Nexea | | Correos Telecom | |
|---|---------|---------|-----------------|------|--------------------------|------|---------------|------|-----------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Workplace accident frequency index¹ | 29.2 | 27.1 | 18.4 | 17.6 | 16.7 | 26.4 | 14.6 | 14.7 | 0.0 | 0.0 |
| Workplace accident severity index² | 2.2 | 5.4 | 0.4 | 0.4 | 3.1 | 0.6 | 0.2 | 0.6 | 0.0 | 0.0 |
| Absenteeism (thousands of days)^{3 4} | 1,319.3 | 1,716.3 | 23.2 | 25.5 | 0.55 | ND | 2.9 | 3.3 | 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. Sick leave trends in 2021 have been affected by absences due to COVID-19. Correos Nexea figures do not include sick leave due to COVID-19.

| | Correos | | Correos Express | | Correos Express Portugal | | Correos Nexea | | Correos Telecom | |
|--|---------|-------|-----------------|------|--------------------------|------|---------------|------|-----------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Occupational accident by gender¹ | | | | | | | | | | |
| Women | | | | | | | | | | |
| Deaths² | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Very serious accidents | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Serious accidents | 2 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Minor accidents | 1,871 | 1,787 | 13 | 8 | 0 | 0 | 3 | 2 | 0 | 0 |
| Accidents with sick leave | 1,874 | 1,792 | 13 | 8 | 1 | 0 | 3 | 2 | 0 | 0 |
| Men | | | | | | | | | | |
| Deaths | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Very serious accidents | 1 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 |
| Serious accidents | 2 | 6 | 0 | 0 | 2 | 2 | 0 | 0 | 0 | 0 |
| Minor accidents | 1,592 | 1,417 | 46 | 45 | 0 | 0 | 4 | 6 | 0 | 1 |
| Accidents with sick leave | 1,595 | 1,425 | 46 | 45 | 3 | 3 | 4 | 6 | 0 | 1 |

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

2. Deaths in 2021 at Correos due to road accident during the working day.

3. In 2021, Correos Group companies did not register any cases of occupational disease.

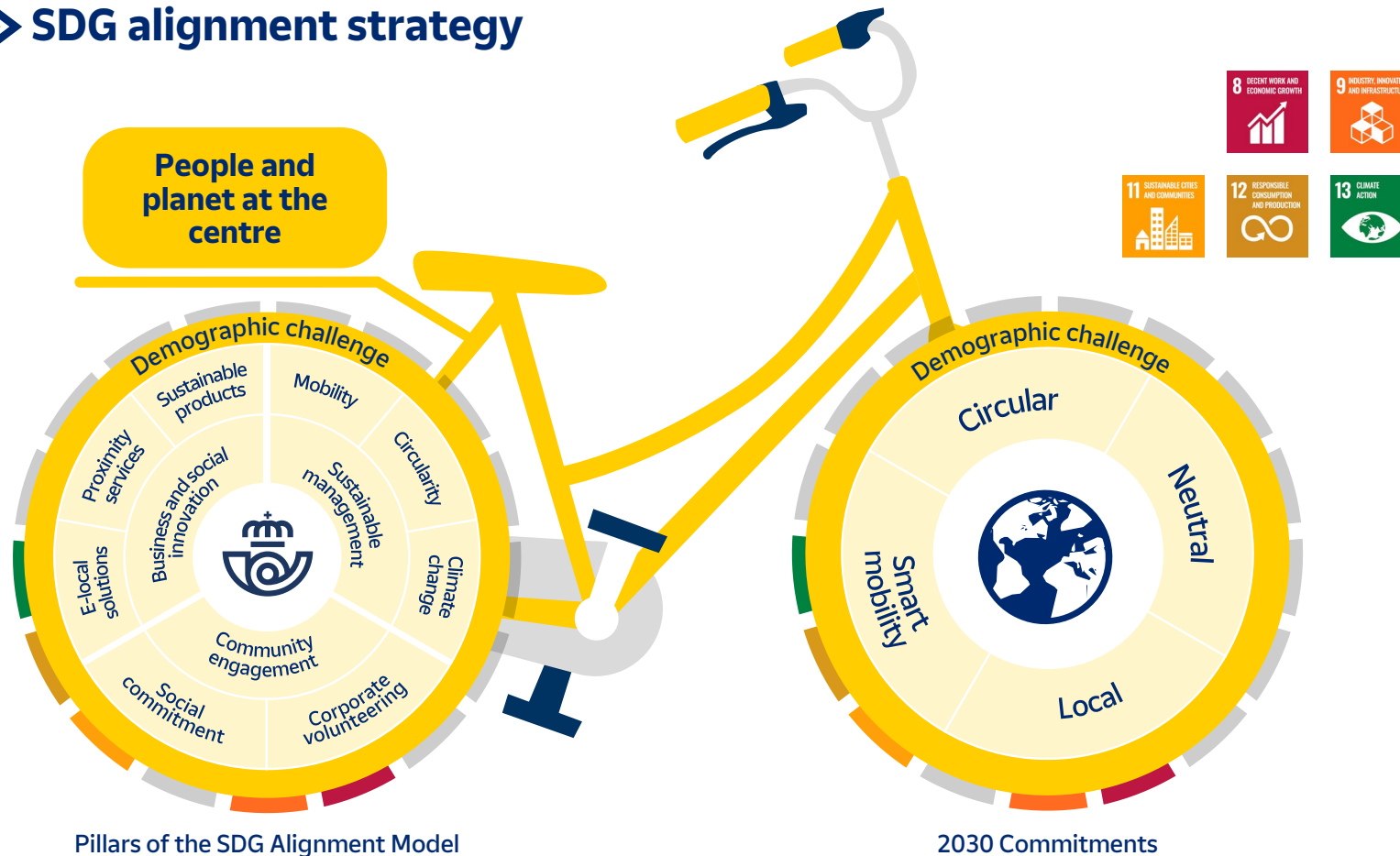
SDG Alignment Model

GRI 103-2

Since 2021, Correos has had a new **SDG Alignment Model** that integrates its main policies and defines its short and medium-term priorities in the management of social, environmental and governance aspects, taking into account the changes experienced

in the regulatory and market context, the transformation of the business model and the emergence of new risks and opportunities linked to the main challenges facing society and the planet.

>> SDG alignment strategy

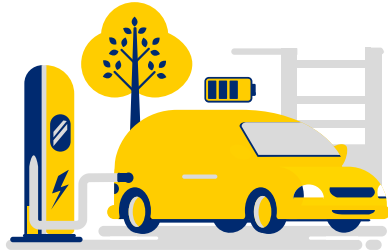


>> Pillars of the SDG Alignment Model



Business and social innovation

- >> Sustainable products
- >> Proximity services
- >> E-local solutions



Sustainable management

- >> Sustainable mobility
- >> Circular economy and waste management
- >> Energy efficiency and renewables



Community engagement

- >> Social commitment
- >> Corporate volunteering



SDG DEMOGRAPHIC CHALLENGE



This roadmap includes three priority lines of action, interrelated and directly linked to the company's strategy, which act as the main levers to generate greater positive impacts on the different stakeholders:

- **Business and social innovation**, through the offer of sustainable products and services, aimed at responding to the main social and environmental challenges (rural depopulation, digital divide, climate change, etc.).
- **Sustainable management**, based on a more efficient distribution model, on the application of circular economy criteria to the supply and development of products and services, on a reduction of waste generated and actions aimed at mitigating and adapting to climate change.
- **Commitment to the community**, through actions with local impact, in collaboration with various associations and entities, to promote progress and social integration.

These three pillars have the cross-cutting objectives of the contribution to the achievement of the **Sustainable Development Goals** (SDGs) promoted by the United Nations and the response to the country's **demographic challenge**.

Correos's contribution to Agenda 2030

As a public service provider, Correos is uniquely placed to promote the achievement of the 2030 Agenda. It has therefore identified its potential contribution to the Sustainable Development Goals, in order to **prioritise the policies with the greatest impact** on their achievement.

In this sense, it promotes the **dissemination of these goals through** internal and external **communication channels** in order

to encourage their adoption by workers, companies and citizens. An example of this is the **course** held in 2021 **on the integration of the SDGs** in the company and the potential contribution of employees, which particularly addressed the impact of day-to-day operations on the environment. Correos also joined the #supporttheSD campaign promoted by the United Nations Global Compact to mark the sixth anniversary of the SDGs.



Within the scope of its participation in Forética, the association for corporate social responsibility and sustainability, the company took part in the work carried out by the **Action Group on Sustainability and CSR in Public Companies**. Its activities last year focused on the new European regulatory frameworks, which promote the integration of ESG aspects in business management and contribution to both the achievement of the SDGs and sustainable recovery post-COVID-19. Correos continued to collaborate with the Transparency, Good Governance and Integrity Cluster and the Sustainable Cities 2030 project of the same association.

In terms of collaboration with the SERES Foundation, Correos took part in workshops and laboratories on **diversity and inclusion, the demographic challenge, responsible procurement and social impact**. The organisation also awarded the company the SERES Prize for innovation and social commitment, for the Correos Market service.



Business and social innovation



GRI 203-2, 413-1

Correos aims to develop activities with a high **positive social impact**, not only to meet the communication and business needs of citizens and companies, but also to provide innovative responses to major social challenges. The main initiatives envisaged for this line of action of the SDG Alignment Model are the marketing of proximity services, e-local solutions and circular, neutral and activist products.

Proximity services

Correos carries out actions aimed at guaranteeing the rural population the highest possible level of access to basic public services, thus contributing to the creation and maintenance of employment in this environment and to the fixation of the population. The company places its technological, logistical and distribution capacity at the service of the local economy and promotes bringing the administration closer to citizens on equal terms throughout the territory, through its rural services and post offices.

To this end, the network of post offices offers **products and services specially adapted to the needs of rural environments**, such as:

- **Correos Cash**, which facilitates basic banking operations in towns without bank branches (as well as home delivery from 2021), through the agreements the company has with various financial institutions.
- **ATMs** for accessing cash, spread across 90% of Spanish

provinces (with a further 500 planned for installation in 2022).

- **ORVE**, the Virtual Registry Office for Entities, which makes it possible to send digitalised documents to the registries of the different administrations and member entities.
- **Citypaq** lockers for sending and receiving parcels 24 hours a day.
- Payment of regional or local taxes and bills.
- Prepaid cards.
- Sale of environmental badges of the General Directorate for Traffic and management of duplicate driving licences.
- Foreign exchange.
- Marketing of train tickets, tickets to shows, household utility bills and insurance policies of various companies.

In order to bring services even closer to the public, delivery staff have been equipped with nearly 22,000 new handheld devices (PDAs) since 2021, making it possible to **offer most of the products and services available in the post offices at home**, with no need to travel.

E-local solutions

Like the range of proximity services, e-local solutions are aimed at curbing rural depopulation and generating new business opportunities in these environments, such as the **Correos Market**



e-commerce platform, which ensures that the products of Spanish companies reach any buyer in Spain and Portugal.



At the end of 2021, a collaboration began with the NGO World Central Kitchen, led by the chef José Andrés, to market typical Canarian products through Correos Market. The '*My name is La Palma*' initiative aims to promote and export the products of the Canary Island of La Palma to support local businesses and help those affected by the eruption of the Cumbre Vieja volcano.

Another lever for rural development is the **promotion of social innovation**, developed through one of the categories of the **Lehnica Challenge**, Correos' entrepreneurship support programme. The company also collaborated with various initiatives, including the NESI Global Forum 2021 'Hacking the economy for good', an event that brought together people and organisations from the international impact generation ecosystem to share practices in social entrepreneurship, sustainable cities and territories, depopulation and innovative public policies, rural development and disruptive innovations that help meet the Sustainable Development Goals.

Similarly, an innovative challenge was carried out with Impact Hub Madrid, in collaboration with the United Nations Development Programme (UNDP) and Media LAB Amsterdam, within the framework of the 4th edition of #GlobalGoalsJam. The challenge was to come up with solutions for the circularity of postal packaging through technology and innovation.

Correos also promotes, within its line of **services for the Camino de Santiago**, initiatives that foster preservation of the environment along the Jacobean Routes of the *Camino de*

Santiago, the defence of the rural territory and the promotion of local commerce, as measures to tackle rural depopulation and protect the natural heritage.

In 2021, an environmental volunteering day was organised, encouraging pilgrims on the *Camino de Santiago* to collect the waste they found during their stages of the route, using recycled bags distributed in post offices.

To mark the occasion of World Environment Day, Correos also launched the '*Guide to trees on the French Route of the Camino de Santiago*', which contained information on the 16 most prominent species on this route, their physical and botanical characteristics, location and traditional uses or related legends. This publication, which was available free of charge at the post offices located on the *Camino*, was produced in collaboration with the environmental association Amigos da Terra and the Galician artist María Meijide.

Both activities were part of the **#CaminoSostenible initiative**, which aims to help prevent the deterioration of the Jacobean Routes, care for their environment and preserve their personal, artistic and natural heritage.

Circular, neutral and activist products

The **Línea Bosques** range of packaging, marketed across the post office network, offers customers a responsible consumption alternative, as it is made from fully recycled, biodegradable and certified sustainable management materials.



In 2021, a new, **more environmentally friendly design** was introduced, minimising the use of inks (water-based, non-toxic inks), using less cardboard for the same functionality and reducing waste during manufacturing. The envelopes in this line also have FSC and PEFC certification, as well as the European ECOLABEL, and the material used to manufacture the window is of vegetable origin, so it does not generate microplastics.

In addition, the Línea Bosques range of packaging will be **carbon neutral** thanks to the offsetting of emissions produced during manufacturing through reforestation projects.

In addition, part of the amount is used to **finance reforestation and fire prevention projects and, from 2021, to preserve biodiversity** and combat climate change, helping to improve air quality and maintain ecosystems.

Last year, in collaboration with WWF Spain's forest landscape restoration programme, a reforestation project was completed in Elgoibar (Guipúzcoa), for the conservation and natural regeneration of 6 hectares of native forests in the Basque Country, through the planting of 2,400 seedlings of native species.

The company also contributed to the nature protection activities of GREFA, FIEB, SEO BirdLife and Trees4Humanity, such as the project for the creation and maintenance of apiaries to help increase the bee population, which has been greatly reduced in recent years.

Correos offers the option of choosing the **Responsible Delivery** option on its website. This type of non-urgent delivery allows delivery routes to be optimised by waiting until the vehicle is full, which helps to reduce emissions, which will also be offset.



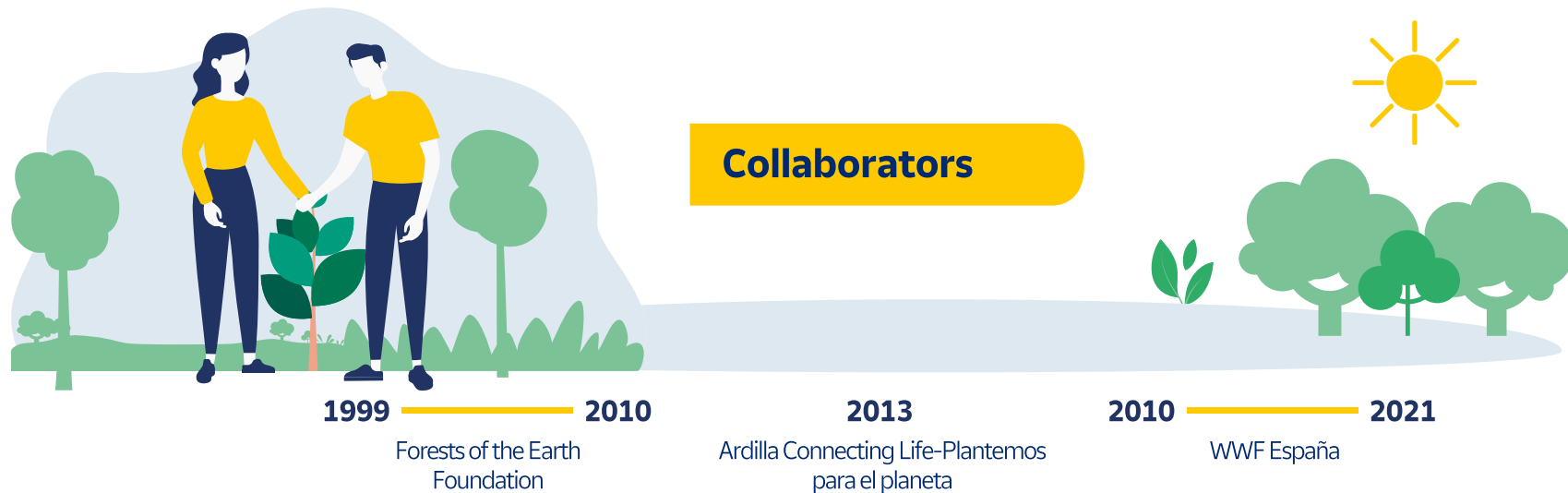
➤ Línea Bosques range of packaging

21 Correos forests

102,500 trees of indigenous species
273 hectares of surface area in all of Spain
Plantations with volunteer employees and their families

Objectives of the programme

Protection of native flora and fauna
Social awareness
Reforestation of degraded areas
Fire prevention




**Selected among the
101 #ForClimate
initiatives in 2020**



Forest restoration campaigns are financed by the sale of sustainable packaging

100% recycled cardboard
With sustainable management certificate
Minimal use of inks, made of water-based inks
Recyclable



During the last Black Friday shopping campaign, when thousands of e-commerce volumes are generated, the company again invited citizens to think about the impact of express parcels on the environment. With the slogan 'Not everything is urgent, taking care of the planet is', the importance of reflecting on whether a parcel is really urgent was conveyed, in order to promote responsible use of this service.

This makes it possible to optimise the routes of the different means of transport, especially those dedicated to last-mile delivery, for which Correos has around 1,200 electric vehicles that minimise the impact on the environment. Algorithmic route planning also enables savings in time and resources (fuel/energy), reduction of urban traffic, reduction of kilometres travelled and consequently of associated emissions, and improvements in air quality, especially in urban environments.

Although the reduction of CO2 emissions is the main objective of Correos to achieve its commitment to neutrality by 2030, another of the tools used for this purpose are emissions offsetting programmes, through the acquisition of carbon credits in the voluntary emissions market. The '**Correos Compensa**' programme allows all items accepted in post offices to be carbon neutral thanks to the offsetting of their emissions, through **projects with a triple environmental, economic and social impact** on the communities in which they are carried out. Projects supported in 2021 included:

- Reforestation in Alcoroches (Guadalajara, Spain)
- Energy transition and green jobs in Oaxaca (Mexico)

- Fight against deforestation of Amazonian forests in Madre de Dios (Peru)
- Geothermal energy harvesting (El Salvador).

In addition, the **Rounding up with Impact** programme allows customers of the post office network to round up the final amount of their purchase made with a bank card, to make micro-donations to various social or environmental initiatives.

With these customer contributions, the following projects were financed in the past year:

- The 'Not a home without energy' initiative, supporting the work of the Ecology and Development Foundation (ECODES) to tackle **energy poverty**.
- The campaign for the **conservation of the Iberian lynx**, launched to coincide with Earth Day.
- The contribution to the 'No Sea, No Life let's take care of it!' project, in collaboration with ECOMAR and focused on **raising awareness and cleaning up waste along the Spanish coastline**. Correos volunteers also participated with ECOMAR in the cleaning of waste from the beaches of Pinedo (Valencia).
- Aid to **people affected by the eruption of the volcano on the island of La Palma**, aimed at covering their most urgent basic needs.

Community engagement



GRI 102-43, 103-2, 203-2, 413-1

Correos, with a **daily presence throughout the country** through its delivery and post office staff, meets the communication needs of all citizens, regardless of their place of residence or income, with an efficient and quality service.

The company also maintains channels of communication with local and regional administrations, professional and consumer associations, academic institutions and citizen platforms, among other entities, in order to understand their needs and **explore possible areas of collaboration**.

In this regard, Correos conducted a pilot programme to provide satellite connectivity to post offices located in towns with internet access difficulties. The project, which can be extended in the future to other rural service points with connectivity difficulties, was developed across six locations in Zamora, Teruel and Soria.

The initiative was part of the digitisation plan for Correos auxiliary post offices, launched in May 2021, with the aim of bringing the services provided by the company to all parts of Spain on equal terms and to facilitate access to administrative procedures, telemedicine services and online education for populations without connectivity.

This plan, which aims to become a lever for generating wealth and a dynamic boost to the economy in rural areas, is one of the 24 proposals submitted by Correos to various ministries in order to qualify for European recovery funds.

Correos also continued to support various projects, in collaboration **with associations, foundations and other third sector entities**, which have a significant local impact and whose objectives are focused on four areas of action:

- **Education and childhood:** through the sale of articles in favour of various NGOs; collaboration with the Scientia Foundation, through the *First Lego League* programme, to promote STEAM (Science, Technology, Engineering, Arts and Mathematics) vocations among schoolchildren in rural areas; or the adhesion to the Country Alliance for Zero Child Poverty with the release of a special stamp.
- **Diversity and inclusion:** with initiatives especially aimed at women and the LGBTI collective, such as adhesion to the campaign against gender-based violence or the participation in the campaign #8MAIYearForWomen'sRights campaign for women's rights to mark International Women's Day.
- **Raising awareness of climate change:** by participating in Earth Hour, an international activity that the company has joined for the last 12 years.
- **Encouragement of volunteering** among Correos Group employees: with environmental actions (beach cleaning days, reforestation of riverbanks and cleaning of some stages of the *Camino de Santiago*), as well as social activities, with senior mentoring programmes, telephone assistance for the elderly, Food Bank collections in different provinces and collaboration in the Great Food Collection, as well as participation in blood donation days.

After the volcanic eruption on the island of La Palma, Correos revived the 'Help in any way we can' initiative, one of its slogans during the most difficult moments of the pandemic, to make all its resources available to the island's inhabitants and institutions and to channel the contributions made by employees and citizens.

During the last quarter of 2021, the post offices in Los Llanos de Aridane, El Paso, Tzacorte and Fuencaliente continued to provide their services and to offer to those affected the post office box and mail forwarding services to their new reception addresses free of charge. There was also joint initiative with the educational content publisher Vicens Vives, providing immediate assistance to schoolchildren who were unable to access their schools.

In order to help reverse depopulation and promote entrepreneurship in rural areas, 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 responds to SDG 8 Decent work and economic growth, SDG 10 Reduced inequalities, SDG 11 Sustainable cities and communities, SDG 12 Responsible production and consumption and SDG 17 Partnerships, through the establishment of new entrepreneurs in rural areas, the promotion of environmentally sustainable business development, the generation of positive impact on rural communities and the reactivation of the economy in the territory. Correos's participation allows it to reach a greater number of entrepreneurs and municipalities, thanks to its capillarity and physical presence throughout the country.

The company also sponsored the 5th National Fair for the Repopulation of Empty Spain PRESURA 2021, organised by Cives Mundi, at the El Hueco entrepreneurship space in Soria, where it shared initiatives to improve and promote the rural environment.

In addition, Correos continued to collaborate 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.



➤ Partnerships with an impact

Priorities

Education and childhood

Diversity and inclusion

Volunteers

Demographic challenge

Environment

Sales of solidarity products in post offices



Collaborations



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 post 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, photography and about recycling were organised in post offices in Madrid, Málaga, Santander, Huesca and Huelva, among other cities.

Contributions to not-for profit corporations or similar entities



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

In 2021, Correos made financial contributions of close to 177,000 euros to contribute to projects related to children, environmental protection or the demographic challenge, developed by foundations and non-profit organisations. The Group's subsidiaries made no financial contributions during the year.

In addition, Correos collaborated with different associations and organisations by **marketing solidarity products in the post office network**:

- UNICEF, for the sale of Christmas cards, notebooks, pens, bracelets or diaries. Objective: 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 organisation's programmes in developing countries.
- *Crece Jugando* Foundation and *Radio Nacional de España*, for the sale of pens and notebooks for the 'One

toy, one dream' campaign. Objective: To provide toys to children in vulnerable situations in Spain, Latin America and Africa and to create toy libraries for children in schools, hospitals and other community centres.

- SOS Children's Villages, for the provision spaces in post offices to raise awareness of their work. Objective: To disseminate the activities developed by this NGO for the social and family integration of children and young people in vulnerable situations.
- Cris Cancer Foundation and Help! Ideas Buenas through the sale of a collection of garments called the 'Pau T-shirt', in homage to the singer Pau Donés, to fund research into cancer disease.

Correos also contributed to the **integral development of people with disabilities**, through the purchase of goods and services from 28 special employment and occupational centres. With the same aim, the company cooperates with the '*Incorpora*' Programme of La Caixa for the integration of this group of people and work placements.

The subsidiary Correos Express, in addition to contracting services to special employment centres (such as the telephone answering service with Ilunion), continued its participation in the '*Lanzaderas de empleo*' project, together with the Pinardi Foundation, the Spanish Red Cross and the *Acción contra el Hambre* Foundation. Its aim is to enable people at risk of social exclusion to obtain a comprehensive job qualification through theoretical and practical training.

The subsidiary also reached an agreement with Eulen *Formación* to develop the 'Sustainable School' project, in which the Spanish Red Cross and the Pinardi Foundation, among others, also participate.

Finally, Correos Express has an agreement with the Spanish Federation of Optical Sector Associations (FEDAO), which includes its participation in information, awareness and prevention activities in the field of visual health developed by the *Visión y Vida* association.

With regard to universal access for persons with disabilities to the services provided, in recent years Correos has developed a policy of physical accessibility to its service points, whereby all its new post offices have been adapted to avoid the existence of architectural barriers. A large number of these establishments also have hearing aids available for those who require them.

Sponsorship

 GRI 102-12, 102-13

The Correos Group believes that support for culture, art, the values represented by sport and entrepreneurship is an effective tool for promoting awareness, solidarity and social inclusion. In 2021, the Correos Group supported a number of initiatives through:

- 5 sports sponsorships by Correos and 1 by Correos Express, including support for the Olympic Sports Association (ADO), the Paralympic Olympic Sports Association (ADOP) and the Spanish Handball Federation.
- 4 cultural and institutional sponsorships by Correos, such as the contribution to the National Fair for the Repopulation of Empty Spain PRESURA 2021.
- 4 commercial sponsorships by Correos and 4 by Correos Express, of sectoral events dedicated to parcel, direct marketing or digital services.

The Group's other subsidiaries did not engage in sponsorship during the year.



>> 2030 Commitments






Sustainable management

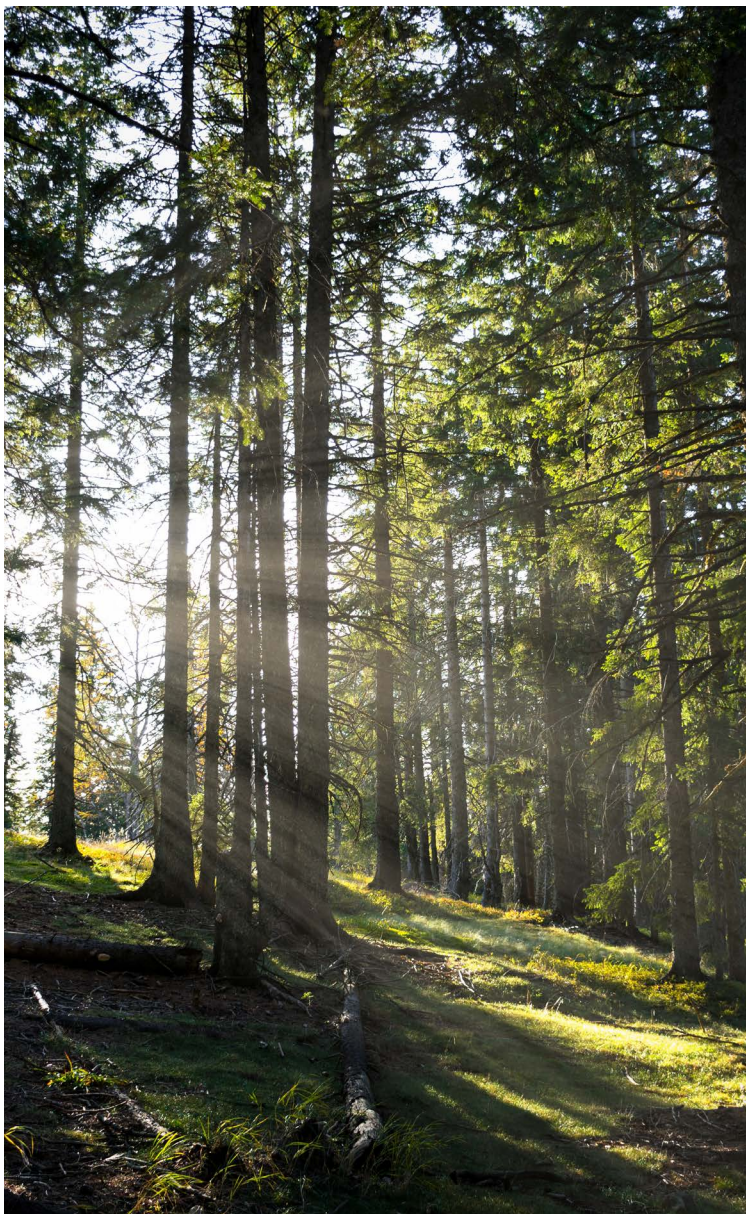


GRI 102-11, 102-15, 103-1, 302-4, 305-5, 305-7, 308-2

The policies included in the SDG Alignment Model contribute to the achievement of **Correos's 2030 Commitments**. These commitments, made by the company in 2019 to coincide with the Climate Summit in Madrid, were intended to increase the company's contribution to solving the environmental and social challenges facing society.

Sustainable management is one of the three pillars of the SDG Alignment Model. It is essential for the achievement of these 2030 Commitments, as it sets out policies aimed at smart mobility, carbon neutrality in the face of climate change and a circularity model that allows the company to be zero waste. These policies are also aimed at mitigating the **company's main impacts** on the environment in the short, medium and long term:

| Impact | Objective | Policy | Impact management |
|---|--|---|--|
|  <p>Generation of carbon dioxide (CO₂), nitrogen oxides (NO_x) and PM10 particulate emissions</p> | Improving urban air quality and the health of city dwellers and reducing CO ₂ emissions | Mobility Plan and emission neutralisation | Reducing CO ₂ , NO _x and PM10 emissions through sustainable mobility |
|  <p>Energy consumption</p> | Fighting climate change | Energy efficiency | Reducing CO ₂ emissions through energy efficiency |
|  <p>Waste generation</p> | Promoting the circular economy | Circular Economy Action Plan | Reducing waste generation and making more efficient use of natural resources |



These impacts are assessed annually and compared with the main international reference frameworks (Paris Agreement, Sustainable Development Goals, European Green Pact, etc.) and national ones (regulations, recommendations, initiatives and business partnerships).

This way, Correos's policies and investments in this area are geared towards those initiatives that are likely to allow for greater risk mitigation, thus maximising the precautionary principle.

The Group's subsidiaries have their own environmental management systems aimed at assessing, preventing or mitigating the **most significant impacts** on their respective areas of activity:

- The consumption of natural resources, as well as the generation of waste and emissions in their workplaces in the case of Correos Express and Correos Express Portugal.
- 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 2021, none of the Group's companies faced significant fines or penalties for non-compliance with environmental regulations.

Environmental assessment and certification procedures

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

Environmental management systems of the companies in the Correos Group enable the planning, prioritisation and monitoring of plans, as well as the surveillance and assessment of risks and opportunities in this area.



These systems have been **certified in accordance with the standard UNE-EN ISO 14001:2015** 'Environmental management systems':

- At 39 sorting centres and post offices.
- At 6 operational Correos Express centres, after extending the reach with the Santa Perpètua de Mogoda (Barcelona) and Getafe (Madrid) centres.
- In 2 Correos Nexea centres, which combine PEFC and FSC certificates, which ensure the correct traceability of the paper and cardboard of sustainable origin used in its printing, enveloping and handling of mass communications.
- At Correos Telecom, applied to the business of marketing, design, operation and maintenance of the fibre optic telecommunications infrastructure network.



The **monitoring** of **CO₂ emission reduction measures** is also supported by:

- Voluntary reporting of emissions to CDP, the international framework for measuring climate performance, in which Correos maintained its B category.





- Environmental reporting in accordance with the standards of the international consortium Climate Disclosure Standards Board (CDSB).
- The use of the Universal Postal Union's [Online Solution for Carbon Analysis and Reporting](#) (OSCAR) environmental monitoring and diagnostic tool.
- Verification of the results of CO₂ emissions management in accordance with the UNE-EN ISO 14064-1 standard: 2012 'Greenhouse gases', both from Correos and Correos Express.
- Registration in the 'Registry of carbon footprint, offsetting and carbon dioxide absorption projects' of the Ministry for Ecological Transition and the Demographic Challenge, both for Correos and Correos Nexea.
- Participation in Lean&Green, the largest European business collaboration platform for the reduction of greenhouse gas emissions, led in Spain by AECOC.
- Collaboration in the Spanish Green Growth Group, in areas such as climate change mitigation and adaptation, decarbonisation of the economy and the promotion of a circular economy.

Sustainable performance of the postal sector

Correos is a member of the **Sustainability Measurement and Management System (SMMS) programme**, promoted by the International Post Corporation, the organisation that brings together the main companies in the global postal sector. This initiative aims to improve the sustainability performance of postal operators through annual assessment in seven areas of action:

- Workplace health and safety.
- Professional development and learning.
- Efficient use of resources.
- Climate change management.
- Air quality.
- Circular economy
- Sustainable procurement.

The areas monitored are, in turn, aligned with the five Sustainable Development Goals most relevant to the postal sector (SDG 8 Decent work and economic growth, SDG 9 Industry, innovation and infrastructure, SDG 11 Sustainable cities and communities, SDG 12 Responsible consumption and production and SDG 13 Climate action).

By 2030, postal operators participating in the SMMS programme have committed to:

- **Halve their** collective annual **CO₂ emissions** of Scopes 1 and 2 (from a 2019 baseline year).
- 75% of the energy consumed in own buildings to be generated from **renewable sources**.
- 50% of **packaging** sold to be **reusable, recyclable or compostable**.
- To have 50% of its **fleet** made up of **alternative fuel** vehicles (up from 22% in 2020), of which 25% will be electric vehicles.
- To have 75% of its **waste recycled or reused**.

In this regard, since 2013, Correos and the other operators participating in this initiative have a collective commitment to reduce CO2 emissions, which was the **first sectoral target to be recognised by Science Based Targets** as science-based, to help avoid global warming by more than 2°C by the year 2100.

Last year, the company once again joined in the Green Postal Day celebrations, promoted by the International Post Corporation to recognise the progress made by postal operators in reducing the carbon footprint of their activity.

Risks of climate change adaptation and mitigation

In 2021, **Correos revised its climate change risk and opportunity management model** to adapt it to the latest developments in the European and Spanish regulatory framework, market and technology developments and the latest scientific knowledge.

In its value chain, Correos identifies risks relating to climate change, 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 can affect people, means of transport or the company's operational and customer service infrastructures. Transition risks are those arising from changes in the regulatory, technological or market context and affect transport, technological systems and the products and services offered, as well as the perception of the company among its stakeholders.

The assessment of these risks has been carried out on the basis of the climate projections for Spain established according to the baseline scenario RCP 8.5 of the Intergovernmental Panel on Climate Change (IPCC), as well as the international and national

context of adaptation to climate change determined by the European Green Pact and the Spanish regulations in this respect. This climate scenario considers an increase in greenhouse gas emissions over time, i.e. without mitigation measures, and represents the most pessimistic model 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.



Sustainable mobility



One of the main impacts of Correos lies in the transport and delivery of letters and parcels in the last mile, which involves the emission of CO₂, NO_x and particulate matter into the atmosphere. This activity also represents a growing challenge for mobility in cities, exacerbated by the rise of e-commerce. Faced with these challenges, the company's **Mobility Plan** envisages the progressive transition to an eco-friendly fleet, the adaptation of operations to new low-emission zones and the extension of zero-emission deliveries to new customers.

Since 1996, the company has evaluated and incorporated means of transport using **alternative fuels and technologies to petroleum derivatives**. At the same time, it develops other types of mitigation measures, such as reducing the number of **kilometres travelled and the number of trips** during delivery, through:

- The incorporation of systems that facilitate effective delivery at the first attempt, such as the Correos Modify delivery management app.
- The expansion of the Citypaq locker network, for delivery to alternative delivery points, in addition to the post office network.
- Route optimisation through predictive and geolocation technologies.

Correos is also the Spanish company that travels the most kilometres on foot to make deliveries (**zero-emission deliveries**), through its mail carriers.



By the end of 2021, the company had nearly 1,200 electric vehicles, making it one of the largest zero-emission fleets in the Spanish distribution sector. Through these initiatives, the company is making progress towards its 2030 target of using alternative technologies to fossil fuels in at least 50% of its means of transport.

Correos is also prioritising **sustainability in the awarding of land transport routes**, through the Dynamic Procurement System for contracting suppliers. So, in 2021, over 95% of new routes were ECO-labelled (99% of those with trucks and 97% of those with vans).

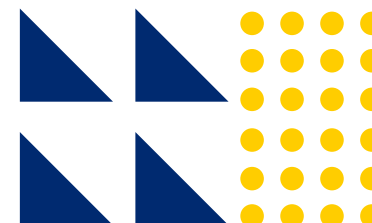
The use of this type of vehicle allows the company to align itself with European and Spanish environmental policies, making it possible to provide the service in urban areas without increasing emissions. In this regard, Law 7/2021¹¹ envisages the creation of **low emission zones** in municipalities with more than 50,000 inhabitants and more city councils are promoting air quality plans, which involve the application of significant limitations to access of combustion vehicles, especially in the centre of large cities.

11. Law 7/2021, of 20 May, on climate change and energy transition.

The adoption of an eco-efficient fleet is reinforced by other measures, such as the **purchase of 100% renewable energy** for the electricity supply of buildings, operational centres and delivery units, thus contributing to the creation of low-emission delivery areas.

Promoting efficient driving

Efficient driving is a key factor in reducing energy consumption, extending the life of vehicles while also reducing accident rates. To this end, the company is participating in the Autonomous Ready Spain project, promoted by the General Directorate for Traffic and Barcelona City Council, to analyse the positive impact of technology on the reduction of traffic accidents in urban areas, through the implementation of advanced driving assistance systems (ADAS).



Innovation in mobility

During the past year, Correos also evaluated the functionality of other types of zero-emission vehicles, through:

- Collaboration with startup Vms Automotive on the development of a high-capacity 3-wheeled electric scooter for last-mile delivery.
- The feasibility study of Scoobic Light refrigerated and isothermal electric vehicles for the urban delivery of refrigerated products.

The company also reached an agreement with Spanish startup Scoobic for the research and development of **sustainable and efficient last mile logistics solutions**. This collaboration also saw the company join the European Battery Alliance.

Finally, a pilot project was launched at the end of the year to evaluate the use of electrically powered 'assisted delivery trolleys' to facilitate distribution on foot. These zero-emission devices use two different mobility solutions, designed by MOOEVO and Scoobic (winners of the 'Lehnica Challenge', Correos's entrepreneurship programme), to power the trolley's movement and reduce the human effort required.

The delivery units in Dos Hermanas (Seville), Madrid, Cornellá (Barcelona), León, Vitoria-Gasteiz, Valencia and Santa Cruz de Tenerife will evaluate their operation for one year, in urban areas with a low concentration of deliveries.

New logistics model for more liveable cities

The company has been collaborating for years with numerous local administrations to ensure that its activity generates the minimum environmental impact and contributes to the emission reduction targets of the main Spanish cities.

In recognition of this contribution, Correos received the Spanish Sustainable Mobility Week 2021 Award, granted by the Ministry for Ecological Transition and the Demographic Challenge and the Ministry of Transport, Mobility and the Urban Agenda, for the development of the European PostLowCIT project. This innovation project, completed in 2021, aimed to achieve more efficient and sustainable last-mile delivery using the latest available technologies.

Moreover, the increasing demand for home deliveries by citizens poses an additional challenge for the sustainability of cities, where traffic congestion, traffic accidents or inefficient overlapping distribution networks are common problems.

Faced with this reality, since 2020 the Correos Group has been leading the **SENATOR international project**, selected within the European framework Horizon 2020. The aim of the project is to develop a new urban logistics model to improve the sustainability of large cities.

This initiative aims to create a smart network operator, supported by a technological platform, to serve as a tool for decision-making, planning and integration of all urban logistics operations. The actions to be developed focus on four areas: route and network optimisation, load balancing between operators, information on urban infrastructure and flexible fleets and multimodality.



Alternative technologies for transport

Correos is also evaluating alternative fuels, such as liquefied petroleum gas (LPG) or compressed natural gas (CNG), for both the long-haul and last-mile delivery fleets.



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.

Correos Express eco-efficient delivery model

Since 2020, Correos Express has been developing the **Mioo sustainable delivery project**, in collaboration with the company Vectalia and the city councils of Pamplona, Teruel, Murcia, Alicante and Palma de Mallorca. Its aim is to create a clean, sustainable and local urban parcel delivery service using electric mopeds with a load capacity of up to 400 kg. These vehicles carry out last-mile distribution from logistics *hubs* located in car parks or inner-city stations.

With the aim of minimising the consumption of fossil fuels, the subsidiary also promotes the contracting of **ecological routes with suppliers**, carried out with electric motorbikes and bicycles, to provide service to Madrid CTM (Madrid Transport Centre), Madrid CTC (Coslada Transport Centre) and Barcelona CTM. Over the past year the number of these routes increased by 9.7% to 470. Dynamic delivery management technology also optimises distribution operations, reducing the consumption of resources and the generation of emissions by the subcontracted fleet.

Finally, Correos Express renewed the calculation of its carbon

footprint, in accordance with the UNE-EN ISO 14064-1 standard: 2012 'Greenhouse gases' and created a web-based **emissions calculator** available to customers. In early 2022, it is also expected to complete its registration in the 'Registry of carbon footprint, offsetting and carbon dioxide absorption projects' of the Ministry for Ecological Transition and the Demographic Challenge.

Climate Change



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

The commitment to achieve carbon neutrality, thus contributing to both climate change mitigation and adaptation, is underpinned not only by sustainable mobility policies, but also by **energy efficiency measures in buildings**.

As the companies of the Correos Group have work centres all over the country, optimising the energy needs of these buildings is also essential to reducing the carbon footprint. As a result, 100% of the electricity purchased by the Group comes from **fully renewable energy sources** with a guarantee of origin.

In 2021, the company also began installing **solar photovoltaic systems** for self-consumption electricity generation at its main operating centres. Other energy efficiency measures implemented during the year included:

- The promotion of a **sustainable procurement** policy, especially for energy and transport supplies.
- The replacement of the centres' **lighting systems** with LED technology and air conditioning systems, as well as the implementation of other energy efficiency equipment in post offices and centres.

▪ **Awareness-raising for employees** through:

- The annual 'Environmental Commitment Award' to identify best practices in energy efficiency in the company's buildings.
- Dissemination of the consumption reports of the main work centres, via the company intranet, for individualised monitoring of the progress achieved.
- Dissemination of the Energy Saving and Efficiency Guide, available on the company intranet, and raising environmental awareness through internal communication channels.
- The implementation of the energy efficiency system at the workstation to reduce the consumption of networked IT equipment.

The Group's subsidiaries also have resource efficiency policies (water and energy) at their operating centres. Thus, Correos Express has a manual of good environmental practices, disseminated through awareness programmes, information leaflets and posters in all centres with UNE-EN ISO 14001:2015 certification, as well as environmental training for new employees in positions of responsibility.

Correos Nexea's energy efficiency programme includes replacing lighting systems with LED technology, programming air conditioning and raising awareness among its employees about

responsible consumption, efficient use of computer and printing equipment, good practices for air conditioning and lighting and reducing the carbon footprint.

Correos Telecom, for its part, disseminates the Group's Energy Saving and Efficiency Guide through its 'employee portal' and through information and awareness-raising days among its employees.



» Energy optimisation of buildings



Purchase of renewable energy



Awareness-raising to reduce consumption



Replacement of lighting systems



Energy-efficient workplace system



Circularity



Correos has a **Circular Economy Action Plan**, which aims to increase resource recovery and reduce waste, in line with Correos' goal to be zero waste by 2030.

In 2021, the company awarded the first phase of the **new centralised waste management contract**, through a framework agreement, to optimise the recycling and recovery of cardboard and plastic generated in all Correos and Correos Express units, administrative buildings, logistics centres and post offices. The second phase of the contract, for the management of the remaining waste typologies, is expected to come into force in 2022.

In addition, a **'zero waste' policy** was designed, which will be implemented in several operational centres from 2022 onwards. This plan is focused on raising employee awareness, adapting buildings and implementing measures for optimal segregation, recovery and recycling, which will enable subsequent external certification.

To maximise the reuse of materials, Correos has a partnership with the Globechain platform for the **donation of the contents of declared abandoned items** (in accordance with Law 15/2009¹²) to various NGOs, thus achieving a social objective while also facilitating a second life for these goods. Correos Express also donates a portion of the goods abandoned by customers, subject to regulations.

12. Law 15/2009, of 11 November, on the contract of road freight transport.

Upon the company's move to a new headquarters, the professionals working in these facilities received guidance and support on the correct segregation and management of waste during the move. In addition, a project was developed for the digitisation or safekeeping of all existing physical documentation, in accordance with legal requirements, with the support of the subsidiary Correos Nexea. The new headquarters were also equipped with the latest technologies to facilitate remote working, reducing travel and fostering remote working, thereby consolidating the implementation of a **paperless and fully digital work culture**.

On the other hand, product packaging accounts for a high percentage of the carbon footprint of e-commerce and excessive use of plastic is one of the biggest contributors to increased waste. Therefore, several pilot programmes were developed during the year to evaluate the **use of 100% recycled and recyclable packaging materials** among customers, both for e-commerce and for other specific needs. One of them was the design, in collaboration with VingBox, of large-format Línea Bosques range of packaging, specially adapted to protect luggage, which was made of recycled cardboard as an alternative to plastic.

The company also participates in the FoodRUs project, selected within the European *Horizon 2020* framework, aimed at developing an innovative collaborative circular food system to **reduce food waste and loss** in the agri-food chain. This programme has 29 partners from 10 European countries, including companies and academic and research institutions. Correos collaborates in the evaluation of the agri-food value chain of vegetables and prepared salads, providing information to improve traceability and temperature-controlled transport, as well as in communicating with citizens about the solutions provide



The Correos Express subsidiary also prioritises the efficient use of natural resources in the manufacture of commercial and promotional materials, using, for example, recycled paper in its customer welcome packs and also including seeds to promote the planting of a plant.

Last year was the second year of the awareness-raising and training campaign called 'Sustainable Commitment'. As part of this initiative, the company handed out sustainable bags together with a reusable water bottle to all its professionals, to help reduce plastic consumption.

Correos Nexea, for its part, uses paper (its main raw material) of sustainable origin, with FSC and PEFC certificates, in the provision of its printing and enveloping services. This sustainable option is increasingly in demand among customers. The subsidiary also carries out regular awareness-raising activities for its professionals to encourage the correct identification, segregation and recycling of waste.



➤ Circular Economy Action Plan



Adopte circular economy to achieve 'zero waste'

Zero waste centres

Waste concentration model

Digitisation of processes to reduce paper use

Donation of abandoned parcels

Marketing of the Línea Bosques range of packaging

- Waste recovery
- Training and awareness raising for correct segregation
- External certification of zero waste centres
- Life cycle analysis of products and services
- Elimination of single-use plastics



Defence and protection of biodiversity

The impact on biodiversity of the operational centres of the Correos Group companies is limited and does not generally affect protected areas.

In the case of Correos Telecom, one of the 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 work carried out by its suppliers, so as to minimise the impact on the landscape and biodiversity.

The actions carried out through **Correos's Línea Bosques** range of packaging are also aimed at promoting restoration across Spain and raising social awareness of the importance of preserving natural values and biodiversity. With this sustainable packaging, Correos help finance reforestation projects, fire prevention and the protection of the environment and terrestrial and aquatic ecosystems. In 2021, the company facilitated the natural regeneration of native forests in Elgoibar (Gipuzkoa) or the creation and maintenance of apiaries, helping to grow the bee population, which has been greatly reduced in recent years and which is essential for the maintenance of ecosystems.



Environmental indicators



GRI 301-1, 302-1, 302-4, 303-5, 305-1, 305-2, 305-3, 305-7

As the CO₂ emissions indicators for Correos and Correos Nexea for the year 2021 were not available at the date of preparation of this non-financial information statement, the data for the latest year available are include These indicators will be included in the Correos Group's Integrated Annual Report 2021, due to be published in June 2022.

| | Correos | | Correos Express ¹ | | Correos Express Portugal ² | | Correos Nexea ³ | | Correos Telecom ⁴ | |
|---|---------|---------|------------------------------|--------|---------------------------------------|------|----------------------------|------|------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Greenhouse gas emissions (tCO₂) | | | | | | | | | | |
| Direct (Scope 1) | ND | 36,612 | 12 | 8 | ND | ND | ND | 120 | 26 | 22 |
| Indirect (Scope 2) | ND | 836 | 11 | 81 | ND | ND | ND | ND | NA | NA |
| Other indirect emissions (Scope 3) | ND | 111,913 | 37,565 | 35,283 | ND | ND | ND | ND | ND | ND |
| Emissions per item (g CO ₂ /item) | ND | 20 | 413 | 554 | 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. Although vehicle emissions are not a material issue for Correos Express, as it does not have its own fleet, they are measured as part of the carbon footprint calculation.
2. Emissions from vehicles are not a material issue for Correos Express Portugal, as it does not have its own fleet.
3. Greenhouse gas emissions do not constitute a significant impact for Correos Nexea.
4. Correos Telecom does not generate its own scope 2 emissions as it shares its buildings with the parent company.

| | Correos | | Correos Express ¹ | | Correos Express Portugal | | Correos Nexea ² | | Correos Telecom ² | |
|---|---------|---------|------------------------------|------|--------------------------|------|----------------------------|------|------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Other atmospheric emissions (kg) | | | | | | | | | | |
| SOx | 203 | 206 | NA | NA | NA | NA | NA | NA | NA | NA |
| NOx | 131,098 | 130,531 | NA | NA | NA | NA | NA | NA | NA | NA |
| Particulates | 11,654 | 12,048 | NA | NA | 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 particulate matter are not a significant impact for Correos Express Portugal, Correos Nexea and Correos Telecom.

| | Correos ¹ | | Correos Express | | Correos Express Portugal | | Correos Nexea | | Correos Telecom ² | |
|----------------------------------|----------------------|---------|-----------------|--------|--------------------------|------|---------------|-----------|------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Raw materials consumption | | | | | | | | | | |
| Water (m3) | 313,914 | 315,553 | 14,020 | 14,045 | ND | ND | 1,021 | 1,526 | NA | NA |
| Paper (kg) | 542,993 | 648,170 | 51,617 | 66,716 | ND | ND | 3,685,692 | 3,452,426 | ND | ND |
| Ink (units) | 10,717 | 12,845 | 989 | 1,223 | ND | ND | 1,153 | 1,320 | ND | ND |

Consumptions are 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.

| | Correos ¹ | | Correos Express ¹ | | Correos Express Portugal | | Correos Nexea ² | | Correos Telecom ³ | |
|-------------------------------------|----------------------|---------|------------------------------|--------|--------------------------|------|----------------------------|-------|------------------------------|-------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Energy consumption (Gj) | | | | | | | | | | |
| Electricity | 424,792 | 428,859 | 21,931 | 23,930 | ND | ND | 6,497 | 8,562 | 3,299 | 3,449 |
| Natural gas | 57,779 | 75,760 | NA | NA | ND | ND | NA | 2,343 | NA | NA |
| Gasoil C | 49,093 | 42,867 | NA | NA | ND | ND | NA | NA | NA | NA |
| Automotive diesel | 343,147 | 341,142 | NA | NA | ND | ND | NA | NA | 368 | 311 |
| Petrol | 43,131 | 46,952 | NA | NA | ND | ND | NA | NA | NA | NA |
| Others (carbon, butane and propane) | 318 | 274 | NA | NA | ND | ND | NA | NA | NA | NA |

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

- Correos Express does not consume fossil fuels as it does not have its own fleet of vehicles.
- Since 2021, Correos Nexea has not consume natural gas, having moved the operations from one of its centres.
- Correos Telecom's electricity consumption corresponds to the marketed sites.

| | Correos | | Correos Express | | Correos Express Portugal | | Correos Nexea | | Correos Telecom ¹ | |
|------------------------------|---------|------|-----------------|---------|--------------------------|------|---------------|---------|------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Wasted generated (kg) | | | | | | | | | | |
| Non dangerous | ND | ND | 2,520,900 | 926,361 | ND | ND | 273,877 | 258,783 | NA | NA |
| Dangerous | ND | ND | 173 | 156 | ND | ND | 242 | 643 | NA | NA |

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

| | Correos | | Correos Express | | Correos Express Portugal | | Correos Nexea | | Correos Telecom | |
|---|---------|---------|-----------------|-------|--------------------------|------|---------------|------|-----------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Resources for the prevention of environmental hazards (thousands of euros) | | | | | | | | | | |
| Expenses | 2,044.4 | 4,192.1 | 218.5 | 234.8 | ND | ND | 7.3 | 14.4 | 2.3 | 0.7 |
| Investments | 3,487.8 | 4,765.2 | 0 | 0 | ND | ND | 0 | 0 | 0 | 0 |
| Grants | 503.0 | 390.0 | 0 | 0 | ND | ND | 0 | 0 | 0 | 0 |

- No provisions or guarantees have been made for environmental risks.

Corporate governance and ethical compliance

Structure and organisation of the Correos Group



Sociedad Estatal Correos y Telégrafos S.A., S.M.E. (Correos) is a public limited company with entirely public capital. Its **sole shareholder is the Sociedad Estatal de Participaciones Industriales (SEPI)** which reports to the Ministry of Finance and Public Administration.

Correos is the parent company of the Correos Group and owns 100% of 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 Asian companies KCG eCommerce Solutions and K Parcel.

For its part, Correos Express Paquetería Urgente, S.A., S.M.E. owns 51% of CEP-Assessoria Iberica de Logística e Transporte, S.A. (Correos Express Portugal), which itself has a wholly-owned subsidiary, CEP II-Correos Express Portugal, S.A.


Correos is a commercial enterprise, which is governed by private law, except in matters relating to budgetary, accounting, financial control and procurement regulations, as a company that is part of the public business sector.¹³

13. In accordance with the provisions of Article 3 of Law 47/2003, of 26 November, on the General Budget, in coordination with Article 166 of Law 33/2003, of 3 November, on Public Administration Assets.

Corporate bodies of Correos



The corporate bodies of Correos are the General Meeting of Shareholders and the Board of Directors.

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

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

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.



The **appointment of directors** takes into consideration not only compliance with the legal and statutory requirements of the role, 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 **Regulations of the Board of Directors** specify all the situations that may involve conflicts of interest, in order to prevent them from materialising. A director, therefore, may not be a director of more than two companies, in accordance with the regulations on senior officers of the General State Administration and on incompatibilities of personnel in the service of the public administrations, unless he/she has 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.

The composition of the Board of Directors of the S. E. Correos y Telégrafos, S.A., S.M.E. as of 31 December 2021 was as follows:

| | |
|---|---|
| <u>Juan Manuel Serrano Quintana</u> Chief Executive Officer | Independent External Director |
| <u>José Ángel Partearroyo Martín</u> Proprietary Director | <u>Belén Triana Reyes</u> Independent External Director |
| <u>David Benito Astudillo</u> Independent External Director | <u>Belén Villar Sánchez</u> Independent External Director |
| <u>Pedro Enrique Blanco Chinarro</u> Independent External Director | <u>Julio González García</u> Secretary non-member of the Board |
| <u>Marta Fano González</u> Independent External Director | <u>José Luis Pérez Pastor</u> Vice Secretary non-member of the Board |
| <u>Luis Gonzaga Serrano de Toledo</u> Independent External Director | |
| <u>Aquilino González Hernando</u> Independent External Director | |
| <u>Noelia M^a Gutiérrez Retuerto</u> Independent External Director | |
| <u>Gaizka Malo Elcoro-Iribe</u> Independent External Director | |
| <u>Guillermo Martín Jiménez</u> Independent External Director | |
| <u>Jaime Pérez de la Cruz</u> Independent External Director | |
| <u>Alberto Requena Navarro</u> Independent External Director | |
| <u>Tomás Suárez-Inclán González</u> | |



Corporate bodies of the subsidiaries of the Correos Group

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

The corporate bodies of the Group's subsidiaries are the General Meeting of Shareholders and the Board of Directors.

The **directors of the subsidiaries**, whose positions are not remunerated, are chosen from among the members of the management team of Correos and the SEPI Group, ensuring parity 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 on Correos Express.
- From 4 to 12 on Correos Nexea.
- From 4 to 8 on Correos Telecom.

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

The composition of the respective Boards of Directors of the subsidiaries of the Correos Group as at 31 December 2021 was as follows:

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



- Avelino Castro López. Chairman
- Edelmiro Castro Ambroa
- Francisco Javier García Domínguez
- Julio González García

- Beatriz González López
- Eva Pavo López
- Francisco Salvador Montero
- Arturo Alonso Sánchez. Secretary non-member of the Board

CEP – Assessoria Iberica de Logística e Transporte, S.A.

- Avelino Castro López. Presidente
- David Barrero Molino
- Luis Manuel Dionisio Marqués
- Julio González García
- Nuno Filipe Pereira Rangel



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

- Adis Castaño Óscar. Chairwoman
- Elena Gil Valentín
- Javier León Corrales
- Eva Pavo López
- Sergio Peinado Jiménez
- José Luis Pérez Pastor
- Ana Medina Arespachaga. Secretary non-member of the Board



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


- José Luis Pérez Pastor. Chairman
- José Luis Alonso Nistal
- Elena Gil Valentín



- Beatriz González López
- Alvar Maté Araus
- Ana Medina Arespacochaga. Secretary non-member of the Board

Responsibilities of the Management Committee

The Management Committee of the Correos Group is an internal collegiate body that supports the Chairman in his day-to-day management, promoting and coordinating the most relevant issues for the activity with the different units and subsidiaries.

 This Committee 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.

Remuneration of the Board of Directors and the Management Committee

 GRI 102-35, 103-2

The members of the Board of Directors of Correos receive exclusively the attendance allowances approved by the General Meeting of Shareholders, in the cases established by Royal Decree 462/2002¹⁴ and by the regulations in force for public bodies and trading companies. In accordance with Law 3/2015¹⁵, the allowances of senior directors are paid into the Public Treasury. The Chairman does not receive a fee for attending the Board of Directors.


14. Royal Decree 462/2002 of 24 May 2002 on allowances for reasons of service.

15. Law 3/2015, of 30 March, Law regulating the exercise of senior positions in the General State Administration.

Remuneration accrued for all items during the financial year 2021 by the members of the Board of Directors and senior officers of the parent company amounted to 1.65 million euros, of which 155,208 euros were for expenses of the members of the Board of Directors of the parent company for attending Board meetings (an average 11,086 per director), and the remainder for salaries and/or other remuneration items (including compensation) of the senior officers of the parent company (average remuneration of 114,995 euros annually).

Legal framework for the activities of the Correos Group

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

The Spanish postal market has been completely liberalised since 1 January 2011, following the entry into force of Law 43/2010¹⁶.  Under this law, Correos is the operator designated by the State to provide the universal postal service in Spain until 31 December 2025.

As a designated operator, Correos is **subject to verification** on the Spanish National Commission on Markets and Competition (CNMC) of **the analytical accounts for each financial year**, which determine the net cost of the universal postal service and the unfair financial burden of providing it. This regulatory body of the postal sector also measures and monitors the quality parameters for the provision of this service.

16. Law 43/2010, of 30 December 2010, on the universal postal service, users' rights and the postal market.

17. Resolution of 15 June 2021, of the General Technical Secretariat, publishing the Agreement of the Council of Ministers of 1 June 2021, approving the plan for the provision of the universal postal service.

In June 2021 the **plan for the provision of the universal postal service¹⁷ was approved**, as provided for in Law 43/2010 after validation by the European Commission. This document establishes the conditions for the provision of the universal postal service, particularly in areas where there is a very low population density, the procedure for assessing the cost of the universal postal service and how it is financed, and the criteria to be taken into account in determining the State's contribution.

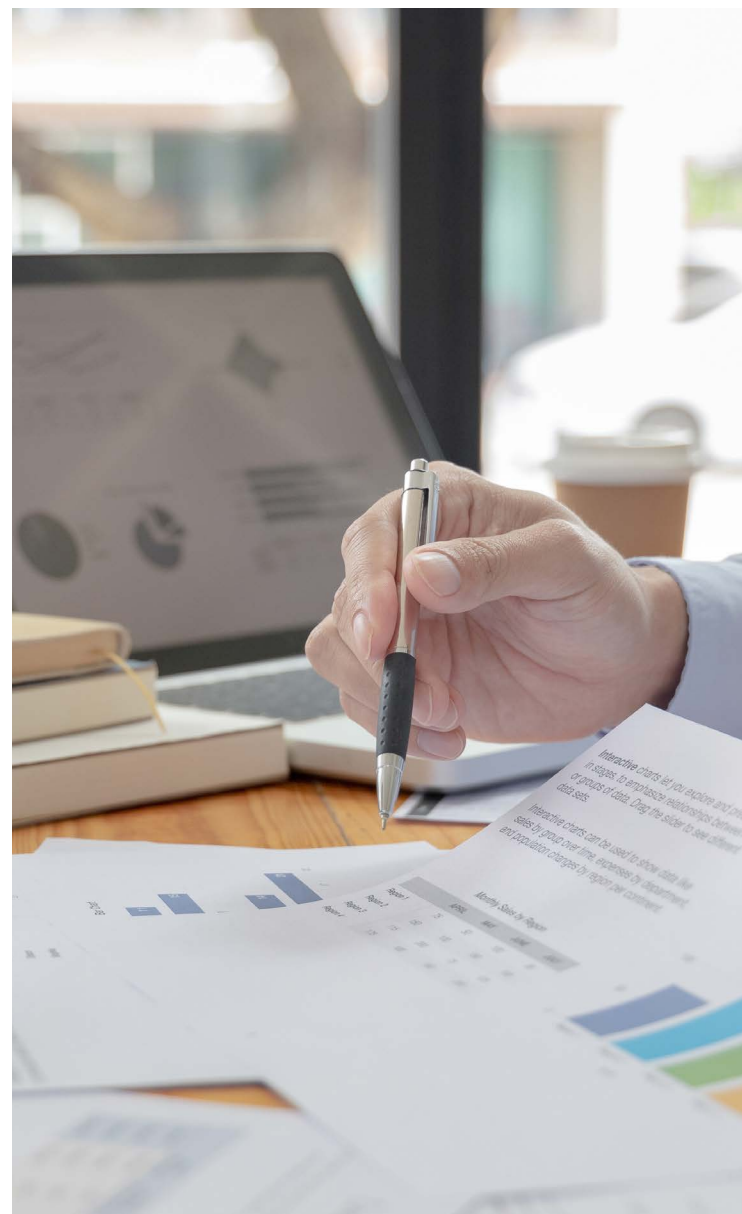
The conditions and elements defined in this Plan will serve as the basis for the drafting of the **regulatory contract** to be signed with the Ministries of Finance and Transport, Mobility and the Urban Agenda, as established in the first additional provision of Law 43/2010.

Correos and Correos Express are also active in the parcel market and are subject to the legislation applicable to the land freight sector¹⁸. In turn, the activity of Correos Express Portugal is subject to the postal and freight land transport regulations applicable in Portugal¹⁹. Finally, the provision of electronic communications services by Correos and Correos Telecom is regulated by Law 9/2014²⁰.

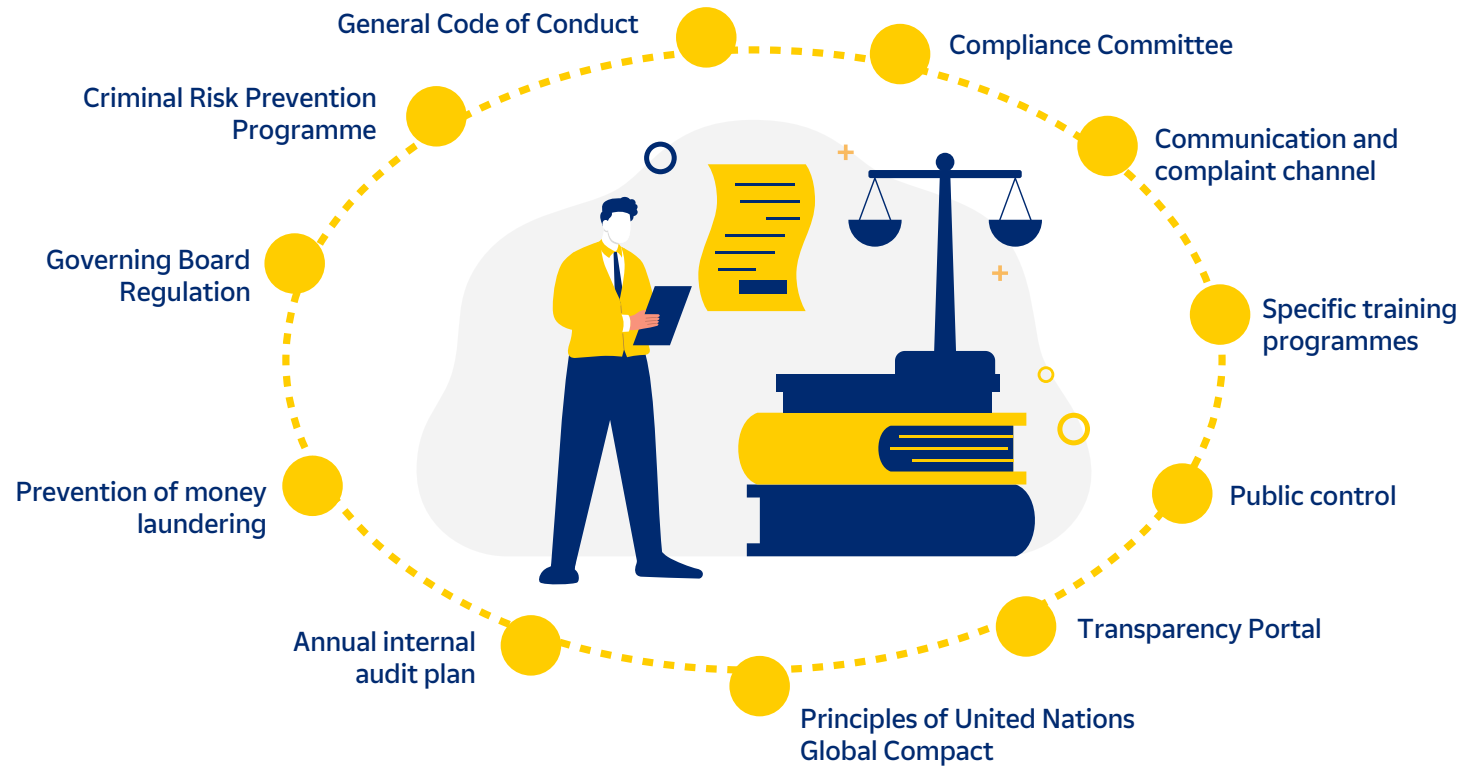
18. Law 16/1987, of 30 July, on the Organisation of Land Transport and Law 15/2009, of 11 November 2009, on the Contract of Land Transport of Goods.

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

20. Law 9/2014, of 9 May, the General Telecommunications Act.



➤ How we promote business ethics



Transparency in management

The companies that make up the Correos Group have the necessary mechanisms in place to comply with the reporting obligations established by Law 19/2013²¹. To this end, they have

a transparency portal and different access channels, through which citizens can address their requests for public information, in accordance with the terms set out in the aforementioned regulations.

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

Compliance and ethical commitment

In July 2021, the Correos Board of Directors approved the **new 'Criminal Risk Prevention Programme' and the General Code of Conduct**, following the completion of its review. The General Code of Conduct, which is publicly available to all stakeholders, reflects the fundamental values that guide the actions of managers 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 interest or insider trading) and human rights due diligence measures, concerning forced or child labour, freedom of association or bargaining, among others.

Thus, Correos adapted its procedures to the new regulatory requirements, in line with the recommendations of the Court of Auditors regarding the implementation of models for the prevention of crime and unethical behaviour. Training was also provided to all Group professionals on regulatory and criminal compliance.

The Group also has a **Compliance Committee**, a collegiate body whose main function is to evaluate matters relating to this area, as well as to report to the Board of Directors of Correos on a half-yearly basis on the opinions it issues, through the Audit and Control Committee.



The Committee has a [communication and complaint channel](#) to facilitate compliance with the objectives of the General Code of Conduct. In 2021, the Compliance Committee received and analysed 101 communications, 42 queries and 5 complaints of potential breaches of internal or external regulations, proceeding in each case as established in its regulations.

Since 2019, Correos has also participated in the SEPI Group's compliance working group, which aims to share best practices in criminal prevention among the different companies that make up the group, through training and debate.

In addition to these **training activities on compliance and ethical commitment** for the Group's professionals, Correos Express provides specific training on these matters to all its new recruits and carries out regular courses on data protection, privacy management or the prevention of anti-competitive practices.

In 2021, the Correos Group faced no corruption-related allegations.

The implementation of internal audit procedures



GRI 102-15, 102-16, 102-17, 102-30, 103-2, 205-2

Through the internal audit function, the Correos Group verifies compliance with the principles of integrity and good governance in ordinary business activity and corporate management, in order to prevent, detect and, where applicable, eradicate practices contrary to business ethics, such as corruption or bribery.

The annual internal audit plan of the Correos Group, approved by SEPI and the results of which are periodically reported, and also reported to the Audit and Control Committee of the Board of Directors of Correos and to the management team, covered **12 operational, accounting and compliance audits**.

For the Correos Group, staff selection processes, corporate risk management, international related-party transactions and the supervision of minority shareholdings in companies were analysed. Audits were carried out in Correos on the procurement

of goods and services, the execution of technology contracts, treasury management and external financing, as well as the internal promotion of civil servants and internal staff transfer selection processes. At Correos Express, the action plan for the implementation of the recommendations of the State Comptroller's Office was supervised, as well as the management of personnel expenses at its subsidiary Correos Express Portugal. Moreover, 27 recommendations for improvement from the annual plan and from previous years were implemented.

615 process verification audits were completed in accordance with **UNE standards EN ISO 9001 and 14001**, in addition to **287 specific financial and delivery audits** focusing on the review of those operations that may entail risks of non-compliance or irregularities.

As part of the internal control activities, 288 enquiries and specific reports on potentially irregular actions by employees were conducted, of which 69 resulted in a proposal for sanction. An analysis of anomalies in the use of Correos vehicle fuel cards was also carried out.

Public sector control

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

In 2021 **the Court of Auditors carried out an audit of cleaning contracts** in the public business sector, which included Correos, identifying areas for improvement and which have been incorporated into the new tender specifications. The report is

published on the Court's website and on the Correos website.

The Correos Group is also subject to public control through the supervisory mechanisms applicable to its sole shareholder (more information on the [website](#) and annual report of the SEPI Group).

Prevention of money laundering

With regard to the obligations arising from Law 10/2010 and its Regulation²², Correos has an internal money laundering prevention manual. **The anti-money laundering area is subject to both internal and external audits on an annual basis** and systematic and continuous controls on the application of due diligence measures are conducted at post offices, where the greatest risk is focused, as they handle financial transactions on a daily basis.

In 2021, nearly 6,800 people were trained in this area, with more than 12,400 teaching hours.

22. Law 10/2010, of 28 April, on the prevention of money laundering and terrorist financing 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 terrorist financing.

Responsibility for procurement procedures

 GRI 102-9, 102-12, 102-16, 102-17, 103-2, 203-2, 204-1, 205-2, 308-1, 408-1, 409-1

The contractual activity of the Correos Group is subject to the principles of publicity, competition, transparency, confidentiality, equality and non-discrimination, ensuring compliance with the applicable contracting regulations:

- Directive 2014/24/EU²³.
- Directive 2014/25/EU²⁴.
- Law 9/2017²⁵.
- Law 31/2007²⁶.
- Law 33/2003²⁷.
- Royal Decree-Law 3/2020²⁸.
- Royal Decree-Law 14/2019²⁹.

- Royal Decree 716/2019³⁰.
- Royal Decree-Law 3/2020, of 4 February³¹.
- Royal Decree-Law 36/2020, of 30 December³².
- Order HFP/1499/2021³³.
- The Correos Group's Internal Procurement Instructions, revised in 2018 to adapt them to new public sector procurement regulations.
- The Correos Group's procurement rules for assets.

The Group advertises the tenders and awards of its contracts, depending on their value, in its [Contractor Profiles](#) on the Public Sector Procurement Platform, in the Official State Gazette and in the Official Journal of the European Union, where applicable. It also regularly submits information to the Court of Auditors and the Public Sector Contracts Register.



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

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

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

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

27. Law 33/2003, of 3 November, on the Assets of the Public Administration.

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

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

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

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

32. Royal Decree-Law 36/2020, of 30 December, approving urgent measures for the modernisation of the Public Administration and for the implementation of the Recovery, Transformation and Resilience Plan.

33. Order HFP/1499/2021, of 28 December, publishing the limits for the different types of contracts for the purposes of public sector procurement as of 1 January 2022.



The **Investment and Contracting Committee** is the body that reports on, approves and, where appropriate, submits to the Board of Directors the contracts envisaged in the Internal Procurement Instructions.

In 2021, Correos **expanded the use of dynamic purchasing systems (DPS)** as a procurement tool, awarding more than 700 specific contracts. The use of this procurement modality has made it possible to increase competition, simplify procedures and speed up the formalisation of contracts based on the identification of the need. In parallel, supplier certification was introduced as a procurement mechanism, complementary to framework agreements and dynamic purchasing systems.

A **new procedure for the management of penalties** in centralised procurement was also implemented to improve the quality of its execution, which is expected to be available on the internal e-procurement platform from the first quarter of 2022.

Following a successful pilot programme for the **application of Artificial Intelligence** to the monitoring of the different phases of tendering, last year saw an automation project developed for tenders relating to the dynamic procurement system for transport services, encompassing more than 700 files. As a result, average processing times and the rate of bidders per award were improved. With this programme, Correos has become a benchmark in the area of automation and application of Artificial Intelligence to public sector procurement processes.

Good practice in the supply chain

The Correos Group contributes to the Spanish economy by sourcing **99% from national suppliers**. Participants in procurement procedures must ensure compliance with the principles of the United Nations Global Compact. Due to its geographical scope and the nature of its business, the Correos Group considers that none of its main suppliers present a significant risk of non-compliance with the principles of the Global Compact.

In addition, **all tender documents include clauses on environmental, social and gender equality criteria**. These considerations are included in the form of special conditions of execution that are binding for all bidders or as criteria for the evaluation of bids, in accordance with Law 9/2017. Compliance with these criteria was assessed in all procurement files.

In all cases, **successful bidders must also be aware of and accept** the principles contained in **the General Code of Conduct**.

Due to the size and heterogeneity of the activities carried out by the Group's companies, they collaborate with a large number of suppliers from various sectors, at all stages of the supply chain.

Correos awarded contracts for 544.5 million euros, which were executed by 6,774 suppliers (289 investment and 6,485 expenditure suppliers).

In turn, the subsidiaries made awards worth 330.9 million euros. Correos Express contracted 1,973 suppliers and Correos Express Portugal another 576, mostly for transport. Correos Nexea contracted 137 suppliers of paper, envelopes and equipment maintenance services; and Correos Telecom contracted 127 companies providing operation and maintenance services for

telecommunications assets or for the supply of equipment.

Respect for human rights

Since 2002, Correos has been a **signatory to the United Nations Global Compact**, committing itself to adoption and promotion of the ten Principles established by the Global Compact, including respect for human rights, the elimination of all forms of forced labour, the eradication of child labour, the abolition of discrimination in employment and occupation, and freedom of association and collective bargaining. This set of values has been assumed by the company as an integral part of the business strategy.

Likewise, the 'Criminal Risk Prevention Programme' includes the obligation to scrupulously respect fundamental rights and public freedoms. During the year, no human rights violations of any kind were noted in the companies of the Correos Group.

Operational and customer security



Correos has an **operational security centre**, which receives signals and/or images from security elements installed in post offices and centres throughout the national territory, effectively contributing to the security of people (customers and employees) and goods. It also regularly carries out scanner checks on mail items subject to inspection.

After learning of the threatening letters received by different authorities, Correos immediately launched an internal investigation and met with the trade union organisations to inform them of the actions taken to clarify the facts, collaborating at all times in the investigation carried out by the State Security Forces.

In addition, all company scanners were reinforced, with an increased presence of security guards, to **protect the safety of all employees**. In 2021, 20 mail scanners were acquired for mail inspection, as well as video surveillance cameras for 743 post offices.

The company maintains permanent collaboration with the State Security Forces and Corps—for example, through the Blue Network of the National Police Force, the Coopera portal of the Guardia Civil or the *Xarxa de Col·laboració* of the *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.

6 of the company's centres are accredited to safely admit, process and transport certain **dangerous goods** as airmail, in accordance with the terms set out in Order FOM/456/2014.

For its part, Correos Express holds the **Authorised Economic Operator Certification for Customs Simplification** (OEAC), which aims to guarantee the reliability and security of the movement of goods for import and export.

Protection of privacy

In compliance with the regulations, the Correos Group has a data protection area, whose function is to manage and advise the Group's companies in this area, participating in the initial phases of the definition and review of corporate policies, contracts or products and services, with the aim of **effectively applying the principles of data protection and integrating the necessary guarantees** in the processing. It also assesses the risks inherent to the Group's companies and/or its suppliers, dealing with potential claims and the exercise of the rights of

interested parties in this area.

During 2021, the Group's Register of processing activities was updated, 41 security breaches were managed (36 corresponding to Correos, 4 to Correos Express and 1 to Correos Nexea) and 10 complaints processed through the Spanish Data Protection Agency, relating to Correos and Correos Express, were dealt with in accordance with protocols.

In order to ensure the appropriate treatment of information in each business activity, **training content on personal data protection** was developed and provided, **adapted to the different professional profiles**, attending to the specific needs of each position.

Cybersecurity

The company's information security policy prioritises its optimal integration with business processes, to guarantee the proper development of the activity while avoiding possible risks for customers.




Correos has an **Information Security Committee** responsible for guaranteeing adequate risk management and the necessary procedures to preserve the information, supporting systems and the processes used.

In a context of remote working and increased cyber threats, cybersecurity activity in 2021 focused on improving analytical security processes to detect malicious software, as well as **implementing the most robust identification and authentication mechanisms** to enable secure access to information systems from locations other than the usual workplace. A password expiry policy was also activated for

the PDA devices used by delivery staff and a 24-hour security operations centre was set up to respond to incidents.

Internal training plans, communication through newsletters and **cybersecurity** awareness talks were also reinforced for the early identification of threats and risk reduction by employees. As part of these programmes, a 'security quiz' was created for the entire staff, which facilitated the acquisition of security concepts in a playful way, or ethical phishing exercises were conducted to measure the level of awareness of users in a simulated cyber-incident scenario.

Security alerts were also renewed and materials were designed for the commercial channel, with the aim of raising awareness of the value that cybersecurity brings to our customers.

-  Last year Correos renewed its [UNE-ISO/IEC 27001:2013](#) certification for the information systems that support the operational processes of the websites [www.correos.es](#) and [www.correos.com](#) and the online bureaufax and digitally certified letter contracting services. Correos Nexea also has the certifications [UNE-ISO/IEC 27001:2014](#) for its information systems and [ISO/IEC 27701:2019](#) for its information privacy management system, which support customised document management solutions for mass communication between companies and their customers.
- 
- 



Main associations and organisations in which the Correos Group participates



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 (Spanish Advertisers' Association)
- AECOC (Association of Manufacturers and Distributors)
- AEERC (Spanish Association of Customer Relationship Experts)
- AESPLA (Spanish Association of Occupational Health & Safety Services)
- Ametic (Association of electronics, information technologies, telecommunications and digital contents companies)
- ANTRAM (Portuguese Association of Freight Land Transport Public Companies)
- APOE (Portuguese Association of Express Operators)
- @asLAN (association of companies from the ICT sector)
- Spanish Marketing Association
- AUSAPE (SAP Users Association Spain)
- AUTELSI (Spanish Telecommunications Users and Information Society Association) (Correos was a

member of the Board of Directors)

- AUTOCONTROL
- CEUSS (Business Confederation of Security and Services Users) (Correos held the General Secretariat)
- Leading Spanish Brands Forum
- Spain China Council Foundation
- PRL Innovation
- Silicon Alley Madrid (association of companies from the ICT sector)
- SMART CITY CLUSTER
- UNE (Spanish Standardisation Association)
- UNO (Business Organization of Logistics and Transport)



Sustainability and good governance

- AEDIVE (Business Association for the Development and Promotion of Electric Vehicles)
- Forética
- SERES Foundation. Society and Responsible Company.
- GECV (Spanish Group for Green Growth)
- Institute of Internal Auditors
- 'Network of companies for a society free of gender violence', of Government Office for Gender Violence
- United Nations Global Compact Network Spain
- LGTBI Business Network for Diversity and Inclusion (REDI)
- PUASP (Postal Union of the Americas, Spain and Portugal). Correos was the cochair of the Financial & Digital Services, Sustainability and Electronic Advance Data Working Groups. Besides, Spain participates in the Management Board, as first vice chair.
- UPU (Universal Postal Union). Correos was a member of the Postal Operations Council and co-chairs the Compliance Working Group.

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 chaired the European Affairs Committee and its Working Group of Data Protection.
- PuMed (Postal Union for the Mediterranean). Correos belonged to its Management Committee.



Reporting frameworks and indicators



The contents and indicators included in this Statement of non-financial information have been prepared in accordance with the requirements of Law 11/2018³⁴, using the GRI Standards for sustainability reports of the [Global Reporting Initiative](#) (GRI) 2020 version as a reference. This model facilitates delivery of the three-pronged economic, social and environmental approach to the Group's performance.



The guidelines of the 'Conceptual Framework for Integrated Reporting' of the [International Integrated Reporting Council](#) (now part of The Value Reporting Foundation) have also been followed in the preparation of this report. In this way, it aims to provide stakeholders with a cross-cutting and significant vision of the business model and the mechanisms for creating value in the short, medium and long term.



Since 2002, Correos has also been a signatory to the United Nations Global Compact, undertaking to respect and promote its ten principles in the areas of human and labour rights, the environment and anti-corruption. The company prepares its annual progress report, which has the advanced level distinction, and can be consulted on the pages of the [Global Compact](#), the [Spanish Global Compact Network](#) and [Correos](#).

34. Law 11/2018, of 28 December, amending the Commercial Code, the revised text of the Law on Capital Companies approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Auditing Accounts, on non-financial and diversity information.

The Correos Group has also aligned its policies with the [United Nations Sustainable Development Goals](#) and reports its commitments and contributions to the achievement of the 2030 Agenda.



This non-financial information statement presents, in general terms, the most important quantitative information and indicators of the Correos Group. However, in the case of content referring to employment, environmental and social issues, the content is broken down by the different companies that make up the Group, due to the different nature, size and activity of each company.



Indicators used in the non-Financial information statement

| | Page | Indicator | External verification |
|---|---------------------------|--|-----------------------|
| Business environment | 1 | GRI 102-4, GRI 102-6 | ✓ |
| Organisation and structure | 68 | GRI 102-5, GRI 102-18 | ✓ |
| Markets served | 1 | GRI 102-4, GRI 102-6 | ✓ |
| Objectives and strategies | 5 | GRI 102-15 | ✓ |
| Factors and trends that may affect its future evolution | 5 | 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 | 7, 11, 46, 73, 74, 75, 77 | 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 | 9, 36-45, 66-67, 77 | GRI 200, GRI 300, GRI 400 | ✓ |
| Commercial relations, products or services that may have negative effects in these areas | 56 | 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) | 7, 56, 74, 75, 77, 78 | GRI 103-2, GRI 103-3, GRI 102-11, GRI 102-30, GRI 205-2, GRI 308-2 | ✓ |
| Information on the impacts that have been detected, disaggregated, in particular on the main risks in the short, medium and long term | 5, 11, | GRI 103-1, GRI 102-11, GRI 102-15 | ✓ |

| | Page | Indicator | External verification |
|--|---------------|--|-----------------------|
| ENVIRONMENT | | | |
| Detailed information about the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety | 56 | GRI 102-11, GRI 102-15, GRI 103-1, GRI 308-2 | ✓ |
| Procedures for evaluation and environmental certification | 56 | - | ✓ |
| The resources allocated to the prevention of environmental risks | 67 | Principle 7, 8, 9 Global Compact SDG 13 | ✓ |
| Application of the precautionary principle | 56 | GRI 102-11 | ✓ |
| The amount of provisions and guarantees for environmental risks | 67 | 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 | 59-63 | 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 | 63-65 | 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 | 56, 61-64, 67 | 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 | 56, 58 | GRI 302-4, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-5, GRI 305-7 SDG 3, 7, 11, 12, 13 | ✓ |

| | Page | Indicator | External verification |
|--|-----------|--|-----------------------|
| Protection of biodiversity: measures taken to preserve or restore biodiversity; impacts of activities or operations in protected areas | 64-65 | GRI 304-3 SDG 12, 13, 15, 17 | ✓ |
| SOCIAL | | | |
| Total number and distribution of employees by gender, age, country and professional classification | 36 | 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 | 36-45 | GRI 102-8 SDG 5, 8, 10 | ✓ |
| Number of dismissals by gender, age, country and professional classification | 40 | - | ✓ |
| Average remunerations and their evolution disaggregated by gender, age and professional classification or equal value | 41-43 | GRI 405-2 SDG 5, 8, 10 | ✓ |
| Salary gap, remuneration of equal positions or average company remuneration | 41-43 | GRI 405-2 SDG 5, 8, 10 | ✓ |
| Average remuneration of directors and executives, including variable remuneration, allowances, compensations | 70, 72 | GRI 102-35 | ✓ |
| Payment to long-term savings forecast systems and any other perception disaggregated by gender | 30 | GRI 401-2 SDG 8 | ✓ |
| Implementation of work disconnection | 17 | - | ✓ |
| Disabled employees | 29 | GRI 405-1 SDG 8, 10 | ✓ |
| Organization of working time | 16 | GRI 402-1 | ✓ |
| Number of absenteeism hours | 44 | GRI 403-9 SDG 3, 8 | ✓ |
| Measures aimed at facilitating conciliation and encouraging the co-responsible exercise by both parents | 26-27, 44 | GRI 401-2, GRI 401-3 SDG 5, 8, 10 | ✓ |

| | Page | Indicator | External verification |
|---|--------|--|-----------------------|
| Occupational safety and health at work conditions | 30-35 | GRI 103-2, GRI 103-3, GRI 403-1 GRI 403-2, GRI 403-5, GRI 403-6 SDG 3, 8 | ✓ |
| Work accidents, in particular their frequency and severity, as well as occupational diseases; disaggregated by gender | 44, 45 | GRI 403-9, GRI 403-10 SDG 3, 8 | ✓ |
| Organization of social dialogue, including procedures to inform and consult staff and negotiate with them | 15 | Principle 3 Global Compact, GRI 402-1, GRI 403-4 SDG 8 | ✓ |
| Percentage of employees covered by collective agreement | 16 | GRI 102-41 | ✓ |
| Balance of collective agreements, particularly in the field of health and safety at work | 15 | GRI 403-4, SDG 3, 8 | ✓ |
| Implemented training policies | 21-25 | GRI 403-5, GRI 404-1 SDG 3, 8 | ✓ |
| Training hours by professional category | 44 | GRI 404-1 SDG 5, 8 | ✓ |
| Universal accessibility of people with disabilities | 54 | GRI 103-2, GRI 405-1 SDG 8, 10 | ✓ |
| Measures adopted to promote equal treatment and opportunities between women and men | 25-29 | 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) | 26 | Principle 6 Global Compact SDG 5 | ✓ |

| | Page | Indicator | External verification |
|--|----------------|--|-----------------------|
| Measures adopted to promote employment | 12, 13, 14 | - | ✓ |
| Protocols against sexual harassment and for gender reasons | 26 | Principle 6 Global Compact | ✓ |
| Universal accessibility and integration of people with disabilities | 29, 54 | GRI 103-2, GRI 405-1 SDG 8, 10 | ✓ |
| Policy against all types of discrimination and, where appropriate, on management of diversity | 27-29 | 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 | 73, 77 | Principle 1,2 Global Compact GRI 102-16, GRI 408-1, GRI 409-1 SDG 16 | ✓ |
| 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 | 15-16, 73, 77 | Principle 3 Global Compact GRI 102-16, GRI 102-41 SDG 8 | ✓ |
| Elimination of discrimination in work and occupation | 26, 27, 73, 77 | Principle 6 Global Compact GRI 103-2, GRI 405-2 SDG 5, 8, 10 | ✓ |
| Elimination of forced labor | 73, 77 | Principle 4 Global Compact GRI 409-1 SDG 8, 16, 17 | ✓ |

| | Page | Indicator | External verification |
|---|------------------------|--|-----------------------|
| Abolition of child labour | 73, 77 | Principle 5 Global Compact GRI 408-1 SDG 8, 16, 17 | ✓ |
| FIGHT AGAINST CORRUPTION AND BRIBERY | | | |
| Measures adopted to prevent corruption and bribery | 69, 73, 74, 77 | GRI 102-16, GRI 102-17, GRI 102-25, GRI 205-2 SDG 16 | ✓ |
| Measures to fight money laundering | 75 | GRI 102-16, GRI 102-17 SDG 16 | ✓ |
| Contributions to foundations and non-profit entities | 53 | GRI 102-12, GRI 102-13 SDG 17 | ✓ |
| SOCIAL COMMITMENT | | | |
| Impact of the company's activity on local development and employment | 14, 77 | 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 | 12, 15, 48, 49, 51, 52 | GRI 102-9, GRI 203-2, GRI 413-1 SDG 8, 11, 16, 17 | ✓ |
| Relationships maintained with the actors of local communities and the types of dialogue with them | 51 | GRI 102-43 | ✓ |
| Partnership and sponsorship actions | 55, 79 | GRI 102-12, GRI 102-13 SDG 17 | ✓ |
| Inclusion in the purchasing policy of social, gender equality and environmental issues | 77 | GRI 308-1 SDG 5, 13 | ✓ |
| Consideration in the relations with suppliers and subcontractors of their social and environmental responsibility | 77 | GRI 308-1 SDG 5, 13 | ✓ |
| Monitoring and audit systems and their results | 74-75 | GRI 102-30 SDG 16 | ✓ |

| | Page | Indicator | External verification |
|--|------------|---|-----------------------|
| Measures for the health and safety of consumers | 56, 60, 77 | GRI 305-5, GRI 305-7, SDG 3, 11, 12, 13 | ✓ |
| Claims systems, complaints received and their resolution | 8-9 | - | ✓ |
| Profits obtained by country | 7 | GRI 201-1, SDG 8, 9 | ✓ |
| Income tax paid | 7 | GRI 201-1 SDG 8, 9 | ✓ |
| Public subsidies received | 7 | GRI 201-4 | ✓ |

External verification of the non-financial information statement

INDEPENDENT VERIFICATION REPORT ON THE NON-FINANCIAL INFORMATION STATEMENT OF THE SOCIEDAD ESTATAL DE CORREOS Y TELEGRAFOS S.A., S.M.E. AND SUBSIDIARIES IN THE 2021 FINANCIAL YEAR

To the shareholders of Sociedad Estatal Correos y Telégrafos S.A., S.M.E.:

In accordance with Article 49 of the Spanish Commercial Code, we have audited to the extent of limited assurance the accompanying Non-Financial Information Statement (hereinafter 'NFI') for the year ended 31 December 2021 of Sociedad Estatal de Correos y Telegrafos S.A., S.M.E. and subsidiaries (hereinafter 'the Correos Group'), which forms part of the Consolidated Management Report.

The content of the NFI includes information additional to that required by the commercial laws in force for non-financial information which has not been subject to our verification. In this sense, our work has been limited exclusively to the verification of the information contained in the attached NFI.

Directors' Responsibility

The preparation and content of the NFI included in the Consolidated Management Report of the Correos Group are the responsibility of the Directors of Sociedad Estatal de Correos y Telegrafos S.A., S.M.E. The NFI has been prepared in accordance with the contents of current commercial regulations and following the criteria of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI standards) selected as described for each subject in the table 'Indicators used in the Non-Financial Information Statement' of the NFI.

This responsibility also includes the design, implementation and maintenance of internal control considered necessary to ensure

the NFI is free from erroneous material, be it through fraud or error.

The directors of Sociedad Estatal de Correos y Telegrafos S.A., S.M.E. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFI is obtained.

Our independence and quality control

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

We have applied the International Standard Quality Control 1 (ISQC 1) and therefore maintain a universal system of quality control which includes documented policies and procedures related to compliance with ethical requirements, professional standards, and applicable laws and regulations.

The working team consisted of professionals with expertise in non-financial information reviews and, specifically, in economic, social and environmental performance information.

Our responsibility

Our responsibility is to express our conclusions in an independently verified report of limited assurance based on the work undertaken. We conducted our work in accordance with the requirements of the current Revised International Standard

on Assurance Engagements 3000, 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information' (Revised NIEA 3000) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Performance Guide on the verification of Non-Financial Information Statement issued by the Spanish Institute of Chartered Accountants.

In an engagement of limited assurance the procedures that are carried out vary in nature and timing, and are of a lesser extent than those carried out in reasonable assurance engagement and, therefore, the assurance obtained is substantially less.

Our work consisted of the formulation of questions directed at management, as well as at the diverse units of Correos Group who participated in the creation of the NFI, in the revision of processes to compile and validate information presented in the NFI and in the application of certain analytical procedures and sample review tests as described below:

- Meetings with Correos Group staff to find out the business model, policies and applied management approaches, the main risks associated with these topics and obtain the necessary information for the external review.
- Analysis of the scope, relevance, and integrity of the content included in the 2021 financial year NFI in accordance with the materiality analysis carried out by the Correos Group and described at the beginning of the accompanying NFI, taking into account the content required by prevailing commercial regulations.

- Analysis of the processes to recompile and validate data presented in the NFI of the 2021 financial year.
- Review of the information related to risks, policies and applied management approaches in relation to material aspects presented in the NFI of the 2021 financial year.
- Testing, on the basis of a sample selection, of the information related to the content included in the NFI for the year 2021 and its proper compilation from the data provided by information sources.
- Obtaining a letter of representation from the directors and management.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, no aspect has come to our attention that leads us to believe that the Correos Group's NFI for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the contents of current commercial regulations and following the criteria of the selected GRI standards described in accordance with that mentioned for each subject in the table 'Indicators used in the Non-Financial Information Statement' of the NFI.

Use and distribution

This report was prepared in response to the requirement established in current commercial regulations in Spain, so it may not be suitable for other purposes and jurisdictions.




Sergio Salcines Gasquet

29 march 2022

Atmospheric emissions indicators

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

| | Correos ¹ | | Correos Express ¹ | | Correos Express Portugal ² | | Correos Nexea ³ | | Correos Telecom ⁴ | |
|---|----------------------|---------|------------------------------|--------|---------------------------------------|------|----------------------------|------|------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Greenhouse gas emissions (tCO₂) | | | | | | | | | | |
| Direct (scope 1) | 37,887 | 36,612 | 12 | 8 | ND | ND | ND | 120 | 26 | 22 |
| Indirect (scope 2) | 979 | 836 | 11 | 81 | ND | ND | ND | ND | NA | NA |
| Other indirect emissions (Scope 3) | 121,932 | 111,913 | 37,565 | 35,283 | ND | ND | ND | ND | ND | ND |
| Emissions per item (g CO ₂ /item) | ND | 20 | 413 | 554 | 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. Although vehicle emissions are not a material issue for Correos Express, as it does not have its own fleet, they are measured as part of the carbon footprint calculation.
2. Emissions from vehicles are not a material issue for Correos Express Portugal, as it does not have its own fleet.
3. Greenhouse gas emissions do not constitute a significant impact for Correos Nexea.
4. Correos Telecom does not generate its own scope 2 emissions as it shares its buildings with the parent company.

GRI Content Index, Global Compact Principles and SDG

| GRI Standard | Disclosure | Chapter | Omission | External verification | Global Compact Principle | Sustainable Development Goal |
|------------------------------|--|--|----------|-----------------------|--------------------------|------------------------------|
| GRI 102: General Disclosures | | | | | | |
| 1. Organizational profile | | | | | | |
| 102-1 | Name of the organization | The companies of the Correos Group | - | ✓ | - | - |
| 102-2 | Activities, brands, products and services | "Commercial range of services. Integration of physical and digital communication. Multiservice post offices for citizens. Parcel services for every need. Boosting e-commerce. New logistics businesses. Telecommunication services. | - | | - | - |
| 102-3 | Location of the headquarters | Page 3. | - | | - | - |
| 102-4 | Location of operations | The companies of the Correos Group. Business environment. Territorial presence of the Correos Group. Report for the financial statement. | - | ✓ | - | - |
| 102-5 | Ownership and legal form | Structure and organisation of the Correos Group. | - | ✓ | - | - |
| 102-6 | Markets served | The companies of the Correos Group. Business environment. Integration of physical and digital communication. Parcel services for every need. Boosting e-commerce. New logistics businesses. Telecommunication services. | - | ✓ | - | - |
| 102-7 | Scale of the organization | Main figures and impacts. Labour indicators. | - | ✓ | - | - |
| 102-8 | Information on employees and other workers | Labour indicators. | - | ✓ | 6 | 5, 8, 10 |
| 102-9 | Supply chain | Responsibility for procurement procedures. | - | ✓ | - | 16 |

| GRI Standard | Disclosure | Chapter | Omission | External verification | Global Compact Principle | Sustainable Development Goal |
|--------------------------------|--|--|----------|-----------------------|--------------------------|------------------------------|
| 102-10 | Significant changes to the organization and its supply chain | - | - | ✓ | - | - |
| 102-11 | Precautionary Principle or approach | Future trends. Risk management. Sustainable management. | - | ✓ | 7, 8 | - |
| 102-12 | External initiatives | Diverse and inclusive management. Sustainable management. Community engagement. Responsibility for procurement procedures. | - | ✓ | - | 17 |
| 102-13 | Membership of associations | 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, strategy and future trends. Risk management. Human staff. Sustainable management. The implementation of internal audit procedures. | - | ✓ | 1, 2, 10 | - |
| 3. Ethics and integrity | | | | | | |
| 102-16 | Values, principles, standards and norms of behavior | Legal framework for the activities of the Correos Group. The implementation of internal audit procedures. Responsibility for procurement procedures. | - | ✓ | 1, 2, 10 | 16 |
| 102-17 | Mechanisms for advice and concerns about ethics | Legal framework for the activities of the Correos Group. The implementation of internal audit procedures. Responsibility for procurement procedures. | - | ✓ | 1, 2, 10 | 16 |

| GRI Standard | Disclosure | Chapter | Omission | External verification | Global Compact Principle | Sustainable Development Goal |
|----------------------------------|--|--|----------|-----------------------|--------------------------|------------------------------|
| 4. Governance | | | | | | |
| 102-18 | Governance structure | Structure and organisation of the Correos Group. Corporate bodies of Correos. Corporate bodies of the subsidiaries of the Correos Group. | - | ✓ | - | - |
| 102-23 | Chair of the highest governance body | Corporate bodies of Correos. Corporate bodies of the subsidiaries of the Correos Group. | - | ✓ | - | - |
| 102-25 | Conflicts of interest | Corporate bodies of Correos. Report for the financial statement. | - | ✓ | 10 | 16 |
| 102-30 | Effectiveness of risk management processes | Risk management. Corporate bodies of Correos. Corporate bodies of the subsidiaries of the Correos Group. Legal framework for the activities of the Correos Group. The implementation of internal audit procedures. | - | ✓ | 10 | 16 |
| 102-35 | Remuneration policies | Corporate bodies of the subsidiaries of the Correos Group. Remuneration of the Board of Directors and the Management Committee. | - | ✓ | - | - |
| 5. Stakeholder engagement | | | | | | |
| 102-40 | List of stakeholder groups | Materiality and contribution to SDG. | - | | - | - |
| 102-41 | Collective bargaining agreements | Generation of quality employment. | - | ✓ | 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. | - | | - | - |

| GRI Standard | Disclosure | Chapter | Omission | External verification | Global Compact Principle | Sustainable Development Goal |
|------------------------------|--|---|----------|-----------------------|--------------------------|------------------------------|
| 6. Reporting practice | | | | | | |
| 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 | Materiality and contribution to SDG. | - | | - | - |
| 102-51 | Date of most recent report | Materiality and contribution to SDG. | - | | - | - |
| 102-52 | Reporting cycle | Materiality and contribution to SDG. | - | | - | - |
| 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 verification of the Non-Financial Information Statement | - | ✓ | - | - |

| GRI Standard | Disclosure | Chapter | Omission | External verification | Global Compact Principle | Sustainable Development Goal |
|---------------------------------------|---|--|----------|-----------------------|--------------------------|------------------------------|
| 201: Economic Performance | | | | | | |
| GRI 103: Management Approach | | Generated and distributed economic value. Report for the financial statement. | | | | |
| 201-1 | Direct economic value generated and distributed | Generated and distributed economic value. | - | ✓ | - | 8, 9 |
| 201-4 | Financial assistance received from government | Generated and distributed economic value. | - | ✓ | - | - |
| 203: Indirect Economic Impacts | | | | | | |
| GRI 103: Management Approach | | Corporate governance and ethical compliance. | | | | |
| 203-2 | Significant indirect economic impacts | Generation of quality employment. Business and social innovation. Community engagement. Responsibility for procurement procedures. Operational and customer security. Multiservice post offices for citizens. Parcel services for every need. Boosting e-commerce. Innovation. | - | | 1, 2, 6, 10 | 8, 9, 10, 11 |
| 204: Procurement Practices | | | | | | |
| GRI 103: Management Approach | | Corporate governance and ethical compliance. | | | | |
| 204-1 | Proportion of spending on local suppliers | Responsibility for procurement procedures. | - | ✓ | - | 8, 12 |
| 205: Anti-corruption | | | | | | |
| GRI 103: Management Approach | | Corporate governance and ethical compliance. | | | | |
| 205-2 | Significant indirect economic impacts Communication and training about anticorruption policies | Generation of quality employment. Business and social innovation. Community engagement. Responsibility for procurement procedures. Operational and customer security. Multiservice post offices for citizens. Parcel services for every need. Boosting e-commerce. Innovation. | - | ✓ | 10 | 16 |
| 301: Materials | | | | | | |
| GRI 103: Management Approach | | SDG Alignment Model. | | | | |
| 301-1 | Materials used by weight or volume | Sustainable management. Climate change. Environmental indicators. | - | ✓ | 7, 8 | 12 |

| GRI Standard | Disclosure | Chapter | Omission | External verification | Global Compact Principle | Sustainable Development Goal |
|---------------------------------|--|--|----------|-----------------------|--------------------------|------------------------------|
| 302: Energy | | | | | | |
| GRI 103: Management Approach | | SDG Alignment Model. | | | | |
| 302-1 | Energy consumption within the organization | Climate change. Environmental indicators. | - | ✓ | 7, 8 | 7, 12, 13 |
| 302-4 | Reduction of energy consumption | Sustainable management. Sustainable mobility. Climate change. Environmental indicators. Configuration of the new Rampa 7 international logistics centre. More flexible and sustainable transport networks. | - | ✓ | 7, 8, 9 | 7, 11, 12, 13 |
| 303: Water and effluents | | | | | | |
| GRI 103: Management Approach | | SDG Alignment Model. | | | | |
| 303-5 | Water consumption | Climate change. Environmental indicators. | - | ✓ | 7, 8 | 12 |
| 304: Biodiversity | | | | | | |
| GRI 103: Management Approach | | SDG Alignment Model. | | | | |
| 304-3 | Habitats protected or restored | Circularity. | - | ✓ | 7, 8 | 13, 15, 17 |
| 305: Emissions | | | | | | |
| GRI 103: Management Approach | | SDG Alignment Model. | | | | |
| 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 | Sustainable management. Sustainable mobility. | - | ✓ | 7, 8, 9 | 3, 11, 12, 13 |
| 305-7 | NOx, SOx and other significant air emissions | Environmental indicators. | - | ✓ | 7, 8 | 3, 11, 12, 13 |

| GRI Standard | Diclosure | Chapter | Omission | External verification | Global Compact Principle | Sustainable Development Goal |
|---|--|---|----------|-----------------------|--------------------------|------------------------------|
| 308: Supplier Environmental Assessment | | | | | | |
| GRI 103: Management Approach | | SDG Alignment Model. Corporate governance and ethical compliance. | | | | |
| 308-1 | New suppliers that were screened using environmental criteria | Responsibility for procurement procedures. | - | ✓ | 7, 8 | 13 |
| 308-2 | Negative environmental impacts in the supply chain and actions taken | Sustainable management. | - | ✓ | 7, 8 | 3, 11, 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 | Diverse and inclusive management. Labour indicators. | - | ✓ | 6 | 3, 5, 8, 10 |
| 401-3 | Parental leave | Diverse and inclusive management. 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 | Generation of quality employment. | - | ✓ | 3 | - |
| 403: Occupational Health and Security | | | | | | |
| GRI 103: Management Approach | | Human team. | | | | |
| 403-1 | Occupational health and safety management system | Safe and healthy working environment. | - | ✓ | 1, 2 | 3, 8 |
| 403-2 | Hazard identification, risk assessment, and incident investigation | Safe and healthy working environment. | - | ✓ | 1, 2 | 3, 8 |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | Generation of quality employment. | - | ✓ | 3 | 3, 8 |

| GRI Standard | Diclosure | Chapter | Omission | External verification | Global Compact Principle | Sustainable Development Goal |
|---|--|---|----------|-----------------------|--------------------------|------------------------------|
| 403-5 | Worker training on occupational health and safety | Safe and healthy working environment. | - | ✓ | 1, 2 | 3, 8 |
| 403-6 | Promotion of worker health | Safe and healthy working environment. | - | ✓ | 1, 2 | 3, 8 |
| 403-9 | Work-related injuries | Labour indicators. | - | ✓ | - | 3, 8 |
| 403-10 | Work-related ill health | Labour indicators. | - | ✓ | - | 3, 8 |
| 404: Training and Education | | | | | | |
| GRI 103: Management Approach | | Human team. | | | | |
| 404-1 | Average hours of training per year per employee | Training for new strategic challenges. Labour indicators. | - | ✓ | 6 | 4, 5, 8 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | Talent support and professional development. | - | ✓ | 6 | 5, 8 |
| 405: Diversity and Equal Opportunity | | | | | | |
| GRI 103: Management Approach | | Human team. | | | | |
| 405-1 | Diversity of governance bodies and employees | Talent support and professional development. Diverse and inclusive management. Labour indicators. Community engagement. Corporate bodies of Correos. Corporate bodies of the subsidiaries of the Correos Group. | - | ✓ | 6 | 5, 8, 10 |
| 405-2 | Ratio of basic salary and remuneration of women to men | Diverse and inclusive management. 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 | Responsibility for procurement procedures. | - | ✓ | 1, 2, 5 | 8, 16, 17 |

| GRI Standard | Disclosure | Chapter | Omission | External verification | Global Compact Principle | Sustainable Development Goal |
|---|---|---|----------|-----------------------|--------------------------|------------------------------|
| 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 | Responsibility for procurement procedures. | - | ✓ | 1, 2, 4 | 8, 16, 17 |
| 413: Local Communities | | | | | | |
| GRI 103: Management Approach | | Community engagement. | | | | |
| 413-1 | Operations with local community engagement, impact assessments and development programs | Generation of quality employment. Business and social innovation. Community engagement. Innovation. | - | ✓ | - | - |



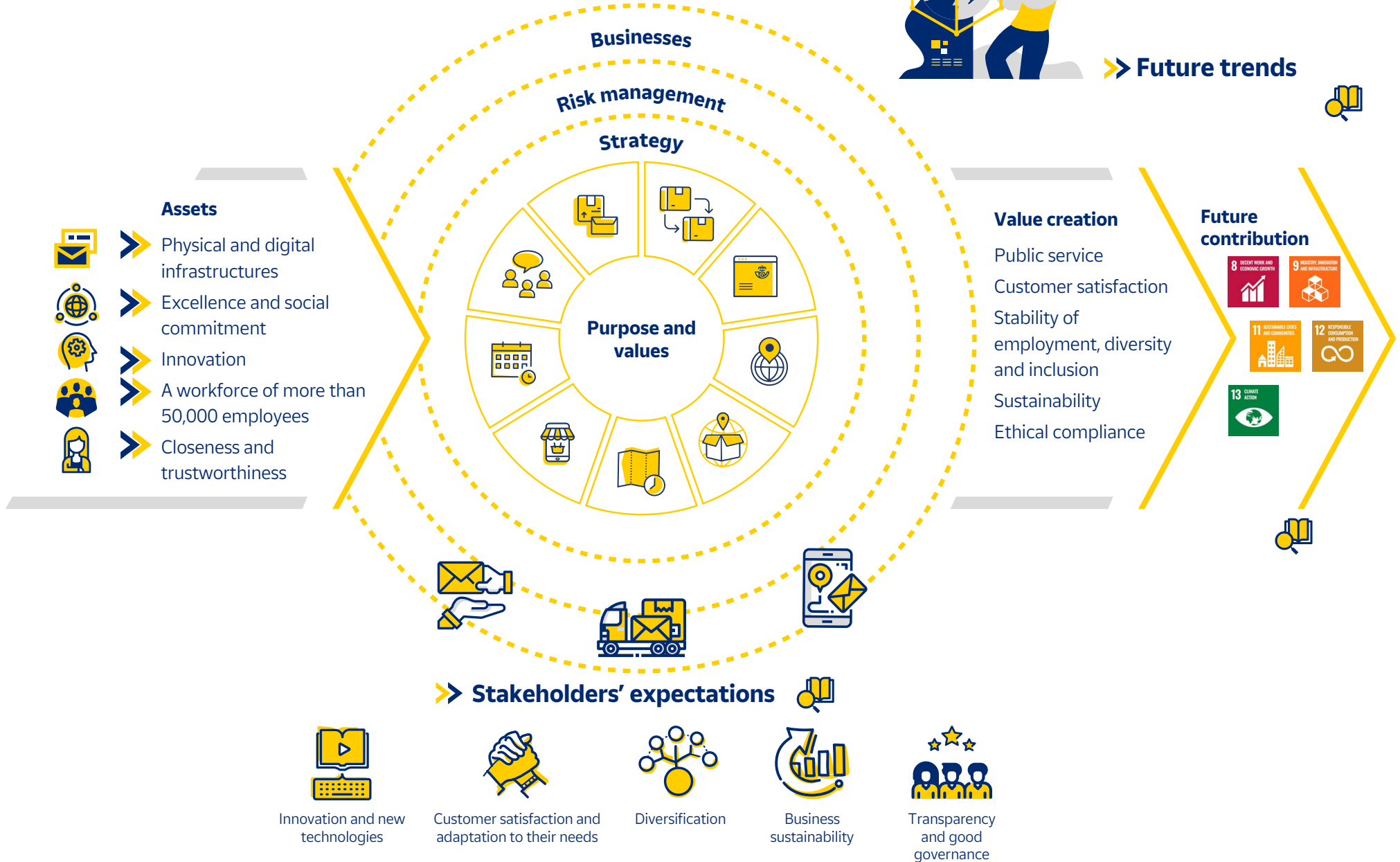
Value chain and business



Business model



➤ Future trends

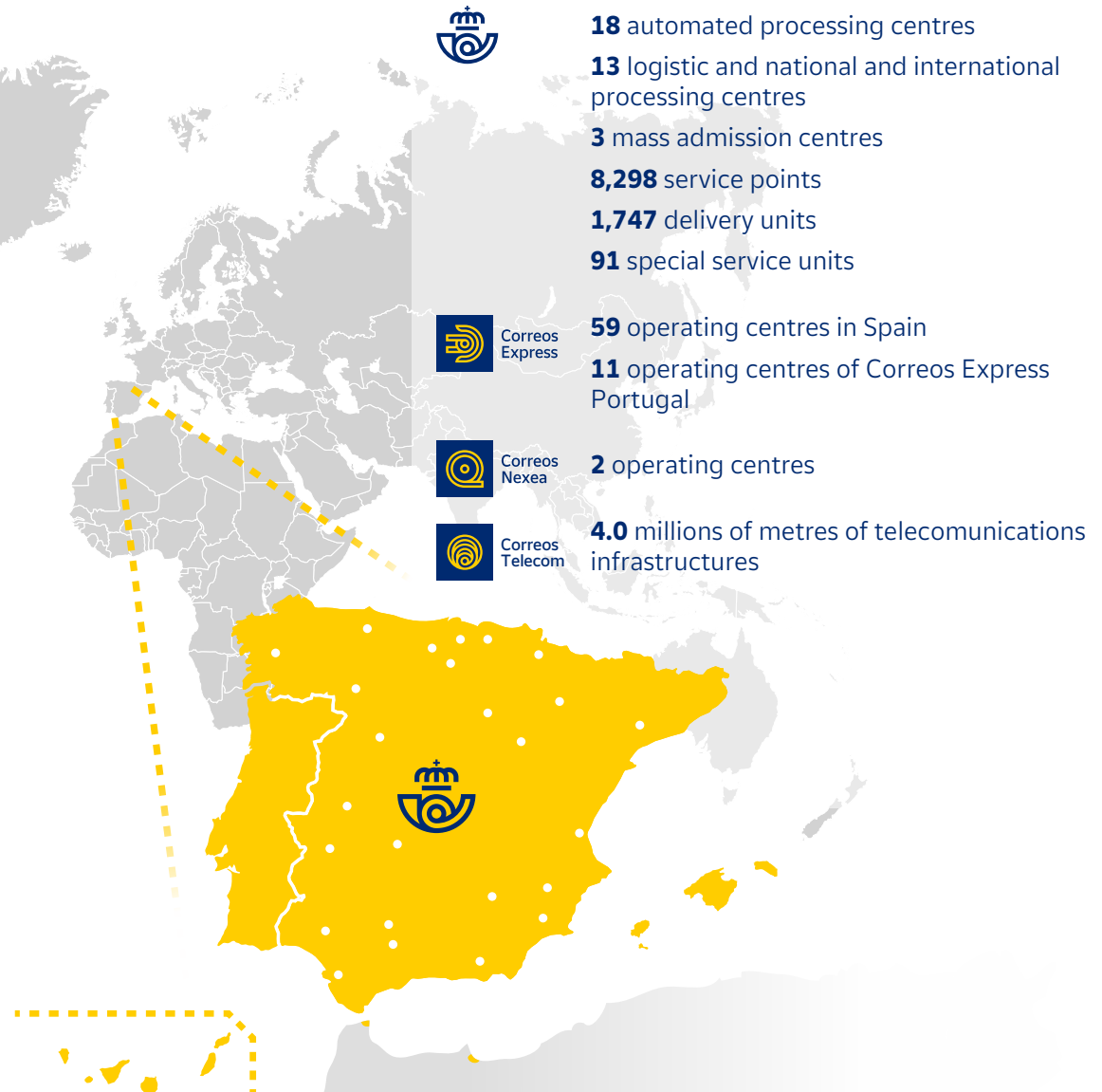


Territorial presence of the Correos Group

GRI 102-4

International presence

ETOE (Extraterritorial Offices of Exchange) in Europe and America
Joint ventures in China



Commercial range of services

GRI 102-2



Global management

- Reverse logistics
- International advice
- Network and international experience
- Customs handling
- At-home currency exchange



Communication solutions

- Mail and registered products
- Bureau fax
- Philately
- Holiday mailbox and post office boxes
- Notifications



Visibility and commercial effectiveness

- Comprehensive direct marketing solutions
- Correos Sampling



Options for e-commerce

- Correos Market
- E-commerce solutions
- Correos online shop
- Correos Modify



Reliability and accessibility of communication

- Digital post box
- Online bureau fax and online telegram
- Time Stamping Authority
- Nexo communication platform
- Telecommunication services



Post offices services

- Prepaid mailing bags and Línea Bosques range of packaging
- Transfer of money
- Correos Cash
- Cash machines
- Payment of receipts and taxes
- Office of Virtual Entity Registration (ORVE)
- Marketing of external basic services
- Sale of train tickets, trips and entry to events
- Environmental badges and formalities with the General Directorate for Traffic
- Sales of charity products



Multiple sending options for parcels

- National parcel delivery
- International parcel delivery
- Urgent parcel delivery and personalised services for companies
- Paq Maleta and Paq Bicicleta
- Returns portal and reverse logistics
- Citypaq network



Payment security

- Prepaid Correos card
- Prepaid Correos gift card



Integration of physical and digital communication



GRI 102-2, 102-6



SDG 9, 11, 12

Correos is the leading company in the Spanish postal market and the designated operator to provide the universal postal service throughout the country. With more than 300 years' experience, supporting daily connections of people and meeting the communication needs of individuals and businesses, it is one of the companies most readily recognised by citizens.

The range of physical communication solutions offered by Correos consists of mail services, registered and express products, books and publications distribution and personalised direct marketing solutions. These services are complemented by digital solutions such as digital letters and postcards or online bureaufaxes and telegrams which can be acquired through the company website or app. Additionally, it offers added values which combine physical and digital attributes, such as electronic proof of delivery or declared value.



Multichannel options of Correos Nexea

In the context of an increasing digitised society and with the replacement of postal communications by new electronic channels, the Correos Group aims to maintain its leadership in postal distribution to all households and businesses, while at the same time providing **products and services that respond to the new needs for multi-channel, immediate, and personalised messages**.

Correos Nexea, the Group's subsidiary specialising in the **global management of the corporate document cycle**, offers a complete catalogue of solutions, ranging from consultancy, design, engineering and document digitalisation to printing, enveloping, custody and certified destruction.

Through the **Nexo platform**, customers can incorporate all their mass physical and digital communications, as well as interacting, through different channels and formats with multiple users, with complete security and traceability. Nexo also facilitates the centralisation of the return of information associated with each of the items, allowing their status and added values, such as content certification, to be consulted at any time for a period of up to 10 years.



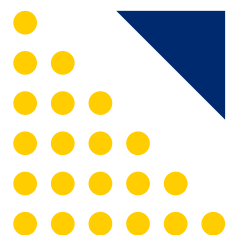
>> Integral solutions for the management of mass communications



Last year, Correos and Correos Nexea made progress in the configuration of an **integrated commercial option for document services**, which includes both the design and consultancy of the document, as well as postal distribution and returns management, with the greatest experience, reliability and security.

In 2021, the most popular services for Correos Nexea customers continued to be the **printing and enveloping of messages**, as well as the sending of bureaufax and personalised e-mails.

Last year Correos Nexea also tackled the **redefinition of its operating structure**, optimising the use of its centre located in Coslada (Madrid) with new layouts and moving into this infrastructure the activities which were until now carried out in Valdemoro (Madrid) centre. At the same time, it moved forward in **the automation and standardisation** of its administrative **processes** and digital document processing.



Philately activity

In 2021 the **Correos philately service celebrated its 75th anniversary**. It was commemorated with the marketing of a folder comprising a sample of the most significant stamps issued during this period.

In the same way, as part of the '*Efemérides*' (Ephemeris) series, stamps dedicated to the 40th anniversary of Civil Protection, and to the 30 years of Ibero-American Summits were issued. The range of **philatelic and numismatic products offered during the year** also included the collections 'First stamps of the 20th century', 'Stamps in the Second Republic', 'Stamps in the Civil War', or the stamp plus coin products, such as the collections dedicated to the '450th anniversary of the Battle of Lepanto' and to 'Emilia Pardo Bazán'. Coinciding with the launch of the latter, Correos and the Royal Spanish Academy (RAE) paid tribute to some of the great figures of Spanish literature of the 19th and 20th centuries with the event **Cartas leídas** (read letters).



One of the products in greatest demand was the postmark which represented the main **routes of the Camino de Santiago**. On the occasion of the *Xacobeo* 2021/2022, Correos joined the celebration with the creation of a postmark dedicated to the Puerta Santa (Holy Door of Santiago Cathedral), which will be used in the main post office of Santiago de Compostela until 31 December 2022.

Books of stamps dedicated to the Cathedrals of Spain and the 80th anniversary of the Madrid Hippodrome were also published, as well as the annual issue of '*Valores en el Tiempo*' (Values in Time), to which the new product of Tusello postcards was added.

As in previous years, Correos continued to support philatelic collecting, with its participation in **fairs and exhibitions**, such as EXFILNA (in Lugo) or JUVENIA (in Oviedo), and with the **8th edition of the National Stamp Design Competition**, Disello. Its theme in 2021 ('a stamp for those who look after us') invited participants to show appreciation for the people who looked after society during the COVID-19 pandemic. The winning designs, which were made into real stamps, were presented in Segovia and Valencia. Healthcare was also present in the travelling exhibition 'Philately and Health'.

In addition to this, Correos continued issuing **charity stamps**, last year dedicated to ACNUR, to the High Commissioner against Child Poverty, and to the fight against cancer (in the figure of the deceased singer Pau Dones), which included QR technology.

In the latest line of **incorporating innovative techniques in the printing of stamps**, the stamp dedicated to the 80th anniversary of RENFE used dies that imitated a locomotive. As well as this, stamps were made with a **rose fragrance, manufactured in leather, and in polychromatic silver**, and a chalcographic stamp was issued for the first time, paying homage to tattoos.



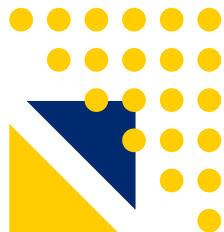
Multiservice post offices for citizens

 GRI 102-2, 203-2

The positive evaluation of the post office network by citizens demonstrates its importance in **guaranteeing access to the public service** and its notable **contribution to territorial cohesion and the economic development** of people and businesses, **both in urban and rural areas**.

Extending the post office offer in rural environments

The post office network has services especially adapted to the needs of a rural environment. In order to bring options even closer to citizens, since last year rural delivery professionals have been **offering most of the products and services available in the post offices at home, without the need for the customer to visit the post office**, using their PDAs.



➤ People served by the Correos rural services can access in their own home services such as:



Postal products

- Prepaid envelopes
- Standard tracked letters
- Stamps
- Flat rate parcel services (envelopes and boxes)
- Envelopes and packaging
- Postal money orders



Citizen's services

- Payment of bills and taxes
- Correos Cash
- Purchase environmental badges of the General Directorate for Traffic and management of duplicate driving licences



Diversification

- Train tickets and tickets to shows
- Currency exchange
- Lottery

In 2021 **around 22,000 PDAs were renewed with new features** which improve delivery services. These devices also included a nationally pioneering innovative technology, which allows customers

to **pay for their services with a bank card or smartphone on the PDA itself** of rural delivery employees. The function will be extended to the entire delivery network from 2022.

After this update, at the end of the financial year Correos has 25,915 PDAs to carry out processing or delivery operations.

Correos Cash and other financial services

According to a study by the *Banco de España*¹, around 1.3 million citizens have difficulty accessing cash. However, the entity stresses that, thanks to their capillarity and agreements with various banks, Correos post offices can be complementary access points for these cash services, **providing solutions to the financial exclusion** of part of the population.

1. Banco de España (August 2021). 'Infraestructura del efectivo y vulnerabilidad en el acceso al efectivo en España'.

Contribution to the elimination of the financial gap



> Close to 8,300 service points

> Extended timetable



Money in cash



Bank money orders



Remittance

As such, post offices can carry out monetary transactions, **money orders** (domestic or international) and immediate despatch of remittances. In addition, the Correos Cash service allows any person to carry out basic financial operations, such as depositing or withdrawing money, as well as delivering money to any home in the country, using delivery employees.

This solution is available for customers of the six participating financial institutions (Banco Santander, Ibercaja, Evo Banco, Banco Mediolanum, Triodos Bank, and Bancofar). The success of Correos Cash since its launch is reflected in the fact that in 2021, **more than 103,000** cash deposits and withdrawals were made, **185% more than in the previous year**.

CorreosCash

- >> Cash deposit
- >> Cash withdrawal
- >> Cheque management



Cash machines in small towns

The installation of **cash machines** in Correos post offices is another of the initiatives undertaken by the company to improve the lack of banking services in rural environments. The aim is to allow citizens to perform not only cash deposit and withdrawal operations, but also to pay receipts and taxes to the corresponding government body.

In 2021 Correos installed 129 cash machines in towns with less than 3000 inhabitants that did not have a bank office, **spread over 90% of Spanish provinces**.

The initiative will expand with the launch of new cash machines over the next five years, which will be located based on agreements from local and regional governments.



Government services

Correos aspires to become a connecting link between the government and citizens, providing a wide range of public services and enabling numerous processes to be performed using its post offices.

To this end, it maintains more than **150 agreements with government bodies, institutions, organisations and public companies**. In 2021 the Tax Agencies of the Autonomous Community of Andalusia and Castile-La Mancha, the Generalitat of Catalonia and Valencia, the Provincial Councils of Zaragoza, Soria, A Coruña, Lugo, Ourense, Pontevedra, Almería and Ávila, Suma Gestión Tributaria of the Provincial Council of Alicante, the city councils of Málaga, Cuenca, Cartagena, Granada, Vigo and Alcalá de Henares, and a multiple agreement with the Autonomous Community of Aragón, among others, were incorporated.

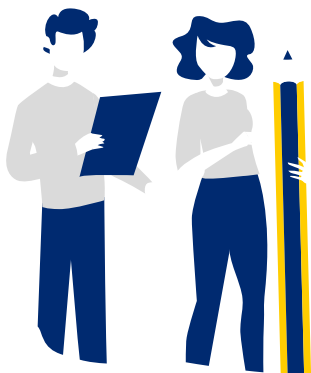
Tax payment facilities

These agreements attempt to facilitate access to basic public services, especially in areas with lower population density. Through them, the company manages the **payment of municipal and regional taxes and fees**, using Correos Pay, a solution through which, in 2021 around 11 million euros were collected for the different government bodies.

One of the most recent agreements reached in this field is with the Tax Agencies of Catalonia and Andalusia, for the payment of Vehicle Transfer Tax. In the case of Andalusia, taxpayers can also complete the application and payment of certificates issued by the tax authority (income, debt and inheritance) as well as other autonomous fees.



>> Citizens' services



- >> ORVE: digitised documents to public administrations
- >> Taxes payment
- >> Sale of environmental badges of the General Directorate for Traffic
- >> Telephony services
- >> Electricity and gas services
- >> Electronic certificates for businesses

One-stop shop for administration

With the service of the **Virtual Registry Office for Entities (ORVE)**, citizens can **send digitalised documents to the registries** of the General Administration of the State, the National Tax Administration Agency, the Autonomous Communities and more than 1,100 subscribing local bodies. In the previous financial year close to 189.000 operations were carried out through ORVE, 4% more than in 2020.

In addition, the post offices facilitate the obtaining and renewal of **qualified electronic certificates for companies**, in collaboration with the *Fábrica Nacional de Moneda y Timbre* (National Mint).

Collaboration with the General Directorate for Traffic

Post offices market the **environmental badges** of the General Directorate for Traffic and process other documents such as the **duplicate driving licences** and **vehicle reports**.

In 2021 the delay in the implementation of low emissions zones in populations of more than 50,000 inhabitants, due to the pandemic, had an impact on the sale of these badges. However, the increase in applications for vehicle reports and duplicate driver's licenses was noticeable. In total, in 2021 more than 340,000 operations were managed for this body.



Diversification of services in post offices

The catalogue of services in post offices also includes the **payment of invoices from utilities** and insurance companies, and the promotion of their services (electricity, gas, insurance or telecommunications), whose demand grew by 40% in 2021, with new agreements with different companies.



Advertising space for SMEs in Correos post offices

At the end of the financial year, the company installed 1000 new panels in 450 post offices distributed throughout Spain, to **market advertising space**. With this coverage, any business can potentially access around 60% of the customers who visit the post office network every day (almost 90 million by 2021).

Thanks to its simplicity and a flexible contract, this service is accessible to SMEs and the self-employed as a promotional tool for their company within their frame of reference, either local, regional or national. In addition, it is easy to measure the impacts and return of the investment.

Improve customers' experience in post offices

In 2021, the new functionalities incorporated PDAs made it possible to speed up admission in post offices by allowing customers to be served in the lobby of these establishments at peak times, as well as to test a new system of 'chaotic management' in the warehouse.

The latter mode allows for a seemingly random allocation of locations for postal and parcel items, but with a better use of available space at any given time. This allows for the **optimisation of admission and delivery** in the post office, better automation and control of processes, as well as a **better customer experience**. Last year its application was observed in 7 post offices, one in each of the territorial areas of the company.

Parcel services for every need

GRI 102-2, 102-6, 203-2
 SDG 8, 9, 17

The evolution of the parcel market, influenced in recent years by the increase in online shopping, especially in the aftermath of the pandemic, has required operators in the sector to adapt their operational capacities and networks to the growing demand.

The investments made by the Correos Group in 2021 to adapt its infrastructure to this new context were aimed at **improving operational and energy efficiency**, security, accessibility and customer service, while at the same time **developing new lines of business**, which will enable it to make progress in the objective of diversifying activity.

Configuration of the new Rampa 7 international logistics centre

GRI 302-4

At the end of 2021 the company began the final phase in the construction of the **Rampa 7 international processing centre** and the installation of sorting equipment with the **latest technology for the management of the loading, tracking and control of items**.

This new equipment, with capacity to manage up to 20,000 items/hour has 3 integrated subsystems for the automatic classification of packages and trays, the processing of small packages (the most common format for e-commerce items)) and the classification and storage of sacks. This will automate all processes at this centre, from the unloading of air freight

containers to the sorting and routing of volumes to their delivery destination.

Rampa 7, located in Adolfo Suárez Madrid-Barajas airport, and planned to open in 2022, is intended to host inbound operations. With a surface area of more than 12,500 m², this installation also has a system for processing air freight and a storage and customs management area, with capacity for close to 50,000 parcels.



In addition, it is a **sustainable building**, whose energy needs are met with photovoltaic panels and geothermal energy. It also has a cistern for the reuse of rainwater and its roof allows for the control of solar radiation and natural lighting, by means of skylights and curtain wall louvres.

With this project, Correos anticipates an increase in international business over the coming years and **advances in the configuration of an Asia-Europe-Latin America logistical base, as part of its internationalisation objectives.**

Adapting operations to the new European context

In light of new European regulations, on the 1 July 2021 **VAT exemption was abolished for all goods from non-EU countries**, irrespective of their value, which from that date require customs clearance.

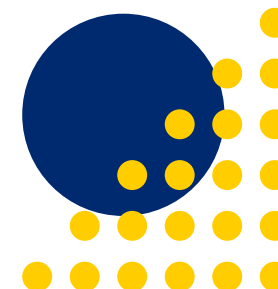
Since the beginning of the year, Correos started to transfer the information on these goods, electronically collected in advance by the postal operator in the country of origin, to Spanish Tax Administration Agency. This **exponential increase in the volume of transactions for customs management** required the automation of many management and sorting processes of inbound volumes.

In addition, thanks to technological improvements in the Correos app and PDAs of delivery professionals, it was possible to offer clients the option to pay customs duties at home, easily and quickly. These devices were also incorporated into the Madrid-Barajas international processing centre to support the management of customs duties collection.

On the 1 January 2021 the **United Kingdom's exit from the European Union** became effective, which required significant changes in customs operations. Correos implemented simplified processes for customers with commercial ties with this country, thus **enabling their international trade activity to continue.**

On the other hand, with the aim of supporting the new exchange office in Barcelona, where all outbound volumes admitted in Catalonia are processed, transport routes were adapted to enable its direct exit from Prat airport.

As a consequence of the pandemic, international air transport has been under notable tension since 2020 due to lack of capacity, elevated costs and the lengthening of transit times. This situation was present in the last financial year, in which Correos awarded additional international air transport contracts to complement their options.



International coverage

Correos is present in Asia through its **subsidiaries KCG eCommerce Solutions (located in China), and K-parcel (located in Hong Kong)**. Last year, the latter expanded its reach to new countries and increased agreements with customers, mainly consolidators and e-commerce platforms that send volumes to their end consumers in Europe. Since 2021 K-parcel has also directly provided services to Correos Express Portugal.

The company **complements its international coverage by joining various alliances**, such as the Kahala Post Group, made up of postal operators in Europe, America and Asia, or by collaborating in the Interconnect network, within the International Post Corporation, whose purpose is to promote transnational e-commerce between signatory countries. Through its participation in Interconnect, Correos experienced a growth in demand of 5% last year for International Standard Parcel to Europe.

In order to facilitate cross-border e-commerce, **the company extended the availability of the International Paq Return service** (for reverse logistics between countries) **to more countries**.

More flexible and sustainable transport networks



In 2021 Correos established new Framework Agreements for the contracting of air and sea freight services between the mainland and the Canary Islands, incorporating new schedules. This enables greater operative flexibility, optimising the processing capacity in destination sorting centres and increasing delivery quality.

In addition, the company **advanced in the implementation of a more sustainable transport model** through:

- The **majority use of ECO vehicles in the hiring of external national road transport** services. Thus, of the new overland routes awarded in 2021, more than 95% were ECO (95% by trailer, 99% by small lorry and 97% by van).
- The reordering of routes to move towards a model based on **less urgency** and, therefore, **less environmental impact**.



Tailored services

Correos offers services in response to the specific needs of their customers. In this sense, the company has become a trusted corporation for pilgrims who visit the **Camino de Santiago** every year, for its offer of luggage transport and parcels and the website www.elcaminoconcorreos.com, which offers advice for planning and carrying out their journey.

On the occasion of the celebration of *Xacobeo* 2021/2022, this website (which received nearly 2 million visits in 2021) incorporated an accommodation search engine, with information on more than 4,000 hostels, guesthouses and hotels available on the ten most popular Jacobean Routes.

The **services aimed at pilgrims** include:

- **Paq Mochila**, for the transport of backpacks and suitcases between the stages of the *Camino*, which can be booked online via www.paqmochila.com (available in 9 languages), which included a system of traceability and luggage pick-up and drop-off notification (in the same morning).
- **Paq Peregrino**, for sending parcels and luggage to any Correos post office on the *Camino*, where they will be available for collection for up to 45 days.
- **Paq Bicicleta**, for the transport of bicycles to beginning or end of the route, and offers especially adapted packaging.

- The left-luggage service at the main post office in Santiago de Compostela (in Rúa do Franco), which in 2021 served more than 9,000 people and offered new philatelic and merchandising products related to the *Camino*.

Efficient delivery with Citypaq

The network of Citypaq smart lockers allows customers to collect, send and return parcels and online purchases whenever it suits them, due to their accessibility and 24/7 availability.



Parcel admission at Citypaq

In 2021 the company launched a **new service**, which allows for the **deposit of domestic parcels or returns in the Citypaq lockers**, located in the post office network, without the need to attach a printed label.



This functionality streamlines admission for the sender and offers them full time availability, allowing them to manage the **deposit directly through the locker screen**, as well as **pre-booking the space on the device**, via the [web](#) or the mobile app.

Its positive reception, together with the 171% increase in deliveries from incorporated shops, led to a 12% increase in deliveries through the Citypaq network and a **123% increase in the number of registered users**.

Expansion of the network in post offices

In addition, the Citypaq network was expanded into post offices, installing lockers in more than 250 of them, eliminating the need to go through the counter for admission and delivery. This solution complements the opening times of the post offices, as the majority of the terminals are accessible for 24 hours a day. During 2022 the service expanded to more than 500 locations.

Matching demand and operational processes

Following the increase in demand for this type of collection and in order to improve operations, last year the entire range of lockers were reviewed, reducing the number of locations in order to **prioritise locations with greater capacity and optimise the density of the network**.

Express parcels for the Iberian market

Correos Express is the Group's subsidiary specialised in offering tailor-made solutions for **urgent B2B and B2C deliveries**, to any national and international destination, with guaranteed delivery times.

In 2021, the subsidiary continued to develop its modernisation programme, which includes the **expansion of its centres** throughout the territory, as well as the **automation of its entire processing operations**, in order to adapt its capabilities to the sharp increase in demand for parcel services, driven by e-commerce.

During the past financial year, Correos Express added a **new centre** in Badajoz and **expanded the operational surface area of the centres** in Alicante, Ciudad Real, Huelva, Las Palmas de Gran Canaria, León, Lleida, Palma de Mallorca, Pamplona, Santa Cruz de Tenerife, and Santiago de Compostela.

It also added new intelligent systems and **automated sorting equipment** at the Algeciras (Cádiz), Benavente (Zamora), Bilbao, Córdoba, Ciudad Real, Lleida, San Sebastián, Tarragona and Zaragoza centres, and increased the processing capacity of the Granada and Vigo facilities.



>> Development of the modernisation plan in 2021

● New centres

- Badajoz

≡ Expansion of centres

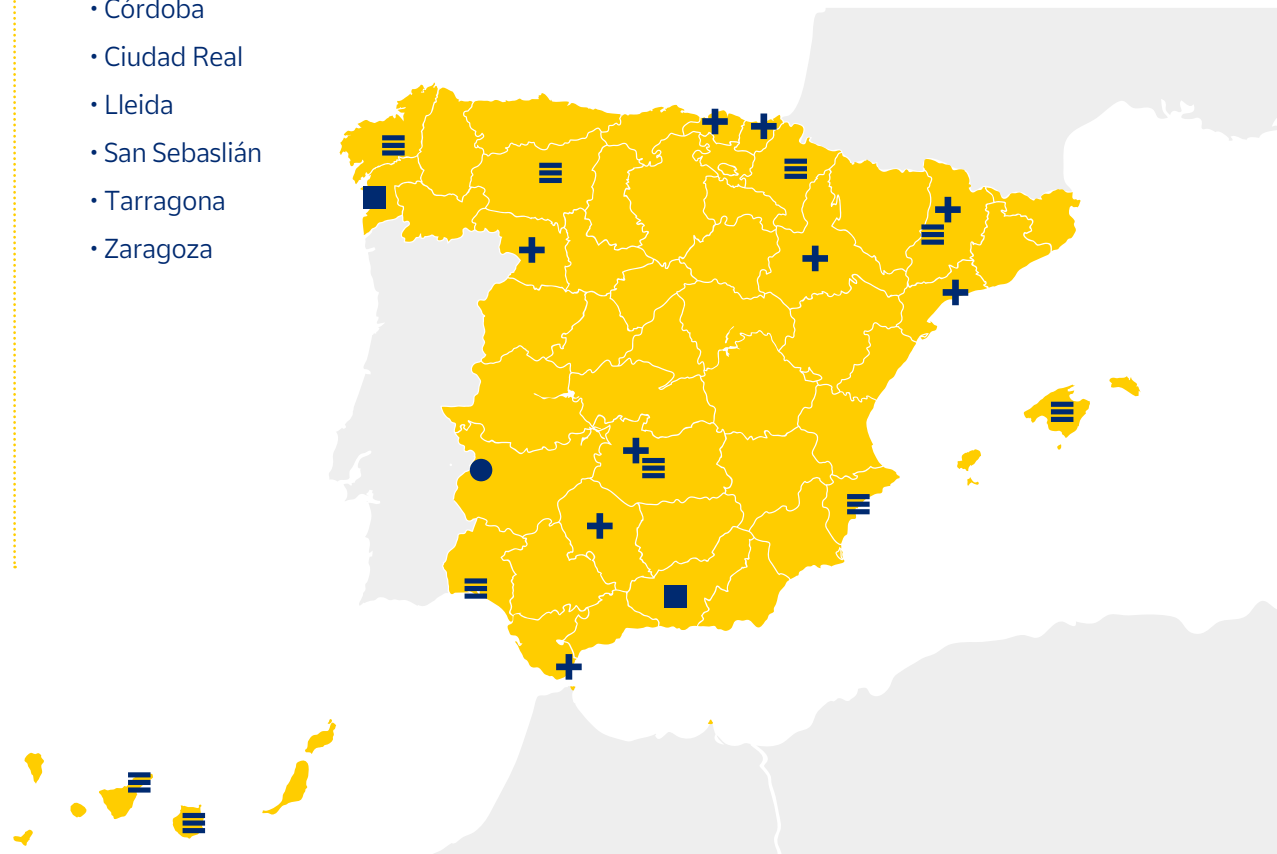
- Alicante
- Ciudad Real
- Huelva
- Las Palmas de Gran Canaria
- León
- Lleida
- Palma de Mallorca
- Pamplona
- Santa Cruz de Tenerife
- Santiago de Compostela

+ New processing equipment

- Algeciras
- Benavente
- Bilbao
- Córdoba
- Ciudad Real
- Lleida
- San Sebastián
- Tarragona
- Zaragoza

■ Increased sorting capacity

- Granada
- Vigo



These updates allow parcel processing capacity to be expanded, as well as the area for loading and unloading in these facilities, which allowed for the scaling up of the network to meet growing demand.

In 2021 Correos Express also began to offer transport services with 24 hour delivery to companies which sell through Amazon (Amazon Merchant Fulfilment Network), **expanding its customer base in the e-commerce sector**.

Last year some Correos facilities were upgraded to integrate sorting activities of its subsidiary Correos Express, such as the automated processing centres in Alicante, Las Palmas de Gran Canaria, Mérida, Palma de Mallorca, Santa Cruz de Tenerife, Santiago de Compostela, and the postal processing centre in Pamplona.

Activity in Portugal

Correos Express is present in Portugal through the 11 centres of its subsidiary **Correos Express Portugal**, specialised in the **domestic express transport of light parcels** (with small dimensions), particularly aimed at the e-commerce sector. In this way, both companies allow Correos Group to provide comprehensive and unified express services throughout the entire Iberian Peninsula.

As in other countries, the pandemic boosted the **expansion of Portuguese e-commerce**, which is **expected to be even greater in the coming years**. In addition to the increase in volumes generated by this e-commerce evolution, there is also a predicted increase in parcel flows between Portugal and Spain and at a national level.

In response to this increase in activity on the Iberian market, Correos Express Portugal opened **new centres** in Viseu and Braga and **directed investments** to strengthen B2B and B2C operations. The subsidiary equipped its delivery staff with new PDAs and added new scales and processing equipment to its centres to increase the automation, traceability and efficiency of the admission and sorting processes.



Boosting e-commerce

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

Correos promotes the digitalisation of companies regardless of their size or sector, through its diverse **e-commerce solutions** such as Create Online Store, Create a *Website*, *Marketplaces*, and Create an App.



It also promotes **agreements with associations and government bodies** that wish to help local businesses to sell on the Internet. In 2021 Correos signed new agreements with entities such as Viladecans town council, the Sierra de Cazorla Association for Rural Development, the Rural Development Group of *Subbética Cordobesa*, and Las Rozas Innovates, among others, **to support small businesses and the self-employed in the creation of digital solutions and e-commerce** to allow them to be more competitive.

These companies can also count on the entire range of Correos and Correos Express parcel services, to meet all their delivery needs in a simple and comprehensive way, **transporting their products to any national or international destination**.

The Correos app also allows traceability of parcels or location of the closest post office or Citypaq locker. Last year new functions were incorporated such as **requesting an appointment in post offices, recording items for admission in post offices or managing customs procedures for low-value parcels** from any mobile phone. With the Correos Modify app, it is also possible to modify the delivery address or choose a date or timeslot for alternative delivery.

The company also enables secure payment of physical or digital purchases, as well as cash withdrawal at cash machines and post offices, using its Correos **prepaid cards**. Since 2021 the Correos Prepaid Mastercard has allowed businesses to have a linked card for their employees, as well as configure the type of use, payment limits and access through the app



Options for e-commerce

- **Selling on marketplaces**
- **Correos Market**
- **Prepaid cards**
- **Create Online Store**
- **Create a Website**
- **Create an App**



Correos Market and Correos online shop

Correos Market is the Correos e-commerce platform, which **promotes the sale of Spanish products**. This *marketplace* offers a channel for marketing and visibility for domestic producers, as well as a distribution network with the best coverage, to allow them to reach any destination in Spain or Portugal.

At the end of 2021 it had 51,771 registered users and **1,231 sellers** who offered more than 14,500 different products distributed among 7 categories (food, drink, artisan products, fashion, home and health, beauty, and technology). Last year a **new app for mobile phones was also created**, which facilitated the search and purchase of products and order tracking.

Correos Market responds to the **commitment of the company to promoting domestic businesses** and contribute to **providing solutions to the demographic challenge**. Along these lines, Correos participated in the National Fair for the Repopulation of Spain PRESURA 2021, in which it reaffirmed its support for the rural world, providing services and boosting the local economy. On the other hand, through Correos Market the company

undertook different actions for charity such as the sale of t-shirts with the image of the singer Pau Donés to help raise funds for cancer research.

Correos Market not only helps producers to market their products, but also to facilitates their easy access for those who can best appreciate their quality: chefs. Thus, in 2021 Correos awarded **grants to young chefs** who were furloughed and belonged to the gastronomic associations Euro-Toques and Facyre, to attend the *Madrid Fusión* Global Gastronomy Congress.

The company also has its own e-commerce channel, the online shop  which markets stamps, packaging, philately products and merchandising, gifts and postal services for individuals and businesses, with home delivery, delivery to a post office or to a Citypaq locker.

Last year the online shop achieved sales worth over 1.5 million euros, with more than 200,000 registered users and around 10 million visits.

>> Correos Market in numbers



New logistics businesses

GRI 102-2, 102-6

Correos Cargo, new air capacity for e-commerce



At the beginning of 2022 the company presented Correos Cargo, the **new cross-border air freight service**, which is intended to respond to the increase in parcel services demand due to the rise of global e-commerce.

With this activity, Correos attempts to strengthen the Spanish economy, taking advantage of the strategic location of the country as a logistical base between Asia, Europe, Africa, and South America. To this end, the company will offer its subsidiaries in China, KCG eCommerce Solutions and K Parcel, to process and transport parcels originating in China.

Correos Cargo will operate the **route Madrid - Hong Kong - Madrid six times a week**. Prior to the start of its commercial operation, Correos Cargo's inaugural flight was destined to transport food to Poland for Ukrainian refugees in that country.

Correos Frío, solutions for refrigerated transport



At the beginning of 2022 Correos also launched its new business line Correos Frío, for the **transport of temperature controlled goods**. This logistical solution is aimed at meeting the needs of the businesses and individuals that must have a guaranteed cold chain for the correct preservation of their pharmaceutical or food products.

The service uses **isothermal boxes with sensors and IoT technology** to monitor the temperature or humidity conditions of shipments, offering end-to-end traceability in real time, and

providing maximum reliability and assurance of cold chain control. Correos also incorporated **isothermal low emission vehicles** to its fleet, with the aim of making progress in the configuration of more efficient and sustainable logistics. Likewise, the packaging used in Correos Frío are reused within the logistics circuit, showing commitment to sustainable consumption and management.

Correos Frío offers specific solution for business sectors in which this type of transport is of great importance such as pharmaceuticals, health and food.



Telecommunication services

 GRI 102-2, 102-6

Correos Telecom, as the subsidiary responsible for the construction and marketing of the surplus capacity of the Correos Group's telecommunications network, offers **high-capacity connectivity, rental of linear infrastructure** for the laying of **dark fibre cables** and rental of **sites for telecommunications** and radio broadcasting equipment. Through this, it facilitates the extension of other operators' mobile and landline coverage in areas of low competition, contributing to the reduction of the digital divide in these zones.

In 2021, the **growth in demand for rental services** continued, so the subsidiary increased revenues from this line of business by 6.0%, especially from infrastructure rental, with an increase in turnover of 14.6%.

This positive evolution was mainly due to new contracts signed with other operators for the **placement of FTTH head-end deployments in Correos post offices** nationwide, and the arrival of new international customers, who demanded fibre optic backbone networks.

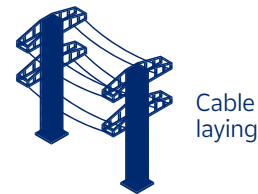
As part of the **fibre optic marketing** activity, in 2021 Correos Telecom completed the project to extend the Almería-El Ejido backbone network, which will support the development of the FTTH networks of one of the main operators in the market.

At the end of the year the roll out of a fibre optic backbone network between Madrid and Somport (France) will be initiated, with outlets at different points along the route to the post offices, where signal regeneration points are located, acting as local nodes.

➤ Construction and marketing of the Correos Group's telecommunications network

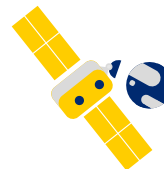


Linear infrastructure connectivity rental



Cable laying

Site rental



Telecommunication equipment



Dark fibre



Radio electric emissions

The company also completed the fibre optic connection up to the Peña Cabarga tower (Cantabria), necessary for the roll out of the 5G network.

In 2021, one of the leading international operators of neutral data centres began construction of its fourth centre in Madrid, **awarding Correos Telecom the 20-year management of fibre optic communications** between its four facilities in the capital, in order to guarantee high availability of the connections between them.

New mobile phone and fibre internet services

Last year the subsidiary began the **marketing of new mobile phone services as a virtual operator**, as well as joint fibre and phone bundles, initially aimed at Group employees and their friends and family.

At the beginning of 2022, these services began to be marketed through the post office network, and during the year they are expected to be extended to the general public, with differentiated offers for each customer segment, and the incorporation of new value-added services, such as television.

Telecommunication support for Correos Group

Correos Telecom also provides **technical support for the other companies in the group**, in 2021 contributing to the following technological projects:

- Control of the contracting of voice, data, fixed and mobile telephony, internet access and support **services for the Group**.
- Pilot project for **connectivity in rural post offices** through Hispasat satellite connection.

- Migration from IP telephony to a softphone solution.
- Acquisition of the equipment and services necessary for the deployment of the **communications network in the Rampa 7 centre**.
- Evolution of network connection that allows **operation of the Citypaq** lockers and activation of new terminals in the post office network.
- Integration of the new digital advertising panels into the post office communications networks.
- Increasing the capacity of Internet communications and connections to public clouds, as well as optimising bandwidth management policies at the core of the network, for user systems and devices and business applications.
- Adaptation of the communications networks and IT infrastructures in the five buildings to which the professionals of the Madrid headquarters were transferred.
- Revision of the design of communications networks and infrastructures of the operating centres shared by Correos and Correos Express.
- Start of the progressive **migration of mobile phone lines of companies of the Group** to the services of Correos Telecom.



Innovation

 GRI 203-2, 413-1
  SDG 9

The open innovation model that Correos has been applying for years allows it to combine the company's internal experience and strengths with the technology, agility and talent offered by the national and international entrepreneurial ecosystem. Through this, it is possible to respond to the innovation needs of businesses and customers, exploring new sectors, products and services, as well as integrating emerging technologies which allow the optimisation of internal processes.

The Correos ecosystem for innovation

CorreosLabs is the **Correos centre for innovation**, a multidisciplinary workspace where, through individual activity or collaboration with other companies, creativity and knowledge exchange is encouraged. It is conceived as an ideas incubator, in which to experiment and develop alternative business models, with a complete range of facilities and technological means.

Every year, CorreosLabs hosts the development of the business projects selected in the '**Lehnica Challenge**', the company's acceleration programme, which aims to promote proposals that facilitate the improvement of operational processes or the development of innovative products or services.

The companies participating in this initiative receive a financial contribution, a space to work and collaborate with other entrepreneurs, training, as well as internal and external coaching and mentoring for one year.



➤ The overall aims of 'Lehnica Challenge'



To make a joint contribution of **value to the market**, through **new products or services**



To develop **new lines of business**



To generate **long-lasting collaborations** with new companies.



To promote **Spanish businesses**



Thus, in July 2021, the acceleration process of the last four winning companies of the third edition concluded. Since its launch, **the Lehnica Challenge has supported 14 startups**.

The company has continued to collaborate with many of these entrepreneurs after the end of their acceleration experience, ensuring the continuity of their business projects. In the last financial year this cooperation generated the following **success stories**:

- All read Machine Learning (which detects, reads, and digitises texts, codes, and symbols in supply chains using a solution based on *deep learning*) took up the challenge proposed by Correos to **improve the efficiency of automated reading of postal codes** in different parcel flows. The results from the pilot study showed a reduction, by more than half, in reading errors during the process, making the classification process more agile.
- Mooevo (specialised in sustainable mobility and focused on the ergonomics and health of urban postal delivery employees) along with the company developed a **new model of assisted post trolley, with an electric mobility platform** attached, reducing the human effort, optimising delivery routes and using zero emissions energy.



>> Correos innovation space



>> Encouraging innovation

- Expansion of CorreosLabs to different Autonomous Communities and opening up to customers
- Community of open innovation
- Partnership with the High Commissioner's strategy Spain Entrepreneurial Nation

>> Headquarters of Lehnica Challenge

- Emerging technology
- Logistics
- Public services
- Social and environmental innovation

>> Collaborative projects

Training and entrepreneurship

- Training and entrepreneurship
- Correos Chair at the University of Alcalá de Henares
- SIBA project: autonomous post boxes with IoT
- Optimisation of logistical operations

Smart urban logistics

- European **SENATOR** project: smart logistics management
- **FOODRUs** project: controlled temperature food transport

Drones for transport of goods

- Applicability of 5G to the control of drones
- European DELOREAN Consortium: Urban transport with drones

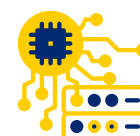
>> Driving new business models

Sustainable mobility

- Evaluation of prototypes of:
 - High capacity 3 wheeled motorbikes
 - Isothermal vehicles
 - Assisted delivery trolleys
- European ECO-GATE project: transport with CNG
- Correos Express Miio Programme for urban delivery

Artificial intelligence and digital ecosystems

- AI delivery prediction
- Voice assistant for the Correos Express app
- Gaia-X initiative: interchange of secure data



Other updates carried out in 2021 in the field of entrepreneurship and encouraging innovation included:

- **The implementation of CorreosLabs spaces** in the buildings of the Public Business Corporation of Navarre or the CIDE (Centre for Innovation and Business Development) Segovia. This expansion of the model will continue over 2022.
- **The mentoring, dissemination and promotion** of innovation in the university environment and the public sector, with participation in activities promoted by Fundecor, Gigas for School, and the Autonomous Community of Andalusia, and through the **'Friends of CorreosLabs'** framework, in collaboration with various companies and programmes.
- Participation as an **official partner in the strategy** of the High Commission **Spain Entrepreneurial Nation, and collaboration with the Hubin Galicia** acceleration programme.
- **The sponsorship of innovation events** such as Spain Startup (South Summit) and Startup Valencia (Digital Summit Valencia).

Since 2021 the company has also promoted innovation and talent in the Spanish public business sector through its participation in the **GERMINA CAPITAL SEPI fund**, set up by SEPIDES. This investment instrument aims to support entrepreneurship, in the different phases of the life cycle of companies, with projects focused on Artificial Intelligence, Internet of Things (IoT), virtualisation, robotisation, networks of the future, information technologies and sustainable mobility.

Collaborative projects for the development of innovation


Correos participates in diverse initiatives, both nationally and internationally, in which, along with other companies and bodies, they drive the research and development of new technologies and innovative processes applicable in the sector.

The actions undertaken in 2021 were focused on the following fields:

Drones for freight mobility

- The European DELOREAN (Drones and Egnss for LOW aiRspacE urban mobility) consortium, within the framework of the Horizon 2020 programme, aims to develop services for the efficient and sustainable **aerial mobility of people and freight using drones**. The company is involved in developing operations for parcel delivery and assessing navigation requirements for drones in urban environments. 
- Correos is collaborating in a project for the **development of 5G**, promoted by the Ministry of Economic Affairs and Digital Transformation, in collaboration with Red.es and Telefónica, with a use case for the **improvement of drone air traffic control** in urban environments using this technology.

Artificial intelligence and digital ecosystems

- The GAIA-X association in which Correos and Correos Telecom participate is a European initiative for the creation of a federated and open data infrastructure.  Based on transparency, sovereignty and interoperability, it aims to ensure secure exchange and foster the creation

of open data spaces to promote the **data economy**. The initiative comes within the Spain Digital Agenda 2025.

- The company develops diverse projects using Artificial Intelligence for **delivery prediction**.
- Since 2021 the mobile app for customers of the Correos Express subsidiary has included **voice assistance based on artificial intelligence** to make introducing information about parcels easier.



Sustainable mobility

- Correos is developing **collaborative projects for the evaluation of electric vehicles** of various types, such as refrigerated and isothermal tricycles, high-capacity three-wheeled motorbikes and assisted delivery trolleys.
- The company participates in the European ECO-GATE programme, which evaluates the efficiency of vehicles powered by compressed natural gas for short- and medium-distance freight transport.
- The subsidiary Correos Express is developing the Mioo sustainable delivery system to create a sustainable, local urban parcel delivery service using electric mopeds.



Smart urban logistics

- Correos leads the European SENATOR project, selected within the framework of Horizon 2020, for the development of sustainable urban logistics.
- The company collaborates in the evaluation of temperature controlled food transport through the FoodRUs project, within the European Horizon 2020 framework, aimed at developing an innovative collaborative circular food



system to reduce food waste and loss in the agri-food chain.

Collaboration with universities

- Through the Correos Chair at the University of Alcalá de Henares, a system for the **optimisation of logistics operations** is being developed, to predict demand for capacity in distribution centres.
- In the same Chair, project SIBA (Smart System of Autonomous Post Boxes) is attempting to design a **IoT solution** based on sensors located on post boxes which allow the **status of parcel collections to be determined autonomously**.





Consolidated annual accounts of Correos Group

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 2021, 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 2021, 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 *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.



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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 1,565,207 thousand euros, corresponding to the sales of corporate clients and representing 75% of the 'Revenue' heading.
- Sales of cash receipts, amounting to 321,907 thousand euros, representing 15% of the 'Revenue' heading.
- Sales of the international unit, amounting to 106,625 thousand euros, representing 5% of the 'Revenue' heading.

In accordance with the applicable regulatory financial reporting framework and as indicated in note 5.f 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 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 2021 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 2021 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 revenue 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 2021 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.

Evaluation of the existence and valuation of provisions and contingent liabilities

The Group recognised a total of 79,099 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 2021, 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 'Property, plant and equipment' section, for a net amount of 1,126,441 thousand euros. This section includes a provision for impairment amounting to 106,512 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 2021.

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 50% of the Group's total assets as of 31 December 2021, 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 641 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 4.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 2021 compensation for the benefit of the Universal Postal Service (hereinafter "UPS") amounting to 110,000 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 budget of Ministry of Transport, Mobility and the Urban Agenda through programme 491N 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 fulfilment 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, in addition to having been approved at the meeting of the Council of Ministers held on June 1 2021, 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, as well as National Commission for Markets and Competition that the amount charged by the Parent Company in 2021 is 110,000 thousand euros, of which corresponds to 2021.
- 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 2021, 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:

- 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.
- 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 accordance with the applicable regulations 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 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.

Grant Grand Thornton, S.L.P., Sole Shareholder Company
ROAC nº S0231

David Calzada Criado
ROAC nº 22193

22 April 2022



Consolidated balance sheet

For 31 December 2021 (Expressed in thousands of euros)

| ASSETS | Notes | Balance at 31/12/21 | Balance at 31/12/20 |
|--|-------|---------------------|---------------------|
| NON-CURRENT ASSETS | | 1,542,155 | 1,536,496 |
| Intangible assets | 6 | 63,227 | 60,032 |
| Consolidated goodwill | 6.1 | 6,412 | 7,287 |
| Computer software | | 54,729 | 49,811 |
| Other intangible assets | | 2,086 | 2,934 |
| Property, plant and equipment | 7 | 1,388,873 | 1,389,296 |
| Land and buildings | | 1,141,362 | 1,151,440 |
| Technical installations and other fixed assets | | 202,628 | 191,090 |
| Assets under construction and advances | | 44,883 | 46,766 |
| Investment property | 8 | 18,521 | 17,898 |
| Non-current investments in group companies and associates | | 4,414 | 3,572 |
| Investments in equity accounted companies | 11.4 | 3,859 | 3,001 |
| Loans to companies accounted for by the equity method | 20 | 555 | 571 |
| Non-current financial investments | 11 | 5,703 | 4,862 |
| Loans third parties | | 2,011 | 2,176 |
| Other financial investments | | 3,692 | 2,686 |
| Deferred tax assets | 18 | 61,417 | 60,836 |

(Continues on next page)

| ASSETS | Notes | Balance at 31/12/21 | Balance at 31/12/20 |
|--|--------|---------------------|---------------------|
| CURRENT ASSETS | | 722,415 | 765,039 |
| Non-current assets held for sale | 9 | 4,133 | 3,496 |
| Inventories | 10 | 15,337 | 14,491 |
| Trade and other receivables | 11 | 552,936 | 697,389 |
| Clients for sales and provision of services | | 482,373 | 564,358 |
| Clients, group companies and associates | 20 | 4,270 | 4,638 |
| Sundry debtors | | 24,923 | 29,355 |
| Debtors, group companies and associates | 20 | 35,180 | 93,258 |
| Staff | | 5,047 | 4,985 |
| Other receivables from public administration | 18 | 1,143 | 795 |
| Current investments in group companies and associates | | 16 | - |
| Current financial investments | 11 | 1,057 | 1,086 |
| Current accruals | | 7,605 | 4,111 |
| Cash and cash equivalents | 11, 12 | 141,331 | 44,466 |
| TOTAL ASSETS | | 2,264,570 | 2,301,535 |

(Continues on next page)

| EQUITY AND LIABILITIES | Notes | Balance at 31/12/21 | Balance at 31/12/20 |
|---|-------|---------------------|---------------------|
| EQUITY | | 1,073,529 | 1,187,563 |
| Shareholder's equity | 13 | 850,173 | 955,829 |
| Capital | | 611,521 | 611,521 |
| Share Premium | | - | 250,938 |
| Reserves | | 344,307 | 356,634 |
| Legal reserve | | 101,847 | 101,847 |
| Statutory reserves | | 214,119 | 214,119 |
| Voluntary reserves | | 193,059 | 222,920 |
| Reserves in consolidated companies | | (165,470) | (182,252) |
| Reserves to companies accounted for by the equity method | | 752 | - |
| Result for the year attributable to Parent Company | | (105,655) | (263,264) |
| Grants, donations and bequest received | 14 | 222,929 | 231,403 |
| External partners | 13 | 427 | 331 |
| External partners | | 331 | 1,265 |
| Result for external partners | | 96 | (934) |
| NON-CURRENT LIABILITIES | | 490,305 | 118,807 |
| Non-current provisions | 15 | 73,195 | 27,271 |
| Non-current payables | 11,16 | 332,100 | 9,464 |
| Debts with credit institutions | | 329,858 | 8,058 |

(Continues on next page)

| EQUITY AND LIABILITIES | Notes | Balance at 31/12/21 | Balance at 31/12/20 |
|---|------------|---------------------|---------------------|
| Financial lease creditors | | - | 47 |
| Other financial liabilities | | 2,242 | 1,359 |
| Deferred tax | 18 | 74,389 | 77,271 |
| Non-current accruals | 16 | 10,621 | 4,801 |
| CURRENT LIABILITIES | | 700,736 | 995,165 |
| Current provisions | | 5,904 | 5,512 |
| Current payables | 11,16 | 136,736 | 370,404 |
| Debts with credit institutions | | 115,126 | 332,519 |
| Financial lease creditors | | 100 | 379 |
| Other financial liabilities | | 21,510 | 37,506 |
| Short-term debts with group companies and associates | 11, 16, 20 | 3,654 | 2,549 |
| Trade creditors and other accounts payable | 11,16 | 552,880 | 611,537 |
| Suppliers | | 1,241 | 2,853 |
| Sundry creditors | | 266,632 | 311,712 |
| Staff | | 37,353 | 43,449 |
| Other debts with public administration | 18 | 56,824 | 59,172 |
| Customers advances | | 190,830 | 194,351 |
| Current accruals | | 1,562 | 5,163 |
| TOTAL EQUITY AND LIABILITIES | | 2,264,570 | 2,301,535 |

Consolidated profit and loss account

for 31 December 2021 (Expressed in thousands of euros).

| CONTINUED OPERATIONS | Notes | Financial year 2021 | Financial year 2020 |
|--|-------|---------------------|---------------------|
| Revenue | 17-i) | 2,081,445 | 1,975,209 |
| Supplies | | (382,482) | (395,317) |
| Merchandise used | 17-j) | (7,805) | (12,271) |
| Impairment of merchandise, raw materials and other supplies | 10 | (350) | (1,205) |
| Work carried out by other companies | 17-j) | (374,327) | (381,841) |
| Other operating income | | 118,756 | 73,406 |
| Non-trading and other operating income | | 8,435 | 12,574 |
| Compensation for provision of the UPS | 17-k) | 110,000 | 60,000 |
| Operating grants included in the result of the financial year | | 321 | 832 |
| Staff costs | 17-l) | (1,525,220) | (1,554,493) |
| Salaries, wages and similar | | (1,189,002) | (1,216,675) |
| Social Security contributions | | (328,009) | (329,865) |
| Other expenses | | (8,209) | (7,953) |
| Other operating expenses | | (392,158) | (413,781) |
| External services | 17-m) | (351,273) | (385,139) |
| Taxes | 17-n) | (7,710) | (6,017) |
| Losses, impairment and change in trade provisions | 11 | (5,157) | (3,875) |
| Other expenses from ordinary activities | | (28,018) | (18,750) |
| Other expenses from ordinary activities Amortisation and depreciation | 6,7,8 | (67,851) | (64,492) |
| Non-financial and other capital subsidies | 14 | 10,829 | 8,103 |
| Provisions surpluses | 15 | - | 3 |
| Impairment and loss/gain on disposal of fixed assets | 17-o) | 12,889 | (4,305) |
| Impairment and losses | | (797) | (6,116) |
| Result from disposals and others | | 13,686 | 1,811 |

(Continues on next page)

| CONTINUED OPERATIONS | Notes | Financial year 2021 | Financial year 2020 |
|--|-------|---------------------|---------------------|
| Other results | | (73) | (154) |
| OPERATING RESULT | | (143,865) | (375,821) |
| Financial income | 17-p) | 131 | 79 |
| From negotiable securities and other financial instruments: | | | |
| From group companies | | 42 | - |
| From third parties | | 89 | 79 |
| Financial expenses | 17-p) | (381) | (394) |
| Debts with third parties | | (377) | (394) |
| Debts with group companies and associates | | (4) | - |
| Exchange-rate differences | | 6,308 | 8,909 |
| FINANCIAL RESULT | | 6,058 | 8,594 |
| Share in income of companies accounted for by the equity method. | 11.4 | 858 | 752 |
| RESULT BEFORE TAX | | (136,949) | (366,475) |
| Income tax | 18 | 31,390 | 102,277 |
| CONSOLIDATED RESULT FOR THE FINANCIAL YEAR | 13 | (105,559) | (264,198) |
| Result for the parent company | | (105,655) | (263,264) |
| Result for external partners | | 96 | (934) |

Consolidated cash flows statement

for 31 December 2021 (Expressed in thousands of euros).

| OPERATING ACTIVITIES | Notes | Financial year 2021 | Financial year 2020 |
|--|---------|---------------------|---------------------|
| Result for the financial year before taxes | | (136,949) | (366,475) |
| Adjustments to the result | | | |
| Amortisation and depreciation | 6,7,8 | 67,851 | 64,492 |
| Valuation adjustments due to impairment | 7,10,11 | 6,412 | 11,196 |
| Change in provisions | | 38,192 | 21,982 |
| Allocation of capital subsidies | 14 | (10,919) | (8,103) |
| Operating grants included in the result of the financial year | | - | (1,152) |
| Result of removals and disposal of fixed assets | | (13,675) | (1,811) |
| Financial income | 17-p) | (131) | (79) |
| Financial expenses | 17-p) | 381 | 393 |
| Exchange-rate differences | | (6,308) | (8,909) |
| Other income and expenses | | 5,098 | - |
| Share in income (losses) of companies accounted for by the equity method | | (858) | (752) |
| Changes in current capital | | | |
| Inventories | | (474) | (6,085) |
| Trade and other receivables | | 75,515 | (3,083) |
| Other current assets | | (3,650) | (3,119) |
| Trade and other accounts payable | | (59,472) | (2,122) |
| Other current liabilities | | 4,187 | 2,071 |
| Other non-current assets and liabilities (+/-) | | 941 | 1,918 |

(Continues on next page)

| OPERATING ACTIVITIES | Notes | Financial year 2021 | Financial year 2020 |
|--|-------|---------------------|---------------------|
| Other cash flows from operating activities | | | |
| Interest payments | | (185) | (94) |
| Interest received | | 104 | 59 |
| income tax received | | 90,645 | 3,756 |
| TOTAL CASH FLOWS FROM OPERATING ACTIVITIES | | 56,705 | (295,917) |
| INVESTMENT ACTIVITIES | | | |
| Payments for investments | | | |
| Group companies and associates | 21 | - | (2,820) |
| Intangible assets | | (22,501) | (24,598) |
| Property, plant and equipment | | (78,345) | (78,226) |
| Other financial assets | | (842) | (2,411) |
| Proceeds from disposals | | | |
| Property, plant and equipment | | 26,023 | 12,072 |
| Non-current assets held for sale | | 2,073 | - |
| Other financial assets | | - | 2,043 |
| TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES | | (73,592) | (93,940) |

(Continues on next page)

| FINANCING ACTIVITIES | Notes | Financial year 2021 | Financial year 2020 |
|--|-------|---------------------|---------------------|
| Proceeds from and payment for equity instruments | | | |
| Grants, donations and legacies bequests received | | 516 | 3,517 |
| Proceeds from and payment for financial liability | | | |
| Issue | | | |
| Debts with credit institutions | | 325,000 | 326,825 |
| Debts with group companies and associates | | - | 500 |
| Reimbursement and amortisation | | | |
| Obligations and other marketable securities (+) | | (217,572) | (4,522) |
| Other debts | | (500) | (1,500) |
| TOTAL CASH FLOWS FROM FINANCING ACTIVITIES | | 107,444 | 324,820 |
| D) EFFECT OF EXCHANGE RATE FLUCTUATIONS | | 6,308 | 8,909 |
| NET VARIATION IN CASH OR EQUIVALENTS | | 96,865 | (56,128) |
| Cash and cash equivalents at the start of the financial year | 12 | 44,466 | 100,594 |
| Cash and cash equivalents at the end of the financial year | 12 | 141,331 | 44,466 |

Consolidated statement of recognised income and expenses

Financial year ended 31 December 2021 (Expressed in thousands of euros)

A) Consolidated statement of recognised income and expenses for the financial year ending 31 December 2020

| STATEMENT OF RECOGNISED INCOME AND EXPENSES | Notes | Financial year 2021 | Financial year 2020 |
|--|-------|---------------------|---------------------|
| Consolidated result for the financial year | | (105,559) | (264,198) |
| Income and expenses directly attributed to consolidated equity: | 14 | | |
| Grants, donations and bequests received | | 516 | 1,437 |
| Tax effect | | (126) | (389) |
| | | 390 | 1,048 |
| Transfers to consolidated profit and loss account: | 14 | | |
| Grants, donations and bequests received: | | | |
| - due to amortisation | | (6,101) | (5,608) |
| - due to adjustments for impairment | | (1,018) | (1,516) |
| - due to disposals | | (3,799) | (984) |
| - Other | | - | (633) |
| Tax effect | | 2,699 | 2,150 |
| | | (8,219) | (6,591) |
| TOTAL RECOGNISED CONSOLIDATED INCOME AND EXPENSES | | (113,388) | (269,741) |
| Total income and expenses for the parent company | | (113,484) | (268,807) |
| Total income and expenses for external partners | | 96 | (934) |

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 2021

| STATEMENT OF CHANGES IN EQUITY | | | | | | | | | | |
|---|---------|---------------|---------------|-------------------------------|------------------------------------|--|--|---|-------------------|-----------|
| Reserves held by the Parent Company | | | | | | | | | | |
| | Capital | Share premium | Legal reserve | Voluntary, statutory reserves | Reserves in consolidated companies | Reserves to companies accounted for by the equity method | Result for the financial year attributable to the Parent Company | Grants, donations and bequests received | External partners | TOTAL |
| BALANCE END 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: | | | | | | | | | | |
| 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 |
| Total recognised consolidated income and expenses | - | - | - | - | - | - | (105,655) | (7,829) | 96 | (113,388) |
| Operations with partners or owners | | | | | | | | | | |
| Other variations in consolidated equity | - | (250,938) | - | (29,861) | 16,782 | 752 | 263,264 | (645) | - | (646) |
| BALANCE END OF 2021 FINANCIAL YEAR | 611,521 | - | 101,847 | 407,178 | (165,470) | 752 | (105,655) | 222,929 | 427 | 1,073,529 |

Consolidated Report corresponding to the financial year 2021

(Expressed in thousands of euros)

1. Activity of the Parent Company

Sociedad Estatal Correos y Telégrafos S.A., S.M.E. (Sole-Shareholder Company) (hereinafter 'Correos', the 'Parent Company' or the 'State Company') was incorporated as a State Limited Company under the provisions of Article 6.1.a) of the Consolidated Text of the *Ley General Presupuestaria* [Revised Text of the General Budgetary Law], approved by *Real Decreto legislativo* 1091/1988, de 23 de septiembre, [Royal Legislative Decree 1091/1988, of 23 September], and the twelfth additional provision of *Ley* 6/1997, de 14 de abril, de *Organización y Funcionamiento de la Administración General del Estado* [Law 6/1997, of 14 April, on the Organization and Functioning of the General State Administration] (LOFAGE in the Spanish), in accordance with the Council of Ministers of 22 June 2001, by virtue of Article 58 section one of *Ley* 14/2000, de 29 de diciembre, de *Medidas Fiscales, Administrativas y del Orden Social* [Law 14/2000, of 29 December, on Tax, Administrative and Social Order Measures]. The State Company is subject to the *Ley de Sociedades de Capital* [Capital Corporations Act], and other applicable legislation and provisions and its articles of association.

On 1 February 2017, the Sole Shareholder, with the agreement of the Board of Directors of the Company on 27 October 2016, agreed the amendment of the name of the Parent Company and the amendment of Article 1 of its Articles of Association for its adaptation to the provisions of Article 11 of *Ley* 40/2015, de 1 de octubre, de *Régimen Jurídico del Sector Público* [Law 40/2015, of 1 October, on the Legal Regime of the Public Sector]. According to the provisions, the name of the company is amended and hereinafter shall be named Sociedad Estatal Correos y Telégrafos,

S.A., S.M.E. (Sole-Shareholder Company) The decision of the Sole Shareholder was executed by public deed by the Company on 1 February 2017.

In accordance with the second and third paragraphs of Article 58 of the aforementioned Law 14/2000, the commencement of the activities of the State Company, and the automatic subrogation of the latter in the activities, rights and obligations of the Public Business Entity Correos y Telégrafos (hereinafter the Entity), took place when the public deed of incorporation of the State Company of 29 June 2001 was registered in the Companies Register, which took place on 3 July 2001. The State Company assumed from this date all the functions developed by the now defunct Entity and was subrogated in the capacity of operator appointed for the provision of the universal postal service attributed to the latter in the first additional provision of Law 24/1998, of 13 July, of the Universal Postal Service and Liberalisation of the Postal Services and subsequently for a period of 15 years in *Ley* 43/2010, de 30 de diciembre, del *Servicio Postal Universal, de los derechos de los usuarios y del mercado postal* [Law 43/2010, of 30 December, of the Universal Postal Service, on the rights of the users and of the postal market].

Pursuant to the fourth paragraph of Article 58 of Law 14/2000, the State Company is the owner, from the moment of its incorporation, of all the assets, rights and obligations owned by the former Entity. The assets in the public domain that were transferred from the now defunct Entity to the State Company at the time of its incorporation were divested by virtue of the fourth paragraph of the aforementioned Law 14/2000. Notwithstanding the above,

as stated in the Council of Ministers' agreement authorising the incorporation of this company, the General State Administration, through the Directorate General of State Assets, has a preferential right to the acquisition of certain property assets owned by the State Company.

The financial consideration for exercising the right of pre-emptive acquisition, if applicable, will be established by means of the appraisal value established by the technical services of the Directorate General of State Assets, for which it would be necessary to obtain a valuation of the property by a public company specialising in property appraisals. In addition, leasing rights are also reserved in the event that the State Company decides to exploit these properties.

Pursuant to section seven of Article 58 of the aforementioned Law 14/2000, the civil servants who were serving in an active situation in the now defunct Entity at the time of registration of the public deed of incorporation of the State Company began to provide services for it without interruption, in the same situation, retaining their status as civil servants of the State Administration in their bodies and scales, seniority, consolidated salaries, and with full respect for their acquired rights. The legal relationship of this type of personnel with the State Company is regulated by Royal Decree 370/2004, of 5 March, which approves the Staff Statute of the State Company Correos y Telégrafos, S.A., S.M.E. (Sole-Shareholder Company)

In addition, and in accordance with paragraph seventeen of Article 58 of the aforementioned Law 14/2000, the personnel hired by the Parent Company as from the date of commencement of its activities will be hired under ordinary labour law.

Part of the services provided by the Parent Company are within

the scope of the universal postal service and are regulated by Law 43/2010, of 30 December, on the Universal Postal Service, users' rights and the postal market, which establishes that they will be carried out in accordance with the universal postal service Provision Plan and the contract regulating the provision of the universal postal service (as of the date of drafting of these consolidated financial statements, both are pending approval). This Law primarily regulates the conditions for the collection, acceptance, distribution and delivery of the universal postal service required of the designated operator, as well as the cost and financing of the universal postal service obligations, prices and other tariff conditions for postal services.

Ley 3/2013, de 5 de junio, de creación de la Comisión Nacional de los Mercados y la Competencia [Law 3/2013 of 5 June on the creation of the National Commission for Markets and Competition](hereinafter CNMC) expressly repealed *Ley 23/2007, de 8 de octubre, de creación de la Comisión Nacional del Sector Postal* [Law 23/2007 of 8 October, which created the National Postal Sector Commission], and created a single regulator that combines the functions relating to the correct functioning of the markets and sectors supervised by the *Comisión Nacional de Energía* [National Energy Commission], the *Comisión del Mercado de Telecomunicaciones* [Telecommunications Market Commission], the *Comisión Nacional de la Competencia* [National Competition Commission], the *Comité de Regulación Ferroviaria* [Railway Regulation Committee], the *Comisión Nacional del Sector Postal* [National Postal Sector Commission], the *Comisión de Regulación Económica Aeroportuaria* [Airport Economic Regulation Commission] and the *Consejo Estatal de Medios Audiovisuales* [State Audiovisual Council]. In accordance with *Ley 3/2013, de 5 de junio* [Law 3/2013 of 5 June], the CNMC supervises and controls the correct functioning of the postal

market, highlighting the following functions:

- Ensure that the universal postal service is guaranteed, in compliance with postal regulations and free competition in the sector.
- Verify the designated operator's analytical accounting and the net cost of the universal postal service and determine the sum of the unfair financial burden of providing the universal postal service, in accordance with Law 43/2010 of 30 December.
- Manage the universal postal service financing fund and the public benefits affected by its financing, in accordance with Law 43/2010 of 30 December 2010.
- Supervise and control the application of current regulations on network access and other postal infrastructures and services, in accordance with Law 43/2010 of 30 December.
- Monitor and measure the conditions for the provision of the universal postal service, in accordance with Law 43/2010 of 30 December 2010.
- Issue the report provided for in Law 43/2010, of 30 December, for the monitoring of the conditions for the provision of the universal postal service.

The Directorate for Transport and the Postal Sector is the body in charge of the CNMC's investigation functions in postal matters.

For the maintenance of the universal postal service, Law 43/2010 establishes a financing fund to be managed by the CNMC, the purpose of which is to compensate the postal operator for the net cost of universal postal service obligations.

In accordance with Law 43/2010, the main sources of financing of the fund will be the sums allocated by the State in the General State Budgets, the annual postal contribution of the postal operator and the holders of special administrative authorisations and the fees for the granting of special administrative authorisations.

Article 26 of Law 43/2010 establishes the obligation for the designated operator, Correos, to keep analytical accounts, which make it possible to separate the services and products that are part of the universal postal service and the other services and products that are not part of same. In accordance with Law 43/2010 the postal operator shall submit the net cost calculation for each financial year for validation.

Similarly, Law 43/2010 guarantees postal operators access to the postal network, subject to the granting of a special administrative authorisation, in accordance with the principles of transparency, proportionality and non-discrimination. Law 43/2010 also regulates the resolution of disputes between postal operators, under the principles of hearing, contradiction and equality between the parties.

The designated operator must draw up a standard contract for access to the postal network, which must be approved in advance by the CNMC, and must also inform the CNMC of contracts which are not subject to the standard contract. Operators holding single administrative authorisations may negotiate with the designated operator different conditions from those set out in the standard contract. The CNMC will establish the conditions for access to the postal network if negotiations between single authorisation holders and the designated operator have not led to the execution of a contract.

According to Law 43/2010, the Commission is responsible for verifying that the tariffs set in the contracts comply with the principles of transparency, non-discrimination and coverage of the cost incurred by the network operator, as well as verifying that the tariffs do not increase the financing needs of the universal postal service and the unfair financial burden compensable to the operator providing the service.

The single transitory provision of Law 43/2010 establishes that the conditions for the provision of the Universal Postal Service and its financing regime will be governed by the regulations prior to the entry into force of this Law, until the Universal Postal Service Provision Plan and its regulatory contract are approved. This Performance Plan was approved at the meeting of the Council of Ministers held on 1 June 2001, at the proposal of the Minister for Transport, Mobility and the Urban Agenda. On 26 June 2021, the Resolution of 15 June 2021, of the General Technical Secretariat, was published in the Official State Gazette (BOE), publishing the Agreement of the Council of Ministers of 1 June 2021, approving the plan for the provision of the universal postal service.

The objective of this Plan is to specify the scope and conditions for the provision of the universal postal service as defined in Law 43/2010, of 30 December, on the universal postal service, users' rights and the postal market, and which are imposed on the designated operator, Sociedad Estatal Correos y Telégrafos, S.A.

In particular, this Plan:

- Defines the scope and conditions for the provision of the universal postal service imposed on the operator, as well as the mechanisms for controlling and monitoring compliance with these conditions.

- Determines the methodology for the calculation of the net cost and the unfair financial burden borne in the fulfilment of the performance conditions by the operator.

- Defines the criteria for the operation and payment of the universal postal service financing fund.

Access to the postal network by operators provided for in Article 45 of Law 43/2010 of 30 December 2010 on the universal postal service, users' rights and the postal market is currently governed by *Real Decreto 1298/2006*, de 10 de Noviembre de 2006, [Royal Decree 1298/2006 of 10 November 2006], which regulates access to the public postal network and determines the procedure for the resolution of 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, and, where applicable, the specific conditions agreed in accordance with the provisions of Article 45.3 of Law 43/2010.



The Company, whose registered office is at Calle Conde Peñalver no. 19, Madrid, has the corporate mission set out in Article 2 of its articles of association, the following activities:

- The management and operation of any postal services.
- The provision of financial services related to postal services, money remittance and money transfer services.
- The reception of requests, written submissions and communications that citizens address to the bodies of the public administrations, subject to the provisions of the applicable regulations.
- The delivery of administrative and judicial notifications, in accordance with the applicable regulations.
- Telegram, telex and fax services and the provision of other telecommunications activities and services.
- The proposal for the issuing of stamps as well as the issuing of the remaining payment systems for postal services, including the marketing and distribution activities of its products and issues.
- The mandatory assumption of services related to its corporate purpose that may be entrusted to it by the public administrations.
- Any other activities or services complementary to the above or necessary for the correct development of the corporate purpose, and for this purpose it may incorporate and participate in other companies.

The State Company has been part of the SEPI Group since June 2012, with the public law entity SEPI the head of the Group. SEPI

has its registered office at Calle Velázquez 134, Madrid, and is the Sole Shareholder, and, therefore, by virtue of the provisions of Article 12 of Real Decreto Legislativo 1/2020, de 2 de julio, [Royal Legislative Decree 1/2010, of 2 July], approving the revised text of the Capital Corporations Act, the State Company is a single-shareholder company. In accordance with the provisions of Article 136 paragraphs 2 and 3 of Law 47/2003, of 26 November, of the General Budgetary Law, the General Intervention Board of the State Administration (IGAE) will publish the consolidated financial statements of SEPI in the 'Public sector financial statements register' and the reference to this register in the BOE (Official State Gazette) of 31 July.

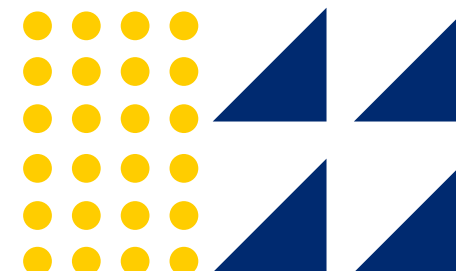
The State Company is the head of the Correos Group. The individual and consolidated financial statements of the State Company for the year ended 31 December 2020 were prepared by the Board of Directors of Correos on 11 March 2021 and approved by the Sole Shareholder of the Parent Company on 24 June 2021. The financial statements are deposited with the Companies Register of Madrid.

During 2020, there was a global health crisis caused by COVID-19, which impacted the Group due to the sectors in which it operates, mainly the parent company:

- The drop in postal volumes in 2020 in the Parent Company, which was 24.1%, was double that observed in 2019, which was 12.4% compared to 2018. As for the Group's parcels business, the double-digit annual growth in volumes experienced in previous years was cut short, with growth in 2020 standing at 4%. The main cause of this was the Covid-19 effect, which has accelerated trends such as the digitisation of production consumption, public administration and, above all, personal and commercial communications, shortening

their widespread implementation by decades.

- In addition, the parent company paid 37.3 million euros to cover all expenses related to the purchase of face masks and the material necessary to adapt the offices to existing regulations.
- The uncertainties caused by the pandemic and its economic effects have continued into 2021. The strengthening of global activity and trade in the first half of the year was followed by a loss of momentum in the second half, culminating in the emergence of the new Omicron variant. By year-end, this new wave of the pandemic saw additional restrictions additional restrictions and an increase in absenteeism, which threatened to temporarily paralyse certain productive sectors and further postpone the recovery.



2. Structure of the Correos Group

The subsidiaries comprising the Correos Group (hereinafter the Group) and included in the scope of consolidation as of 31 December 2021 are as follows:

| 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 Telecommunications 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 Hong Kong | Equity method |
| KCG ecommerce solutions Company Limited | Transportation services parcels | Room 10, #3 Building, Fu Ma San Road, Chi Gang, Humen Town, Dongguan, Guangdong Province, PCR | Equity method |

At the time of the acquisition of the Portuguese company CEP by Correos Express in 2019, a cross put and call option agreement was signed for the possible acquisition of a larger stake in the subsidiary CEP. These options can only be exercised in certain

circumstances, which had not arisen either at year-end or at the date of authorisation for issue of these consolidated financial statements. The contract was granted free of charge.

Change in the scope of consolidation during the 2021 financial year:

There were no changes in the scope of consolidation during the 2021 financial year.

Changes to the the scope of consolidation during the 2020 financial year :

In the 2019 financial year, 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 by allowing Correos to offer value-added logistics solutions to both new and existing customers. Correos holds a 35% stake in each of these two companies. The creation of these two companies took place in the first half of the financial year 2020, with the total cost of the shareholdings for the sum of 2,249 thousand euros. In addition, Correos has granted a loan to K Parcel for the sum of 571 thousand euros to be repaid over 5 years. These two companies are accounted for by the equity method within the consolidated group of the Correos Group, as they are no longer controlled.

Correos Express Paquetería Urgente, S.A., S.M.E. (Sole-Shareholder Company), whose registered office is at Avenida de Europa, 8, Coslada (Madrid), has a corporate purpose of the provision of freight transport services, auxiliary and complementary transport activities 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 express transport of documents and small business parcels, both nationally and internationally.

Correos Telecom, S.A., S.M.E., (Sole-Shareholder Company) has its registered office at Calle Conde de Peñalver, 19, Madrid, and its corporate purpose, which coincides with its principal activity, consists of the management of the telecommunications network owned by the Parent Company, as well as the provision of telecommunications services on a preferential basis to the Parent Company and, on a subsidiary basis, to third parties; the performance of intermediation and promotion tasks for the marketing of the surplus capacity of the Parent Company's telecommunications network and the provision of telecommunications services related to the provision of postal services.

Nexea Gestión Documental, S.A., S.M.E. (Sole-Shareholder Company), has its registered office at Calle Rejas, 9, Madrid and its corporate purpose, which coincides with its main activity, consists of the provision of hybrid mail services, understood as the postal service that allows customers to send their written letters and documents to Nexea Gestión Documental, S.A. (Sole-Shareholder Company) by electronic means, with Nexea responsible for printing their contents on paper and then enveloping and depositing them at the Parent Company's admissions centres for delivery to the addressees.

CEP - Correos Express Portugal, S.A., (hereinafter 'CEP') with registered office at Rua de Barreiro 553, Crestins parish of Moreira, municipality of Maia (C.P 4470-573 Moreira Maia) Portugal, has the corporate purpose of the provision of express mail and courier services, in particular non-universal postal services, and to ensure, as a public road haulage company and transport commissioner, the management of the transport of goods, the reception, 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 parcels, both nationally and internationally.

CEP II - Correos Express Portugal, S.A., (hereinafter 'CEP II') with registered office at Rua da Serra 654, parish of Folgosa, municipality of Maia (P.O. Box 4446-909 Ermesinde) Portugal, has the corporate purpose of the transport of goods, organisation and management of the transport of goods in the national and international market by any means; the organisation of transport, coordination of the flow of goods and information, management and control of stocks, storage and logistics, international trade, import and export, transport consultancy and foreign trade services, forwarding activity, customs activity and similar support for transport, with powers to declare to the customs 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 nationally and internationally.

All subsidiaries and associates close their financial year on 31 December and their functional and presentation currency is the euro.

On 1 February 2017, the Sole Shareholder of each of the Spanish companies in the Correos Group, with their respective Boards of Directors of the Company of October 2016 agreed the amendment of the name of the Companies and the amendment of Article 1 of its Articles of Association for its adaptation to the provisions of Article 111 of Law 40/2015, of 1 October, on the Legal Regime of the Public Sector. Accordingly, the corporate name of all the companies in the Correos Group was changed and they were henceforth renamed:

| Corporate name |
|---|
| - 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 decision of the Sole Shareholder was made public by each company and is recorded in the Companies Register for all Group companies.

The breakdown as of 31 December 2021 and 2020 of the equity of subsidiaries included in the consolidation of the Correos Group, before consolidation and/or homogenisation adjustments, is as follows:

| | Financial 2021 | | | |
|-------------------------------------|--|-------------------------------------|-------------------------------|----------------------|
| | Correos Express P.U., S.A., S.M.E.; S.U. | Correos Telecom, S.A., S.M.E.; S.U. | Nexea G.D., S.A., S.M.E.,S.U. | CEP I and CEP II (*) |
| Net book value | 182,342 | 1,503 | - | 11,050 |
| Direct shareholding (%) | 100% | 100% | 100% | 51% |
| Share capital | 66 | 1,503 | 974 | 750 |
| Share premium | 6,415 | 0 | 0 | 3,115 |
| Legal reserve | 1,231 | 301 | 128 | 74 |
| Other reserves | 45,152 | 7,909 | (60) | 3427 |
| Results of previous financial years | - | - | (7,004) | (4,543) |
| Result for the financial year | 14,476 | 2,244 | (1,735) | 682 |
| Other equity instruments (**) | - | - | - | 4,600 |
| Grants | - | 31 | 205 | - |
| External partners | - | - | - | 655 |
| Total equity | 67,340 | 11,987 | (7,492) | 8,760 |
| Operating result | 19,404 | 3,137 | (2,144) | 1,815 |

(*) These are aggregate figures for CEP I and CEP II for 100%, except for profit for the year, which is broken down into profit for the year and minority interests.

(**) 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.

| | Financial 2020 | | | |
|-------------------------------------|---|------------------------------------|-------------------------------|----------------------|
| | Correos Express P.U., S.A., S.M.E; S.U. | Correos Telecom, S.A., S.M.E.; S.U | Nexea G.D., S.A., S.M.E.,S.U. | CEP I and CEP II (*) |
| 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 for 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 for CEP I and CEP II for 100%, except for profit for the year, which is broken down into profit for the year and minority interests.

(**) 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.

3. Presentation principles for the consolidated financial statements

In preparing these consolidated financial statements, the Parent Company's directors have applied the regulations established in the General Accounting Plan (PGC as per the Spanish) approved by Real Decreto [Royal Decree]1514/2007, the amendments incorporated therein by Royal Decree 1159/2010, approving the Rules for the Preparation of Consolidated Financial Statements, and Royal Decree 602/2016 and 1/2021, as well as all other commercial legislation in force as of 31 December 2021. Specifically:

- The Parent Company's financial statements have been consolidated with those of all its subsidiaries (see Note (2)) using the full consolidation method. The Parent Company holds the majority of the voting rights in all fully consolidated companies.
- The consolidation of the two companies incorporated in 2021 in China (see Note (2)) is carried out using the equity method.
- In those cases where the subsidiaries have followed accounting and valuation criteria that are significantly different from those of the Parent Company, the corresponding adjustments have been made in order to present the Group's consolidated financial statements on homogeneous basis.
- The different items of the individual financial statements previously harmonised are aggregated based on their nature.
- The book values representing the equity instruments of the subsidiaries owned by the Parent Company are offset by their net equity.

- The balances, transactions and cash flows between Correos Group companies have been removed in the consolidation process. Likewise, all results caused by internal transactions are eliminated and they are deferred until they are realised before third parties unrelated to the Group.
- Changes in the reserves of the different subsidiaries between the different dates of stake taking or first consolidation and 31 December 2021 are included under 'Reserves in consolidated companies' in the consolidated balance sheet.



In relation to the impairment of assets recognised under 'Property, plant and equipment', since 2009 the Parent Company has applied the provisions of Order EHA/733/2010, of 25 March, approving accounting aspects for public companies operating under certain circumstances. Required condition: the application of this Order is mandatory for entities belonging to the state public business sector that must apply the accounting principles and standards contained in the Commercial Code and the General Accounting Plan and that, considering the strategic or public utility nature of their activity, deliver goods or provide services regularly to other entities or users without receiving a consideration, or in exchange for a charge or a political price fixed directly or indirectly by the public administrations.

3.1) Changes in accounting policies as a result of Royal Decree 1/2021

On 30 January 2021, Royal Decree 1/2021, of 12 January, was published, amending the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November, the General Accounting Plan for Small and Medium-sized Enterprises approved by Royal Decree 1515/2007, of 16 November; the Rules for the Preparation of Consolidated Annual Accounts approved by Royal Decree 1159/2010, of 17 September; and the rules for the Adaptation of the General Accounting Plan to non-profit entities approved by Royal Decree 1491/2011, of 24 October (hereinafter Royal Decree '1/2021'). On 13 February 2021, the Resolution of 10 February 2021 of the Spanish Accounting and Audit Institute (ICAC) was published, issuing rules for the recording, valuation and preparation of financial statements for the recognition of income from the delivery of goods and the provision of services (hereinafter 'recognition of income').

In accordance with section 1) of the First Transitional Provision of Royal Decree 1/2021, the Group has opted for the application of the new criteria considering 1 January 2021 as the transition date, and therefore the figures corresponding to financial year 2020 included for comparative purposes in the financial statements for financial year 2021 have not been adapted in accordance with the new criteria.

Therefore, for the purpose of comparability of figures, the impacts of first-time implementation of the amendments have to be taken into account.

The content of RD 1/2021 and the aforementioned Revenue Resolution has been applied in the financial statements for the financial year commencing on 1 January 2021.

The changes and amendments affect the Group mainly in the following items:

- a) Financial instruments.**
- b) Income from sales and provision of services.**

The approval of Royal Decree 1/2021 of 12 January 2007 modified the General Accounting Plan approved by Royal Decree 1514/2007 of 16 November 2007, and with it, the accounting treatment of various components of the financial statements. In accordance with the provisions of the First Transitional Provision of the aforementioned Royal Decree, we include the following information on transition:

a) Financial instruments

The Group has chosen to apply the simplified retrospective transition model, which consists of the introduction of an adjustment to the opening balances of the year in which the aforementioned standard begins to be applied, with no need to restate comparative figures, benefiting from a series of practical simplifications that help to apply the standard on the date of entry into force.

Financial instruments are now classified according to our management or business model for managing financial assets and the contractual terms of the cash flows from them.

Financial assets

The following is a reconciliation between the classification and measurement of financial assets as of 1 January 2021 recorded under the old financial instruments RVS (Registration and valuation standards) 9 of the Spanish National Chart of Accounts and the classification and measurement of the same financial assets recorded under the new financial instruments standard:

The Group has classified as financial assets at amortised cost all financial assets that accrue cash flows in the form of principal and interest and for which, at the transition date, was applying a business model to manage the collection of these cash flows.

| | Non-current financial liabilities | | | | Current financial assets | | | |
|---|-----------------------------------|---|---|------------|--------------------------|---|---|------------|
| | 31/12/2020 | Transition adjustment (no impact on equity) | Transition adjustment (with impact on equity) | 01/01/2021 | 31/12/2020 | Transition adjustment (no impact on equity) | Transition adjustment (with impact on equity) | 01/01/2021 |
| Former categories RVS 9 PGC | | | | | | | | |
| Investments held to maturity | - | - | - | - | - | - | - | - |
| Loans and other receivables | 5,433 | (5,433) | - | - | 698,475 | (698,475) | - | - |
| New categories RVS 9 PGC | | | | | | | | |
| Financial Assets at Amortised Cost | | 5,433 | | 5,433 | | 698,475 | | 698,475 |
| Others (Guarantees and staff loans) | - | 5,433 | - | 5,433 | - | 1,086 | - | 1,086 |
| Clients, trade debtors for sales | - | - | - | - | - | 599,493 | - | 599,493 |
| Clients, group companies and associates | - | - | - | - | - | 97,896 | - | 97,896 |

In this category (financial assets at amortised cost), the Group has classified all financial assets previously classified in the Loans and receivables category.

The Group has applied the business model it applied to financial assets at the date of first-time application of the standard, for the purpose of classifying them in accordance with the new categories established by the new RVS 9 of the Spanish National Accounting Plan.

Financial liabilities

The following is a reconciliation between the classification and measurement of financial liabilities as of 1 January 2021 recorded under the old financial instruments RVS 9 of the General Accounting Plan and the classification and valuation of the same financial liabilities recorded under the new financial instruments standard:

The Group has opted to classify as financial liabilities at amortised cost all debts arising from commercial transactions (suppliers and other creditors arising from the purchase of goods and services) and also those arising from non-commercial transactions, such as debts with credit institutions.

Debts for commercial transactions of less than one year and which do not bear contractual interest, guarantees and other disbursements required by third parties are valued at nominal value if the effect of not discounting them is not significant and are subsequently measured at amortised cost, while accrued interest is taken to the profit and loss account using the effective interest method.



Financial liabilities

| | Non-current financial liabilities | | | | Current financial assets | | | |
|--|-----------------------------------|---|---|------------|--------------------------|---|---|------------|
| | 31/12/2020 | Transition adjustment (no impact on equity) | Transition adjustment (with impact on equity) | 01/01/2021 | 31/12/2020 | Transition adjustment (no impact on equity) | Transition adjustment (with impact on equity) | 01/01/2021 |
| Former categories RVS 9 PGC | | | | | | | | |
| Debts and other receivables | 9,464 | (9,464) | | - | 984,490 | (984,490) | | - |
| With credit institutions | | | - | - | 332,898 | (332,898) | - | - |
| Other financial liabilities | 9,464 | (9,464) | - | - | 291,029 | (291,029) | - | - |
| Suppliers | - | - | - | - | 2,853 | (2,853) | - | - |
| Sundry creditors | - | - | - | - | 311,712 | (311,712) | - | - |
| Debts with group and associate companies | - | - | - | - | 2,549 | (2,549) | - | - |
| Staff | - | - | - | - | 43,449 | (43,449) | - | - |
| New categories RVS 9 PGC | | | | | | | | |
| Financial liabilities at amortised cost | | 9,464 | | 9,464 | | 984,490 | | 984,490 |
| Other (Guarantees) | - | 1,359 | - | 1,359 | - | 4,457 | - | 4,457 |
| With credit institutions | - | 8,105 | - | 8,105 | - | 332,898 | - | 332,898 |
| Other financial liabilities | - | - | - | - | - | 286,572 | - | 286,572 |
| Suppliers | - | - | - | - | - | 2,853 | - | 2,853 |
| Sundry creditors | - | - | - | - | - | 311,712 | - | 311,712 |
| Group and associate companies | - | - | - | - | - | 2,549 | - | 2,549 |
| Staff | - | - | - | - | - | 43,449 | - | 43,449 |

b) Income from sales and provision of services

The application as of 1 January 2021 of the ICAC's Resolution on standards for recording, valuation and preparation of financial statements for the recognition of revenue for the delivery of goods and services, and the latest amendment of the PGC and its complementary provisions through RD 1/2021, has led to changes in the RVS 14 'Revenue from sales and services', as well as in the information to be included in the notes to the financial statements on these transactions.

The amendments introduced by Royal Decree 1/2021 of 12 January come into force for all financial years beginning on or after 1 January 2021, including the new RVS 14 'income from sales and provision and services'. The Second Transitional Provision of the aforementioned standard establishes the rules on the date of first application of the standard, and the Company has opted to apply the practical solution by applying the new criteria to all contracts signed as of 1 January 2021.

The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to the customer in a sum that reflects the consideration to which the entity expects to be entitled - thus the concept of control, as a fundamental principle, replaces the current concept of risks and rewards.

In the opinion of the Directors, the application as from 1 January 2021 of the new provisions of Royal Decree 1/2021 do not constitute a major difference from the accounting criteria followed by the Group up to that time and, therefore, the small differences that may have arisen due to the application of the new regulations within the accounting scope of the Correos Group were not considered significant. Only from the financial year

2021 onwards, penalties incurred or estimated have begun to be accounted for as a reduction in revenue, whereas in the financial year 2020 they were accounted for in the profit and loss account under 'Other operating costs'. As a result, both net sales and 'other operating costs' in the Group's consolidated profit and loss account as of 31 December 2021 have fallen by 21,257 thousand euros, with a sum of 11,457 thousand euros for 'other operating costs' as 31/12/2020.

These consolidated financial statements have been prepared by the Directors of the Parent Company for submission to the approval of its Sole Shareholder. The Directors of the Parent Company are of the opinion that they will be approved without amendment.

3.2) True and fair view

These consolidated financial statements, which comprise the consolidated balance sheet, consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flows statement and consolidated notes 1 to 25, have been prepared on the basis of the accounting records of the various companies that make up the Correos Group, they have been prepared in accordance with the legal provisions in force as of 31 December 2021 on accounting matters in order to give a true and fair view of the Group's equity, financial position and results, as well as the veracity of the cash flows included in the consolidated cash flows statement. The consolidated cashs flow statement has been drafted in order to provide true information on the source and application of the monetary assets and other cash or cash equivalent assets of the Group.



The figures contained in these consolidated financial statements are expressed in thousands of euros, unless otherwise indicated, the euro being the operating currency of the Parent Company and of the companies included in the scope of consolidation, except for the companies consolidated by the equity method K PARCEL whose currency is Hong Kong Dollars (HKD) and KCG whose currency is Renmimbi (RMB), and no exchange differences have arisen during the year.

The conversion of the financial statements of the subsidiaries whose operating is not the Euro is carried out in accordance with the following rules:

- The assets and liabilities are converted at the closing exchange rate. The closing exchange rate is the average spot rate existing as of that date.
- The net equity items, including the profit or loss for the year, are converted at the historic exchange rate.
- The difference between the net value of assets and liabilities and net equity items is included in one of the net equity headings under the entry 'Exchange differences', where applicable, after deducting the part of such difference corresponding to external partners, and
- The cash flows are converted at the exchange rate on the date of the transaction or using a weighted exchange rate of the monthly period provided there have not been significant variations.

The exchange rate difference booked in the consolidated balance sheet is recognised in the consolidated profit and loss account of the period in which it is divested or through another means of investment in the consolidated company.

The historical exchange rate is:

- For net equity items existing on the date of acquisition of the shareholdings to be consolidated: the exchange rate on the date of transition.
- In the case of the income and expenses, including those directly allocated to net equity: the exchange rate on the date of the transaction. If exchange rates had not varied significantly, the weighted average rate of the monthly period will be used, and
- Reserves created following the transaction dates due to retained earnings will be consolidated at the effective exchange rate resulting from the conversion of income and expenses arising from those reserves.

3.3) Critical aspects of assessing and estimating uncertainty

In preparing these consolidated financial statements, the Parent Company's Directors have made judgements, estimates and assumptions that affect the application of accounting policies and the balances of assets, liabilities, income and expenditure and the breakdown of contingent assets and liabilities at the date of issue.

The related estimates and assumptions are based on historical experience and on various other factors that are understood as reasonable in accordance with the circumstances and serve as the basis for establishing the book value of assets and liabilities that are not readily available through other sources. The respective estimates and assumptions are reviewed on an ongoing basis; the effects of revisions of accounting estimates are recognised in the period in which they are made, if they affect only that period, or

in the period of revision or future revision periods, if the revision affects both.

Apart from the general process of systematic estimates and their periodic review, the Parent Company's directors make certain value judgements on matters with a particular impact on the consolidated financial statements.

The key judgements relating to future events and other uncertain sources of estimation at the date of preparation of the consolidated financial statements are as follows:

→ *Lease obligations - the Correos Group as lessee*

The Correos Group has signed leasing contracts for the development of its activities. The classification of such leases as operating or finance leases requires Correos Group to determine, based on an assessment of the terms and conditions of these contracts, who retains all the risks and rewards of ownership of the assets, and accordingly the contracts will be classified as either operating leases or finance leases.

→ *Lease obligations - the Correos Group as lessor*



The Correos Group has entered into various contracts with third parties for the lease of certain assets it owns. The Group has determined that, based on its evaluation of the terms and conditions of these contracts, it retains all the risks and rewards of ownership of these contracts and therefore recognises these contracts as operating leases.

→ *Taxes*

According to the current legislation, taxes may not be deemed fully paid until the submitted tax returns have been duly reviewed by tax authorities or the four-year inspection period has elapsed. In the opinion of the Parent Company's directors, as of 31 December 2021 there are no contingencies additional to those recognised in these consolidated financial statements that could lead to significant liabilities for the Parent Company and/or its subsidiaries in the event of inspection.

The key estimates and assumptions relating to future events and other uncertain sources of estimation at the date of preparation of these consolidated financial statements are as follows:

→ *Deferred tax assets*

Deferred tax assets, tax loss carryforwards and tax credits are recognised on the basis of the individual future estimates made by each of the Group companies of the probability that future taxable profits will be available to them individually or where there are deferred tax liabilities to offset them in the same time periods.

→ *Provisions*

The Correos Group acknowledges risk provisions pursuant to

the accounting policy set forth in Note (5-k) of this consolidated report "Provisions and contingent liabilities". The Correos Group makes judgements and estimates in relation to the probability of occurrence of these risks, as well as the amount thereof, and records a provision when the risk has been assessed as probable, it is a present obligation resulting from past events, whether legal or legitimate, and the sum can be reliably estimated.

→ *Impairment of non-financial assets*

The Correos Group analyses whether there are impairment indicators for non-financial assets annually and on a general basis. In the specific case of non-financial assets other than intangible assets with indefinite useful lives, the Group tests them for impairment whenever there are indicators of impairment.

→ *Calculation of fair values, values in use, present values and recoverable amounts*

The calculation of fair value, value in use, current values and recoverable sums requires the calculation of future cash flows and the assumption of hypotheses relating to future values of flows and the applicable discount rates, taking into account, in addition, the expectation of the repayment time of the respective debts. Related estimations and assumptions are based in historic experience and other different factors which are understood as reasonable under the circumstances.

Going concern principle

As of 31 December 2021, the Correos Group has a positive working capital of 21,679 thousand euros (negative 230,126 thousand euros in 2020) and has incurred a loss of 106 million euros (negative 264 million euros in 2020). This negative result is mainly due to the effects of the COVID-19 pandemic discussed in Note 1.

The situation in 2020 led the Parent Company to begin to resort to external financing during that year, with the credit line granted at year-end 2021 for a sum of 109 million euro (605 million euro in 2020) and a drawn-down at year-end 2021 for the sum of 109 million euro (327 million euro in 2020), maturing on 28 June 2022. In addition, during 2021, a new bank loan was taken to obtain long-term financing for the sum of 325 million euros with a three-year maturity and a single repayment of the principal in 2024. This has minimised the imbalance in future working capital, improving the financial structure of the Correos Group, demonstrating the Group's capacity to obtain financing and therefore minimising the liquidity and solvency risk. In addition, the Group again intends to

contract credit lines to support additional future liquidity needs, estimated for the year 2022, where binding offers have already been obtained for the contracting of one or several long term (3 years) variable interest rate credit lines for a sum of up to 123.5 million euros. As at 4 February 2022, the granting of a credit line of 123.5 million euros was proposed with Caixabank at a variable interest rate of 0%. Based on the above, the Group's ability to obtain financing, thereby minimising liquidity and solvency risk, is evident. In addition, the Group intends to draw again on credit lines to support additional future liquidity needs, partly as a result of the Group's planned investments.

On the basis of the above, the consolidated financial statements have been drafted by the Directors on a going concern basis.

3.4) Information comparison

The Directors of the Parent Company, as indicated in section four of the 'Rules for the Drafting of Consolidated Financial Statements', have included quantitative information for the previous year in this report to the consolidated financial statements.

In addition to the comparative information of a numerical nature for the last financial year presented, the directors of the Parent Company have included descriptive information for the previous financial year, where relevant for the understanding of these consolidated financial statements.

3.5) Classification of current and non-current items

For the classification of current items we considered a maximum term of one year from the date of these consolidated financial statements.



4. Application of the results of the Parent Company

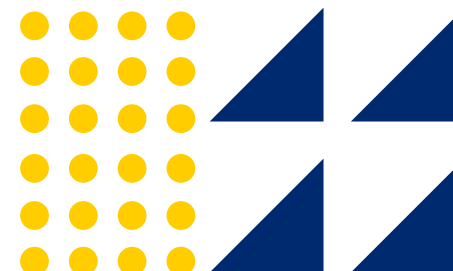
The proposed appropriation of the result for the year 2021 formulated by the Directors of the Parent Company and pending the approval of its Sole Shareholder, as well as the approved proposal for the year 2020 is as follows:

The Sole Shareholder of the Parent Company approved the proposed appropriation of the result for the financial year 2020 on 28 June 2020 to negative results of previous years. In addition, in the same act, it decided to apply the entire ‘share premium’ for the sum of 250,938 thousand euros, as well as an amount of 5,695 thousand euros from the ‘voluntary reserves’ account to offset all the losses.

Limits for the distribution of results and dividends

According to Article 274 of the Capital Corporations Act, approved by Royal Legislative Decree 1/2010 of 2 July, companies are obliged to allocate 10% of the profits of each financial year to the Statutory Reserve until it reaches at least 20% of the share capital. This reserve will not be distributable to shareholders and may only be allocated to cover, in the event that there are no other reserves available, the debit balance of the profit and loss account.

| | Financial year 2021 | Financial year 2020 |
|--|------------------------|------------------------|
| Result for the financial year | (96,376) | (256,633) |
| Distribution base | | |
| Negative results of previous financial years | (96,376) | (256,633) |
| Total | (96,376) | (256,633) |



5. Recognition and measurement rules

The main accounting and valuation criteria used by the Parent Company in the preparation of these consolidated financial statements, in accordance with the General Accounting Plan approved by Royal Decree 1514/2007 and the amendments made thereto by Royal Decrees 1159/2010, 602/2016 and 1/2021, are as follows:

Subsidiaries

Subsidiaries are, including special purpose vehicles, those on which the Company, whether directly or indirectly has some control, according to the provisions of Art. 42 of the Commercial Code.

For the sole purposes of the presentation and breakdown, group companies are those under the control, by any means, of one or several natural or legal persons acting jointly or under single management through statutory clauses or agreements.

Subsidiaries have been consolidated by means of the global integration method.

Note 2 includes the information on the subsidiary companies included in the consolidation of the Correos Group.

Operations and balances held with subsidiaries and unrecognised benefits or losses have been eliminated in the consolidation process.

The accounting policies of the subsidiaries have been adapted to the accounting policies of the Correos Group for transactions and other events which, being similar, may have arisen in similar circumstances. There were no significant effects of the homogenization of the 2021 consolidated financial statements.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been drafted on the same date and for the same period as those of the Parent Company.

External partners

External partners in the acquired subsidiaries were recognized by the percentage of participation in their equity on the closing date of the fiscal year. External partners are recognised in the consolidated net equity of the consolidated balance sheet separately from the equity corresponding to the Parent Company.. The share of external partners in the benefits or losses of the financial year is likewise registered separately in the consolidated profit and loss account.

The share of the Correos Group and external partners in the benefits or losses and in the changes of net equity of subsidiaries, once the adjustments and eliminations arising from the consolidation have been applied, is calculated based on the share percentages at year-end, without taking into account the possible execution or conversion of potential voting rights once the effect of dividends, agreed or otherwise, and preference shares with cumulative rights that have been classified in net equity accounts, have been discounted.

The revenue and expenditure results recognised in the net equity of subsidiaries are allocated the net equity attributable to the Parent Company and external partners in proportion to their shareholding, although this implies a debit balance of external partners. The agreements executed between the Correo Express Group and the external partners are recognised as a separate transaction.

Control acquisition

The acquisition by the parent company (or another Group company) of the control of a subsidiary constitutes a business combination which is recognised in accordance with the acquisition method. This method requires the acquiring company, on the date of acquisition, to book the identifiable assets acquired and liabilities assumed in a business combination and, where applicable, the corresponding goodwill or negative variance. Subsidiaries are consolidated from the date on which their control is transferred to the Group and they are excluded from the consolidated on the date such control ceases.

The acquisition cost is established as the additions of the fair values, on the acquisition date, of the assets delivered, liabilities incurred or undertaken and equity instruments issued by the acquiring party and the fair value or any contingent consideration depending on future events or on the compliance with certain conditions which must be registered as an asset, a liability or net equity according to its nature.

Expenditure relating to the issue of equity instruments or financial liabilities delivered do not form part of the business combination cost, booked in accordance with the regulations applicable to financial instruments. Fees paid to legal advisers or other professionals taking part in the business combination are recorded as expenses as incurred. Those expenses generated internally for these concepts are not included in the cost of the combination nor are those, if any, incurred by the entity acquired.

The surplus, on the acquisition date, of the cost of the business combination, on the proportional part of the value of the identifiable assets acquired minus the cost of the liabilities

undertaken representing the participation in the share capital of the company acquired is recorded as goodwill. In the exceptional situation that the amount exceeded the cost of the business combination, the surplus will be recorded in the consolidated profit and loss account as income.



Consolidation Method

Assets, liabilities, income, expenses, cash flows and other items of the financial statements of the companies of the Group are incorporated to the consolidated statements of the Group using the full integration method. This method requires the following:

- Temporary harmonisation. The consolidated financial statements are established on the same date and period as the financial statements of the company require to consolidate. The inclusion of the companies the year-end of which is different, will be carried out by means of intermediate statements referred to the same date and period as the consolidated statements.
- Assessment harmonisation. Elements corresponding to assets and liabilities, income and expenses and other items of the financial statements of the Group companies have been assessed using uniform methods. Elements corresponding to assets and liabilities, or those items corresponding to income or expenses assessed according to non-uniform criteria in relation to those applied in the consolidation are re-assessed, applying the necessary adjustments, for the sole purposes of consolidation.
- Aggregation. The different items of the individual financial statements previously harmonised are aggregated based on their nature.
- Elimination investment-net equity. The book values representing equity instruments of the subsidiary owned, whether directly or indirectly, by the parent company, are compensated by means of the proportional part of the net equity items corresponding to the aforementioned subsidiary

attributable to said participations, generally, on the basis of the values resulting from the application of the acquisition method previously described. For consolidations after the financial year in which the control was acquired, the surplus or lack of net equity generated by the subsidiary from the acquisition date attributable to the parent company, is included in the consolidated balance sheet within the items 'reserves' or 'adjustments for changes in value', based on their nature. The part attributable to external partners is recorded under 'External partners'.

- Participation of external partners. The assessment of minority shareholders is carried out based on its effective participation on the net equity of the subsidiary once the previously mentioned adjustments are applied. The consolidated goodwill may not be attributed to external partners. The surplus between losses attributable to external partners of a subsidiary and the portion of net equity proportionally corresponding to them is allocated to them, even though it may imply a debit balance in such item.
- Disposals of the intragroup items Credits and debts, income and expenses and cash flows among Group companies are fully eliminated. Likewise, all profit and losses caused by internal transactions are eliminated and they are deferred until they are realised before third parties unrelated to the Group.

Associated and multi-group companies

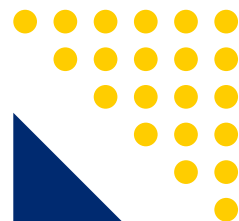
Associated companies are those companies over which any of the companies included in the consolidation may exercise a significant influence. Significant influence is defined as participation in the company by the Group with the power to intervene in the

financial and operating decisions of such company without the Group having the control. Associated companies are included in the consolidated financial statements using the equity procedure.

(a) Intangible fixed asset

Intangible assets are valued at their acquisition price or at their production cost, reduced by accumulated depreciation and possible losses due to impairment of their value. Indirect taxes on intangible fixed assets are only included in the acquisition price where such taxes are no longer recoverable directly from the Public Tax Administration. An intangible asset is recognised as such if, and only if, it is likely to generate future benefits and that its cost can be measured reliably.

Intangible assets are amortised systematically over their estimated useful lives and their recoverability is assessed when events or changes occur that indicate that the carrying amount may not be recoverable. The methods and periods of amortisation applied are revised at the year-end and, if necessary, adjusted prospectively.



Consolidation goodwill

At year-end 2021, the goodwill on consolidation corresponds to the positive difference between the carrying amount of the investment and the value attributed to this investment of the fair value of the assets acquired and liabilities assumed from the companies acquired by Correos Express in 2019.

The goodwill is allocated to each of the cash generating units on which benefits of the business combination are expected to be distributed and then, as the case might be, the corresponding valuation correction is registered.

In the event that any loss due to impairment regarding a cash generating unit to which a full or particular goodwill had been allocated must be registered, the book value of the goodwill corresponding to such unit must be reduced in the first place. If the impairment exceeds the latter amount, secondly, the value of the other assets of the cash generating unit must be reduced proportionally to their book value to the limit of the highest value among the following: their fair value less the costs of sale, the value in use and zero. The impairment loss is booked to the results of the financial year.

When an impairment loss is subsequently reversed (a circumstance which is not allowed for in the specific case of goodwill), the book value of assets or the cash generating unit is increased by the revised estimated recoverable sum, but in such a way that the increased book value does not exceed the book value that would have been determined if there had not been any recognised impairment losses in the previous years. These reversals for impairment losses in value are recognised as income in the consolidated profit and loss account.

Goodwill is amortised following the straight-line method within a ten-year term. The useful life will be established separately for each cash generating unit to which the goodwill has been allocated.

Computer software and other intangible assets

Computer software is stated at acquisition cost and amortised on a straight-line basis over its estimated useful life, which is generally five years (see change in estimated useful lives in note 5.b). The costs of computer application maintenance are recorded as expenditure when incurred.

On the other hand, as a consequence of the allocation of the price paid for the acquisition of the Portuguese subsidiaries, computer applications for the sum of 3,629 thousand euros, with an estimated useful life of five years, were recorded under 'IT Applications'.

Other intangible fixed assets

Other intangible assets' corresponds to the sum paid for the transfer of sublease rights and is amortised on a straight-line basis over the life of said right.

It also recognised the following intangible assets as 'Other intangible assets' in 2019 as a result of the allocation of the price paid for the acquisition of subsidiaries:

- Relationships with clients for a sum of 4,173 thousand euros and an estimated useful life of five years.

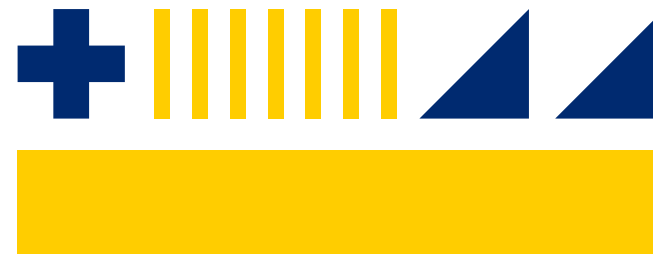
Patents, licences, and similar

They are booked at the sum actually paid for certain patents acquired and amortised over a period of ten years.

(b) Property, Plant and Equipment

Property, plant and equipment are booked at acquisition cost or the value at which they were contributed to the Parent Company by the now defunct Entity (see Note (1) on the Parent Company's activity), less accumulated depreciation and, where applicable, the accumulated sum of any impairment losses recognised. Indirect taxes levied on property, plant and equipment are included in the acquisition price when not directly recoverable from the Public Tax Administration.

Tangible assets are depreciated as soon as they are available for use and are depreciated systematically and rationally (on the basis of their useful life and residual value) on a straight-line basis over their estimated useful lives. Residual values, useful lives and depreciation methods shall be reviewed at least at each financial year-end, and useful lives are reviewed when there are indications that they may have changed and, if appropriate, adjusted prospectively. The useful life periods used for the depreciation of the different assets are presented below:



Likewise, in the event of indications of impairment, the Correos Group assesses the need to make valuation adjustments to the items that form part of its property, plant and equipment in order to attribute to them at any given time the lower of their carrying amount and their recoverable sum.

Costs for the extension, upgrade and improvement of property, plant and equipment are allocated as assets with the highest value of the asset where they constitute an increase in their capacity, performance or extension of their useful lives and as long it is possible to estimate or to ascertain the book value of the elements written off from the inventory due to replacement.

| Type of asset | Useful life 2021 and 2020 (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 |

Maintenance and repair costs for property, plant and equipment which do not improve their use or extend their useful life are charged to the profit and loss account when incurred.

Investments made by the Correos Group in properties owned by third parties that qualify as operating leases are measured,

provided that they are not separable from the leased or leased asset, at the cost of those investments. The amortisation of these investments is calculated based on their useful life, what the duration of the rental or assignment contract will be, including the renewal period where there is evidence suggesting this will indeed occur, where this is less than the economic life of the asset.

Investments made in the adaptation of premises which are temporarily rented during the renovation of other premises are capitalised and provisioned in the year in which they are incurred.

(c) Investments Property

Investments property comprises land and buildings owned and leased to third parties and held for long-term rental income. Elements included under this heading are recognised at their acquisition cost minus their corresponding accumulated amortisation and the relevant impairment losses incurred. For the calculation of the amortisation of real estate investments we use the straight-line method based on the useful life years estimated for them, which amounts to 50 50 years.

The criteria contained in the above standards, relating to property, plant and equipment, will be applied to investment property,

(d) Operating and finance leases

The Correos Grupo qualifies rental contracts as financial where it deduces, from the economic conditions, that the risks and benefits inherent to ownership of the asset of the contract are substantially transferred. Contracts that do not substantially transfer all the risks and rewards and where the lessor only has the right to use the asset for a specified period of time are classified as operating leases.

Correos Group as lessee

The assets acquired via financial leases are registered according to the nature based on the lower between the fair value of the asset and the current value at the start of the lease of minimum payments agreed, booked as a financial liability for the same sum. Sums payable for leases are distributed between financial expenses and reduction of liabilities. Assets are subject to the same amortisation, impairment and write-off criteria as the rest of the assets of the same nature.

Operating lease payments are recognised as expenses in the consolidated profit and loss account on the basis of their accrual basis on a straight-line basis over the total term of the lease.

Correos Group as lessor

Revenue arising from the operating leases are booked in the consolidated profit and loss account based on their accrual on a straight-line basis for the full term of the lease. The direct costs attributable to the agreement are included as the highest of the leased assets and booked as expenditure over the term of the agreement. This same criteria are used to recognise income from leases.

(e) Impairment of Non-Current Non-Financial Assets

Non-cash flows generating assets

The main activity of the Parent Company is the provision of a public service of general interest - the Universal Postal Service - for which it charges a price that complies with the legally established principles. Thus, the vast majority of the assets that form part of the Parent Company's tangible and intangible fixed assets are

owned mainly for the purpose of producing social economic flows that benefit the community and do not correspond to investments in assets that pursue a purely financial return and whose recovery could be based on the financial flows they produce.

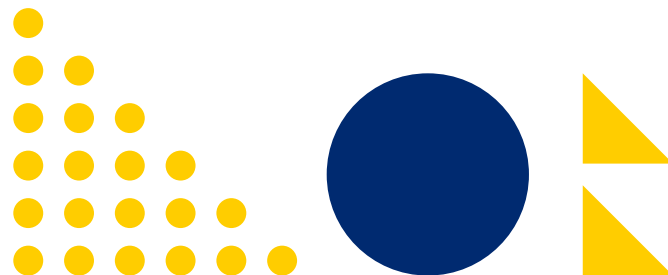
In accordance with the above and in application of the provisions of Orden [Order] EHA/733/2010, of 25 March, approving accounting aspects for public companies operating under certain circumstances, the Parent Company determines the impairment of its tangible and intangible fixed assets with reference to the depreciated replacement cost of each asset.

All other assets

If there are indications of impairment, the carrying amounts of the Correos Group's non-current non-financial assets are reviewed, at least at year-end, to determine whether such indications prevail. If signs of impairment are detected, the recoverable value of such assets is estimated.

The recoverable sum is the highest between the fair value less sale costs and the value in use. For the purposes of establishing the value-in-use, future cash flows are discounted at their present value using discount rates before taxes which reflect current market estimations of the time value of money and the specific risks associated with the corresponding assets. For those assets that do not generate highly independent cash flows, the recoverable sum is determined for cash-generating units to which valued assets belong.

Losses due to impairment are recognised for all those assets, or, when appropriate, for cash-generating units that incorporate them, when their accounting value exceeds the corresponding recoverable sum. In the event that any loss due to impairment regarding a cash generating unit to which a full or particular goodwill had been allocated must be registered, the book value of the goodwill corresponding to such unit must be reduced in the first place. If the impairment exceeds the latter amount, secondly, the value of the other assets of the cash generating unit must be reduced proportionally to their book value to the limit of the highest value among the following: their fair value less the costs of sale, the value in use and zero. Losses due to impairment are registered in the profit and loss account and, unless they come from goodwill, are reversed when changes in the estimates used to determine the recoverable sum are made. Reversed impairment losses are booked in the profit and loss account with the limit set by the fact that the carrying value of the asset after reversal may not exceed the carrying amount, net of any depreciation, if the aforementioned impairment loss were not previously registered.



(f) Financial assets

On initial recognition, the Group classifies those assets described in note 2.a as financial assets on the basis of the economic substance of the transaction and considering the definitions of a financial asset in the applicable financial reporting framework.

A financial asset is recognised when the Group becomes the bound party of the asset.

The Group classifies its financial assets according to the business model applied to them and the cash flows characteristics of the instrument.

The business model is determined by the Group's Directors and this reflects the manner in which they jointly manage groups of financial assets in order to achieve a specific business objective. The business model that the Group applies to each group of financial assets is the way in which it manages these assets in order to obtain cash flows.

The Group's financial assets are receivables from customers, debtors, staff and public administrations, deposits and guarantees, acquired equity instruments, cash and cash equivalents.

Specifically, financial assets are classified into the following categories:

Financial assets at amortised cost: includes financial assets, even those traded on an organised market for which the Group holds the investment for the purpose of receiving cash flows from the execution of the contract, and the contractual terms of the asset give rise, at specified dates, to cash flows that are solely collections of principal and, where applicable, interest on the principal sum outstanding. In general, this category includes trade and non-trade receivables, loans and advances to staff, accounts receivable from general government and deposits and guarantees.

In their initial recognition, financial assets at amortised costs are booked at fair value, which, unless evidence to the contrary, is the transaction price plus the transaction costs directly attributable.

In the subsequent valuation, financial assets included in this category are assessed at amortised costs, with interest accrued applying the effective interest rate method booked to the profit and loss account.

Notwithstanding the above, credits for commercial operations with maturity not above one year and which do not have a contractual interest rate at nominal value, both for the initial assessment and subsequent valuation, where the effect of not updating cash flows is not significant.



Financial assets at cost:

They are initially recorded at the reasonable value of the compensation delivered plus any directly attributable transaction costs. Fees paid to legal advisers or other professionals, who intervene in the acquisition of the asset are booked at cost in the profit and loss account. Internally generated expenses incurred in the acquisition of the asset are also not recorded as an increase in the value of the asset and are recorded in the profit and loss account

In the subsequent assessment of financial assets at cost, they are valued at cost less, where applicable, the accumulated sum of corrections for value impairment. Nevertheless, where there is an investment prior to classification as group company, it is considered an investment cost at book value before this classification. Previous valuation adjustments directly allocated to net equity are kept in the same section until they are written off.

The Company will derecognise a financial asset, or part of it, when the contractual rights to the cash flows of the financial asset expire or have been transferred and it is necessary for the risks and benefits of ownership to have been transferred substantially. These circumstances are assessed by comparing the Group's exposure, before and after the transfer, to changes in the amounts and timing of the net cash flows of the transferred asset.

(g) Impairment of non-current non-financial assets

The book value of the financial assets is corrected charged to the consolidated profit and loss account, consolidated when there is objective evidence of an impairment loss. To determine the impairment loss, the Correos Groups assess, at least once every financial year, the possible losses in both individual assets and of the asset classes with similar risk profiles.

Objective evidence of impairment exists when there have been non-payments, defaults, refinancing, possibilities of not recovering the full cash flows or where there is a delay in collection.

For other loans and other receivables, the sum of the impairment losses is equal to the difference between the book value and the current value of future cash flows estimated to be generated, less the existing effective interest rate at the time of initial recognition.

The reversal of the impairment of loans and receivables is recognised as revenue in the consolidated profit and loss account and the limit is the book value of the financial asset which would be registered on the reversal date if no value impairment were recorded.

In the case of overdue debts of public customers, the depreciation of the debt is recorded at the amount obtained by applying a market interest rate to the overdue debt for the time elapsed since its maturity, at the close of each financial year, in the event that it has been contractually agreed that there is no interest on arrears.

(h) Non-current assets held for sale

Assets whose carrying amount is to be recovered principally through sale rather than through continuing use are classified under this heading when they meet the following requirements:

- That they are available in their present condition for immediate sale, subject to the usual and customary terms of sale.
- Its sale is highly probable because the following circumstances occur:
 - i. The company must be committed by a plan 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 a price appropriate to its current fair value.
 - iii. The sale is expected to be completed within one year after the date of classification of the asset as held for sale, unless events or circumstances beyond the company's control require an extension of the sale period and there is sufficient evidence that the company remains committed to the plan to dispose of the asset.
 - iv. The actions to complete the plan indicate that there the asset is unlikely to undergo significant changes or be removed.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less sale costs. These assets are not depreciated and, if necessary, appropriate valuation adjustments are made so that the carrying amount does not exceed the fair value less sale costs.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and in banks and other financial assets and deposits which may be converted into cash, provided that their maturity as of their acquisition date does not exceed three months, they are not subject to a significant value change risk and they are part of the Correos Group's usual cash management policy.

(j) Inventories

Inventories are valued at acquisition cost determined by the weighted average cost method.

When the net realisable value of stocks is below the acquisition price or production cost, the relevant assessment corrections are made, booked as a cost in the consolidated profit and loss account.

(k) Provisions and Contingent Liabilities

The Correos Group registers provisions in the consolidated balance where there is an obligation, by legal or contractual provision, or by implicit or tacit obligation, as a result of a past event, a reliable estimate of the obligation can be made and it is likely that this constitutes a future outflow of resources for liquidation.

When provisions are established to settle obligations without a definite maturity date, or with a maturity term shorter or equal to one year, and whose financial effect is not significant, no discount whatsoever shall be applied. With regard to all other obligations, provisions are recognized at the present value of the best possible estimate of the amount required to cancel or transfer the obligation to a third party, recording the adjustments that arise to capitalise the provision as financial costs as these accrue, with the

purposes of better reflecting the best current estimation of the relevant liability from time to time.

The Directors of the Parent Company consider possible obligations arising as a consequence of past events to be contingent liabilities, whose materialisation is conditional upon the occurrence of one of more future events beyond the control of the Group. Said contingent liabilities are not subject to accounting entry, with the details and explanation of same presented in Note (24) on contingent liabilities.

These consolidated financial statements contain all the provisions with respect to it is estimated which the likelihood of having to cover an obligation is greater than the alternative. Contingent liabilities are not recognised in the consolidated financial statements but are reported in the consolidated report.

(I) Financial liabilities

On initial recognition, the Group classifies as a financial liability, on the basis of the economic substance of the transaction and bearing in mind the definitions of financial liabilities in the financial reporting framework applicable to it, as described in note 2.a

A financial liability is recognised when the Group becomes an obliged party of the liability.

A financial liability is recognised on the balance sheet when the Group becomes an obliged party to a contract or legal business in accordance with the provisions thereof.

The Group classifies all its financial liabilities as 'Financial liabilities at amortised cost'.

In general, the Group classifies the following financial liabilities in

this category:

Debts for commercial transactions: financial liabilities arising from the purchase of goods and services for ordinary transactions with payment in instalments, and

Debts from trade operations: financial liabilities which, not being derivative financial instruments, are not of a trading nature but arise from lending transactions.

The Group's financial liabilities correspond to accounts payable to suppliers, trade and fixed asset creditors, payables to credit institutions, deposits and guarantees, payable to group companies and other payables. In addition, financial liabilities that do not meet the criteria for classification as financial liabilities at fair value through the profit and loss account are classified in this category.

Financial liabilities with maturity within 12 months from the date of the balance sheet are classified as current, while those with longer maturity are classified as non-current.

Financial liabilities are initially valued at fair value, which, unless there is evidence to the contrary, is the transaction priced adjusted for directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate. The interest accrued is booked in the profit and loss account, applying the effective interest rate method.

Notwithstanding the above, debits for commercial operations with maturity within one year and which have no contractual interest rate, expected to be paid in the short term, both for the

initial and subsequent valuation, are valued at nominal value as the effect of not updating cash flows is not significant.

Financial liabilities are derecognised by the Group whenever the obligations attached thereto have elapsed.

When there is an exchange of debt instruments with a lender, provided they have substantially different conditions, the derecognition of the original financial liability is registered and the new financial liability generated is recognised. A substantial modification of the current conditions of a financial liability is similarly recorded.

The difference between the carrying amount of a financial liability, or the part of which has been disposed of, and the consideration paid, including the attributable transaction costs, and which also includes any asset assigned other than cash or liability assumed, is recognised in the profit and loss account of the financial year in which it takes place.

In case of an exchange of debt instruments and provided that their conditions are not much different, the original financial liability shall not be written off the balance sheet, but the amount of charges paid shall be recognised as an adjustment of their book value. The new amortised cost of the financial liability is determined applying the effective interest rate, which equals the book value of the financial liabilities on the date when the payable cash flows are amended according to the new conditions.

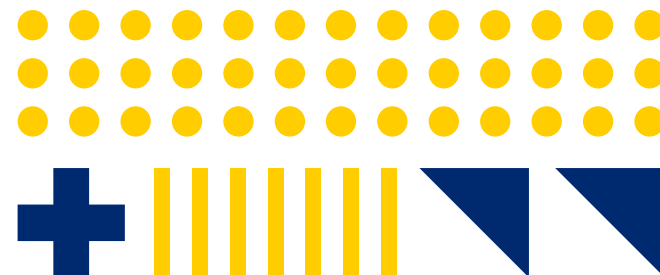
To these purposes, it is deemed that the contract conditions are substantially different when the creditor is the same as that who granted the initial loan and the present value of the cash flows of the new financial liability, including net commissions, differs

at least 10% from the present value of the cash flows pending payment of the original financial liability, both updated to the effective interest rate of the original liability. In addition, in cases where the difference is less than 10%, the Group also considers that the terms of the new financial instrument are substantially different when there are other substantial qualitative changes, such as: a change from a fixed to a floating interest rate or vice versa, the restatement of the liability in a different currency, an ordinary loan becoming a participative loan, etc.

During the year, the covenants that may exist on the financial debt have been complied with.

(m) Transactions in foreign currency

Monetary Items



Transactions in foreign currencies are initially registered at the exchange rate in place as of the date of the transaction.

Monetary assets and liabilities in foreign currency are converted at the cash exchange rate applicable on the balance sheet date. Both exchange losses and gains arising from this procedure, as well as those that occur on settlement such balances, are recognised in the profit and loss account for the financial year in which they occur.

(n) Business Combinations

On the date of acquisition, those identifiable assets acquired and liabilities incurred are registered at their fair value as long as such fair value could be measure reliably. with the following exceptions:

- Non-current assets classified as held for sale are recognised at fair value less sale costs.
- Deferred tax assets and liabilities are measured at the sum expected to be recovered or paid, based on the tax rates that will apply in the years in which 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 or liabilities are not derecognised.
- 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 against which the obligations will be settled.
- Intangible assets whose valuation cannot be made by reference to an active market and which would entail the

recognition of income in the profit and loss account: these have been deducted from the negative difference calculated.

- Assets received as compensation for contingencies and uncertainties: they are recognised and measured on a basis consistent with the item generating the contingency or uncertainty.
- Reacquired rights recognised as intangible assets: these are valued and amortised on the basis of the contractual period remaining until their completion.
- Obligations classified as contingencies: are recognised as a liability at 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, even though it is not likely that an outflow of economic resources will be required to settle the obligation.

The surplus, on the acquisition date, of the cost of the business combination, on the proportional part of the value of the identifiable assets acquired minus the cost of the liabilities undertaken is recorded as consolidated goodwill.

If the sum of the identifiable asset acquired less the liabilities assumed were superior to the business combination cost this surplus is booked in the profit and loss account as revenue. Before recognising this revenue, a reassessment would be made as to whether the identifiable assets acquired and liabilities assumed and the cost of the business combination have been identified and measured.

(ñ) Revenue and expenditure

The Group's revenues arise primarily from the provision of postal and parcel services. Correos is the only company in the postal

market that offers national coverage to citizens, companies and public 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 lockdown, when postal and parcel delivery became an essential service for society more than ever.

In determining whether revenue should be recognised, the Group follows a five-step process:

1. Identification of the contract of a client
2. Identification of performance obligations
3. Determination of the price of the transaction
4. Allocation of the price of the transaction to the execution obligations
5. Revenue recognition when performance obligations are met.

In all cases, the total transaction price of a contract is allocated among the various performance obligations on the basis of their relative independent sales prices. The transaction price of a contract excludes any amount charged on behalf of third parties.

Revenue is generally recognised at a point in time when the Group satisfies the performance obligations, i.e. when the service required by the customer has been performed in accordance with the customer's requirements.

The Group recognises liabilities for onerous contracts received in respect of unfulfilled performance obligations and presents these amounts as other liabilities on the Balance Sheet. Also, if the Group fulfils a performance obligation before receiving the consideration, the Company recognises a contractual asset or a receivable on its Balance Sheet, depending on whether more than the passage of time is required before the consideration is due.

Revenue and expenditure are allocated on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of the time when the monetary or financial flow arising therefrom occurs.

This income is valued at the fair value of the consideration received, less any discounts and taxes.



a) Postal revenues

The Parent Company is the operator designated by law to provide the universal postal service in Spain, in accordance with the requirements of quality, reliability, accessibility and affordability that delivers on the right of all citizens to postal communications, in a market that was fully liberalised on 1 January 2011, in accordance with Law 43/2010, of 30 December, on the Universal Postal Service, Users' Rights and the Postal Market.

This Act, together with *Real Decreto 1829/1999, de 3 de diciembre (reglamento postal)* [Royal Decree 1829/1999 of 3 December 1999 (Postal Regulations)], deals mainly with the regulation of the conditions of collection, acceptance, distribution and delivery of the universal postal service required of the designated operator, as well as the cost and financing of these obligations, prices and other tariff conditions for postal services.

b) Revenue from parcel services

The Group offers a wide range of parcel delivery options and is subject to *Ley 16/1987, de 30 de julio, de Ordenación de los Transportes Terrestres* [Law 16/1987 of 30 July 1987 on the Regulation of Land Transport] and *Ley 15/2009, de 11 de noviembre, del contrato de transporte terrestre de mercancías* [Law 15/2009 regulating the Contract of Land Transport of Goods]. Most of the contracts are short-term and with different types of companies.

c) Revenue from layout services

The Group's extensive portfolio of services includes layout services for its clients. The revenue for these services is identified in the contracts signed with customers, detailing the rates proposed and accepted by the parties.

Revenues for these services are recognised when the layout and subsequent communication requested by the customer are all completed, fulfilling the performance obligations set out in the contract. The Group does not invoice in advance for these services, as they do not require significant hourly charges.

d) Revenues from printing and enveloping services

These services are intended for any type of company, in any sector, that wishes to establish physical communications with its customers.

Revenues for these services are generated over time as the Group provides services according to the requirements and standards of its customers and once these services are provided, the right to receive payment for these services is generated. It is not the Group's practice to invoice for these services in advance.

e) Digital communication services revenues

These types of services are included in the portfolio of services offered to customers to qualify for omni-channel services. They are mainly intended for private companies and public administrations that need to establish communications with their customers through digital devices, such as e-mail, mobile devices (smartphones or tablets), etc.

f) Telecommunications infrastructure rental

Rental of dark fibre, rights of way, co-location on radio sites mainly for telecommunications operators. Revenue for these services is recognised over time as the Group provides services to each customer.

Some contracts include multiple obligations. Sometimes, the development of the project, laying of the fibre, and subsequent periodic maintenance. Consequently, in these cases, the transaction price is allocated between the different obligations in the contract. These are usually long-term agreements. In this type of contract, the Group usually invoices in advance to finance the development of the project and is therefore recognised as an advance from customers under the balance sheet heading ‘non-current accruals and current accruals’. In this type of contract, the Group begins to recognise revenue when the customer can make use of the asset.

g) Connectivity services:

Optical transport services offering high bandwidth connectivity between different customer sites, via circuits connected at their ends to terminal equipment, without access to public networks.

Revenue for these services is recognised over time, to the extent that the Group provides a tailored, customer-specific service and has the right to collect for all work performed for the customer to date.

h) Revenue from provision of services

Revenue from provision of services is valued at the fair value of the compensation received or to be received, arising from same, after deducting any discount or similar, as well as any indirect taxes on transactions which may be charged on to third parties.

Revenue is booked depending on the financial significance of the transaction and is recognised when all of the following conditions are met.

- The amount of revenue may be reliably assessed.
- It is probable that the Group obtains financial benefits or returns arising from the transaction, and
- The costs incurred or to be incurred in the transaction may be reliably measured;

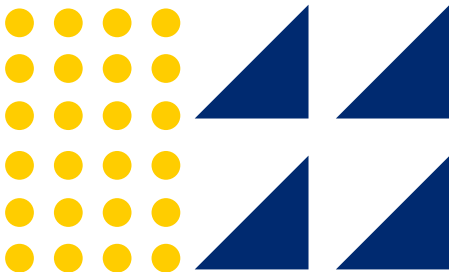
There are no financial components in the transactions of these kinds of services described above.

Revenue and expenditure are allocated based on the actual flow of the goods and services they represent and irrespective of when the monetary or financial flow arising from them occurs.

In all cases, the total transaction price of a contract is allocated among the various performance obligations on the basis of their relative independent sales prices. The transaction price of a contract excludes any sum charged on behalf of third parties.

Revenue is recognised at a point in time or over time when (or as) the Group meets performance obligations by transferring promised goods or services to its customers.

The Group recognises liabilities for onerous contracts received in relation to unfulfilled performance obligations and presents



these sums as other liabilities on the balance sheet. Also, if the Group fulfils a performance obligation before the consideration is received, the Group recognises a contractual asset or a receivable on its Balance Sheet, depending on whether more than the passage of time is required before the consideration is due.

For contractual obligations that are due at a specific point in time, revenue arising from their performance shall be recognised at that date. Until such time, costs incurred in the production or manufacture of the product (goods or services) are accounted for as inventories.

Ordinary revenue from the sales of goods and the provision of services is valued at the monetary sum or , where applicable, fair value of the balancing entry, received or receivable, arising therefrom which, in the absence of evidence to the contrary, will be the price agreed for said goods or services, after deducting any discount, price reduction or other similar reductions granted, as well as interest added to the nominal credit value. Nevertheless, the interest accrued on commercial loans expiring within one year with no contractual interest rate, when the effect of not updating cash flows is not significant.

Taxes levied on transaction for the delivery of goods and provision of services that the company must collect from third parties, such as VAT and special taxes, and sums received on behalf of third parties, will not form part of revenue.

The Group will take into account, in measuring revenue, the best estimate of the variable compensation if it is highly likely that there will not be a material reversal of the revenue sum recognised when the uncertainty associated with the consideration is subsequently resolved.

(o) Liabilities for employee benefits

Pensions supplement

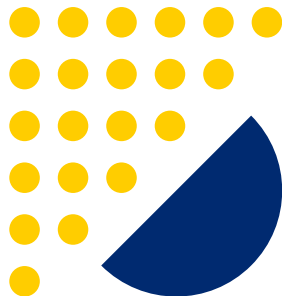
During 2000, the Parent Company promoted the creation of a pension plan to supplement the benefits provided to its employees by the public Social Security and State Pension Schemes. This pension plan, with defined contribution for the promoter, is governed by the provisions of *Real Decreto Legislativo 1/2002, de 29 de noviembre, por el que se aprueba el texto refundido de la Ley de Regulación de los Planes y Fondos de Pensiones* [Royal Legislative Decree 1/2002, of 29 November, which approves the revised text of the Law on Regulation of Pension Plans and Funds] and by *Real Decreto 304/2004, de 20 de febrero, por el que se aprueba el Reglamento de planes y fondos de pensiones* [Royal Decree 304/2004, of 20 February, which approves the Pension Plan and Fund Regulations] and its subsequent amendments.

Pursuant to the provisions of Article 2 of *Real Decreto-ley 20/2011, de 30 de diciembre, de medidas urgentes en materia presupuestaria, tributaria y financiera para la corrección del déficit público* [Royal Decree 20/2011, of 30 December, on urgent budgetary, tax and financial measures to correct the public deficit], the Parent Company suspended contributions to the Correos y Telégrafos Employment Pension Plan in 2012 and has not made any contributions since then.

As of 31 December 2021 and 2020, the Parent Company does not have any additional commitments to the participants of the pension plan in addition to the sums actually contributed since the date of creation of the plan. The total amount of contributions made by the Parent Company since 2000, when the fund was created, is 125,556 thousand euros.

Compensation for termination of employment

In accordance with current legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. In this regard, compensation for termination is paid to employees as a result of the decision of the Group to terminate their employment contract before regular retirement age or where the employee accepts the voluntary changes of these provisions. The Group recognises these benefits when it has undertaken demonstrably to terminate the employment of its employees in accordance with a formal and detailed plan that cannot be revoked or to provide benefits due to termination as a consequence of an offer for encouraging voluntary resignation. Those benefits which are not going to be paid up within twelve months following the balance sheet date are discounted at their current value.



Retirement rewards

The different collective bargaining agreements currently in force by geographical area and applicable to the investee company Correos Express Paquetería Urgente, S.A., S.M.E. (Sole-Shareholder Company) provide that employees who take early and voluntary retirement from the age of 60 to 65 will be paid, if they have worked for the company for between 10 and 30 years (depending on the applicable Collective Bargaining Agreement), a length-of-service bonus or award ranging from various fixed amounts or monthly payments.

(p) Current and deferred taxes

Income tax for the financial year is calculated as the sum of the current tax that results from applying the corresponding tax rates to the taxable base for the financial year, after applying any credits and deductions, and the variations with regard to recorded deferred tax assets and liabilities. They are recognised in the consolidated profit and loss account except in these cases where the tax is directly related to entries directly recognised under the net equity of the Correos Group, in which case the tax is also recognised under this heading.

In 2011, the Correos Group was taxed under the special tax consolidation regime, with associated Tax Group number 38/11, and head of business Sociedad Estatal Correos y Telégrafos, S.A., S.M.E.

Upon the integration of the Correos Group into SEPI in June 2012, the Tax Group no. 38/11 was dissolved and the companies that made up this group were integrated into the Consolidated Tax Group with associated number 9/86 with effect from the financial year 2012.

For corporate income tax purposes, the companies in the Correos Group, with the exception of CEP and CEP II, form part of the Consolidated Tax Group no. 9/86, comprising Sociedad Estatal de Participaciones Industriales and the companies resident in Spanish territory in which it holds a direct or indirect stake of at least 75% and a majority of the voting rights, in accordance with the provisions of Art. 58 of Law 27/2014 on Corporate Income Tax.

Assets and liabilities due to current taxes are the estimated sums payable to or receivable from the public administrations in accordance with current tax rates as of the date of the balance sheet. They are recorded under the balance sheet heading Debts with group and associate companies and Short-term debts with Group companies and associates, respectively, as the taxable subject before the administration is the parent company of the consolidated tax group, i.e. SEPI.

Deferred tax is registered according to the liability registration method for all temporary differences between the tax base for assets and liabilities and their carrying value in the consolidated financial statements.

The subsidiaries, with the exception of CEP and CEP II, and the Parent Company of the Correos Group recognise deferred tax assets for all deductible temporary differences, unused tax credits negative tax bases not applied, insofar as it is likely that the Group company that generated them will individually have future taxable profits that allow these assets to be used or that are rationally expected to be recovered within the consolidated tax group, although in any case the tax loss carryforwards generated by the companies comprising the Correos Group from their incorporation into the consolidated tax group 9/86 were acquired by SEPI at a rate of 28% until 2015 and as from 2016 at a rate of 25%. The

companies in the Correos Group, with the exception of CEP and CEP II, in relation to the tax losses generated by each company prior to forming part of the consolidated tax group no. 9/86, recorded under 'deferred tax assets', assess their recoverability on an annual basis, subject to the attainment of future taxable profits within the maximum compensation period established by current legislation. In this respect, irrespective of their consolidated taxation, the Parent Company of the consolidated tax group to which the companies of the Correos Group belong, with the exception of CEP and CEP II, allows the offsetting of tax losses generated prior to their incorporation into Group no. 9/86.

In addition, the subsidiaries CEP and CEP II, domiciled in Portugal, are subject to corporate income tax in Portugal at a rate of 21%.

Deferred tax assets and liabilities are valued at the tax rate expected at the time of the reversal of the agreement in force and in the manner in which it is rationally expected to recover or pay the deferred tax asset or liability. Value adjustments for deferred tax assets and liabilities are assigned to the profit and loss account except when the affected deferred tax assets or liabilities have been directly paid to or by net equity.

Deferred tax assets and liabilities are valued without consideration for the effect of financial discounts.

(q) Grants, donations, bequests and compensation received for costs arising from the provision of the universal postal service

Non-refundable grants, donations and bequests received by the Parent Company for the provision of the universal postal service for the acquisition of certain items are recorded in a specific item under consolidated net equity, after deducting the corresponding tax effect, as the Parent Company considers that it meets and will meet the necessary requirements to consider them as non-refundable.

It is deemed to be non-refundable when there is an individual agreement to grant the subsidy, donation or bequest in favour of the company, the conditions set out for granting thereof have been met and there is no reasonable doubt regarding the reception of the subsidy, gift or bequest.

Non-refundable compensation received, up to 2010, as a capital grant by the Parent Company for the costs of providing the universal postal service, is booked in the consolidated profit and loss account over the period of time equivalent to the useful life of the fixed assets financed with such grants, unless these assets are disposed of, impaired or derecognised, in which case they are booked in the consolidated profit and loss account either in full or at the theoretical percentage of impairment experienced by the subsidised assets at the same time as this occurs. The recognition in the consolidated profit and loss account of compensation for land financing is deferred until the year in which the land is disposed of or impaired.

In relation to the compensation received by the Parent Company, up to 2010, as a capital grant for the costs of providing the

universal postal service and the impairment of the related assets, the impairment losses on the items in the part of the assets that have been financed free of charge are considered irreversible in all cases.

Non-refundable grants, donations and bequests and cost offsets received by the Parent Company to compensate for operating deficits arising from the provision of the universal postal service are recognised in the consolidated profit and loss account in the period in which they are recognised, irrespective of their actual receipt.

In light of the foregoing, in 2021 the Parent Company recognised compensation for the provision of the universal postal service for a sum of 110,000 thousand euros (60,000 thousand euros in 2020) (Note 17.k), i.e. the full sum received from the *Ministerio de Transporte, Movilidad y Agenda Urbana* [Ministry of Transport, Mobility and the Urban Agenda] through programme 491N Universal Postal Service in the 2021 General State Budget, once the requirements for their consideration as non-refundable have been met.

In the period 2011-2019 the Parent Company has only received the total sum of 1.219 million euros from the Ministry of Transport, Mobility and Urban Agenda for programme 491N Universal Postal Service.



In May 2020, the European Commission published the resolution approving compensation to the Parent Company 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 the Parent Company did not receive sums exceeding the net cost of the public service obligation, which means that there is no overcompensation, and therefore the calculation of the sum received is within the EU state aid rules.

In 2020, the Parent Company recognised 60 million euros in consideration for the provision of the universal postal service, 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 requirements for consideration as non-refundable were met.

The Provision Plan and its calculation methodology was approved at the meeting of the Council of Ministers held on 1 June two thousand and twenty-one (note 1) and is valid indefinitely.

In application of EU state aid rules, the Universal Postal Service Provision Plan has been submitted to the European Commission, which has issued European Commission Decision C (2020) 3108 final of 14 May 2020, concerning case SA.50872 on compensation for Correos for the obligation to provide universal postal services in the period 2011-2020. This decision determines that the methodology developed by Spain is reliable, that its results can be accepted and that the compensation to the Parent Company for the public service obligations constitutes aid compatible with the internal market in accordance with Article 106(2) of the Treaty on the Functioning of the European Union.

Once the validation of the European Commission has been obtained under the terms mentioned in the aforementioned Decision and in accordance with the provisions of Art. 22.3 paragraph 1 of the LSPU, the Universal Postal Service Provision Plan has been submitted to the National Commission for Markets and Competition and the Consejo Superior Postal [Higher Postal Council] for a mandatory report.

The Commission's decision was made on the basis of a calculation methodology that has been approved by the European Commission.

As described in the Methodological Annex to the Provision Plan, the Unfair Financial Burden or Universal Postal Service Compensation in favour of the designated operator is determined by applying the Net Avoided Cost Method, in accordance with paragraphs 25 to 27 of the Commission Communication on the European Union Framework for State aid in the form of public service compensation (2011), hereinafter the 'EU Framework'. The net avoided cost, hereinafter 'NAC', is the difference between the net cost to the designated operator subject to the universal service obligations, or Base Scenario, and its net cost without being subject to those obligations, or Counterfactual Scenario. The NAC is calculated as the difference between the avoided



costs, or cost savings, and the avoided revenues, or revenue losses, found by comparing the counterfactual scenario with the baseline scenario. Compensation for the unfair financial burden of providing universal service also includes incremental costs arising from the counterfactual scenarios, adjustments to neutralise the intangible and market advantages associated with the nature of universal service provision, a reasonable profit for the designated operator and efficiency incentives, as set out in the terms of the above-mentioned Commission Decision.

The approved methodology is in accordance with the Commission's decision, which did result in a refund of any amount received, and with the best estimate made by the Parent Company's management of the amount to be received for the universal postal service. Based on this methodology for the financial year 2021, the directors of the Parent Company understand and consider that there is a remote risk of a negative impact on the financial statements for the current and future financial years relating to the calculation of the net cost of the universal postal service for the period 2011 to 2021.

(r) Transactions with related parties

Transactions with related parties are recognised in accordance with the measurement criteria detailed above.

(s) Value Added Tax

Non-deductible Value Added Tax (hereinafter VAT) is part of the purchase price of the capital goods and of the cost of the goods and services which are the subject of the transactions subject to this tax. Adjustments to non-deductible VAT as a result of the adjustment of the Parent Company's definitive pro rata, including the adjustment of investment property, do not alter the

initial valuations of the assets and, therefore, their effect, if any, is recorded in the consolidated profit and loss account.

Article 2 of *Ley 23/2005, de 18 de noviembre, de reformas en materia tributaria para el impulso a la productividad* [Law 23/2005 of 18 November 2005 on Tax Reforms to Boost Productivity] amended, with effect from 1 January 2006, the VAT tax regime applicable to postal services provided by the Parent Company. In particular, since 1 January 2006, the exemption from the above-mentioned tax for postal services has been reduced to universal postal services reserved to the operator entrusted with their provision, i.e. the Parent Company. This new scenario led to a significant increase in the Parent Company's deductible VAT up to that date, which is why the Parent Company is carrying out regularisations for capital goods during the legally established periods. The income accrued in each of the years arising from these adjustments has been recorded under 'Taxes' in 'Other operating costs' in the consolidated profit and loss account.

Article 22.2 of Law 43/2010 of 30 December 2010 on the Universal Postal Service, users' rights and the postal market establishes, with effect from 1 January 2011, that the operator designated by the State to provide the Universal Postal Service will be exempt from the taxes levied on its activity related to the Universal Postal Service, except for corporate income tax. As far as Value Added Tax is concerned, the application of this legislative change has led to an increase in services considered exempt from VAT, insofar as the regulations in force until 31 December 2010 limited the exemption to the scope of postal services reserved for this operator.

As a result of the decrease in the proportion of taxable and non-exempt services in relation to the total services provided

by the Parent Company, there was a significant decrease in the deductible proportion of pro rata VAT and, therefore, an increase in non-deductible VAT on the acquisition of capital goods, as well as goods and services subject to VAT.

(t) Consolidated cash flows statement

The consolidated cash flows statements have been prepared using the indirect method, and on such statements the following expressions are used with the definition indicated below:

- Operating activities: activities that make up for the Group's main source of ordinary revenue, as well as activities that may not be classified as investment or financing activities.
- Investment activities: activities comprising the purchase, sale or otherwise disposal of long terms assets and other investment not included under cash or other equivalent liquid assets.
- Financing activities: activities causing changes on the size and composition of net equity and liabilities not belonging to operating activities.



6. Computer software and other intangible assets

The details and movements under this heading in the years 2021 and 2020 were the following:

| | Financial year 2021 | | | | |
|---------------------------------------|-----------------------|-----------------|-----------------|--------------|-----------------------|
| | Balance at 01/01/2021 | Additions | Disposals | Other | Balance at 31/12/2021 |
| Cost | | | | | |
| Development | 691 | 0 | 0 | (325) | 366 |
| Patents, licences and similar | 592 | - | - | - | 592 |
| Computer software | 314,560 | 21,349 | (68,826) | 41 | 267,124 |
| Other intangible assets | 4,675 | - | - | - | 4,675 |
| Total cost | 320,518 | 21,349 | (68,826) | (284) | 1,750 |
| Accumulated amortisation | | | | | |
| Development | (366) | - | - | - | (366) |
| Patents, licences and similar | (592) | - | - | - | (592) |
| Computer software | (265,075) | (15,997) | 68,677 | - | (212,395) |
| Other intangible assets | (1,740) | (849) | - | - | (2,589) |
| Total accumulated amortisation | (267,773) | (16,846) | 68,677 | - | (215,942) |
| Adjustments for impairment | | | | | |
| Computer software | - | - | - | - | - |
| Net value | 52,745 | - | - | - | 56,815 |

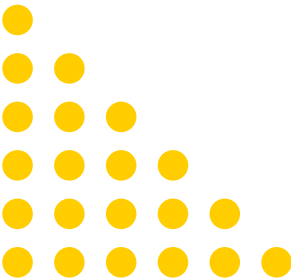
| | Financial year 2020 | | | | |
|---------------------------------------|-----------------------|-----------------|-----------|----------|-----------------------|
| | Balance at 01/01/2020 | Additions | Disposals | Other | Balance at 31/12/2020 |
| Cost | | | | | |
| Development | 366 | 325 | - | - | 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 | 0 | 0 | 320,518 |
| Accumulated amortisation | | | | | |
| Development | (366) | - | - | 0 | (366) |
| Patents, licences and similar | (592) | - | - | 0 | (592) |
| Computer software | (252,313) | (12,368) | - | - | (264,681) |
| Other intangible assets | (1,286) | (848) | - | - | (2,134) |
| Total accumulated amortisation | (254,557) | (13,216) | 0 | 0 | (267,773) |
| Adjustments for impairment | | | | | |
| Net value | 39,123 | | | | 52,745 |

The heading ‘Computer software’ records the amounts paid by the Correos Group to acquire ownership or the right to use computer programs, as well as the activation of evolutionary improvements on different software owned by the Group.

Additions during the year mainly correspond to investments made by the Parent Company relating to the acquisition of user licences and new software, and the evolutionary improvement of others, for the sum of approximately 18,508 thousand euros (with the investment recorded during the financial year 2020 for the sum of 22,564 thousand euros).

The cost of fully amortised items that make up part of the intangible assets of the Correos Group as of 31 December 2021 amounts to 173,015 thousand euros (235,677 thousand euros in 2020).

As of 31 December 2021, the Parent Company has commitments for the acquisition of computer applications and evolutionary improvements to computer systems for the sum of 10,234 thousand euros (6,356 thousand euros in 2020) and, on the same date, there were no firm sale commitments for any intangible assets owned by the Correos Group.



6.1 Consolidation goodwill:

The balances and variations of the ‘Consolidation Goodwill’ account are:

| | 2021 | 2020 |
|---|---------|---------|
| Gross opening balance | 8,744 | 8,744 |
| | 8,744 | 8,744 |
| Accumulated depreciation, opening balance | (1,457) | (583) |
| Arrivals | (875) | (874) |
| | (2,332) | (1,457) |
| Net closing balance | 6,412 | 7,287 |

The Correos Group recognised consolidation goodwill in 2019 as a result of the acquisition price of CEP being higher than the fair value of the assets and liabilities acquired.

The goodwill acquired through the business combination was attributed to a single cash-generating unit, which corresponds to the entire activity of the subsidiaries acquired in Portugal, which, once acquired as a whole within the same transaction, are managed as a single unit. This goodwill is primarily allocated to the labour force.

At year-end 2021, the Correos Group, taking into account the evolution of the subsidiaries, considers that the best evidence of the recoverable sum of its goodwill and intangible assets acquired in the business combination corresponds to their value in use.

The Correos Group tests goodwill and intangible assets acquired in the business combination for impairment on an annual basis. For the year 2020, the recoverable sum of the cash-generating unit (CGU) was determined based on value-in-use calculations requiring the use of certain assumptions.

In this respect, the Correos Group has contracted an independent expert to determine the value in use of the subsidiaries, which consists of discounting future cash flows based on the budget and business plan of the subsidiaries for the next five years, in line with the evolution of the markets in which it operates. The discount rate used, 9.9% (10.6% as of 31 December 2020), has

been calculated from the risk-free rate for 10-year bonds issued by Portugal, adjusted by a risk premium to reflect the risk arising from the market in which it operates and the subsidiary's own risk. A perpetual growth rate of 1.2% (1% as of 31 December 2020) has also been used.

A comparison of the recoverable sum calculated using the discounted future cash flow method and the net carrying amount of goodwill and intangible assets acquired in the business combination did not reveal any impairment.



7. Property, plant and equipment

The details and movements under this heading in the years 2021 and 2020 were the following:

| | Financial year 2021 | | | | |
|--|-----------------------|------------------------------|-----------------|----------------|-----------------------|
| | Balance at 01/01/2021 | Registrations and provisions | Disposals | Transfers | Balance at 31/12/2021 |
| Cost | | | | | |
| Land | 381,940 | 1 | (3,648) | (3,244) | 375,049 |
| Buildings | 1,485,562 | 7,334 | (20,278) | 18,962 | 1,491,580 |
| Technical installations and other fixed assets | 721,783 | 35,527 | (49,800) | 7,015 | 714,525 |
| Assets under construction and advances | 46,766 | 24,716 | - | (26,599) | 44,883 |
| Total cost | 2,636,051 | 67,578 | (73,726) | (3,866) | 2,626,037 |
| Accumulated amortisation | | | | | |
| Buildings | (597,122) | (21,092) | 8,851 | (1,987) | (611,350) |
| Technical installations and other fixed assets | (529,003) | (28,781) | 47,568 | 10 | (510,206) |
| Total accumulated amortisation | (1,126,125) | (49,873) | 56,419 | (1,977) | (1,121,556) |
| Adjustments for impairment | | | | | |
| Land and buildings | (118,940) | (4,771) | 5,881 | 3,913 | (113,917) |
| Technical installations and other fixed assets | (1,690) | - | - | (1) | (1,691) |
| Total adjustments for impairment | (120,630) | (4,771) | 5,881 | 3,912 | (115,608) |
| Net value | 1,389,296 | | | | 1,388,873 |

| | Financial year 2020 | | | | |
|--|-----------------------|------------------------------|-----------------|----------------|-----------------------|
| | Balance at 01/01/2020 | Registrations and provisions | Disposals | Transfers | 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) | 46,766 |
| Total cost | 2,608,437 | 71,861 | (33,275) | (9,689) | 2,636,051 |
| Accumulated amortisation | | | | | |
| Buildings | (588,893) | (20,958) | 3,934 | 6,679 | (597,122) |
| Technical installations and other fixed assets | (518,046) | (29,087) | 20,256 | (8) | (529,003) |
| Total accumulated amortisation | (1,106,939) | (50,045) | 24,190 | 6,671 | (1,126,125) |
| Adjustments for impairment | | | | | |
| Land and buildings | (115,193) | (9,584) | 6,252 | (417) | (118,940) |
| Technical installations and other fixed assets | (2,850) | - | 22 | 1,138 | (1,690) |
| Assets under construction and advances | (1,283) | | - | - | - |
| Total adjustments for impairment | (119,326) | (9,584) | 6,274 | 721 | (120,630) |
| Net value | 1,382,172 | | | | 1,389,296 |

The additions recorded under 'Land and buildings' and 'Assets under construction and advances' during the year relate to the Parent Company and relate to the refurbishment and adaptation of existing premises and buildings and to investments in logistics centres for postal processing and distribution.

Technical Installations and Other Fixed Assets' includes investments in technical installations in the properties used by the Group (whether or not they are owned by the Group), as well as investments in machinery, computer equipment, transport equipment and furniture. The most significant additions recorded under this heading during the year relate to the purchase by the Parent Company of information processing equipment, transport equipment and machinery of 11,459 thousand euros, 4,557 thousand euros and 3,957 thousand euros, respectively (in 2020 transport equipment, machinery, computer equipment and furniture for 13,855 thousand euros, 2,833 thousand euros, 2,362 thousand euros and 3,475 thousand euros, respectively).

Of the total property, plant and equipment disposals, most relate to fully depreciated items that have been written off by the Parent Company, mainly computer equipment, furniture, machinery and transport equipment.

As mentioned in Note 5.e) to these consolidated financial statements, the Parent Company, by virtue of the provisions of Order EHA/733/2010, of 25 March, approving accounting aspects of public companies operating under certain circumstances, recognises the impairment of assets included under property, plant and equipment at value in use, in accordance with the provisions of the aforementioned Order. In this respect, the Parent Company compares the carrying amount of assets with their recoverable sum using the value in use method, determined

in reference to their depreciated replacement cost.

The depreciated replacement cost is calculated as the sum of the following components:

- Obtaining market studies and valuations of asset components relating to land and raw construction, carried out by independent experts using various methods including the comparison method, the cost method and the residual value method, as well as statistical studies of property market behaviour.
- The capitalised cost of refurbishments to property, less accumulated depreciation, to reflect the use already made of the asset.
- Cost of indirect costs of acquisition and refurbishment.

From the comparison of the depreciated replacement cost with the net book value of the assets assessed, a net reversal of impairment of 'Property, plant and equipment' of 641 thousand euros (provision of 3,066 thousand euros and reversal of 3,708 thousand euros) has been recognised in the income statement for 2021. A net impairment charge of 4,864 thousand euros was recognised in 2020 (provision of 7,236 thousand euros and reversal of 2,372 thousand euros).

In 2021 the Parent Company recognised an impairment loss of 4,802 thousand euros in anticipation of planned asset disposals due to property refurbishments (5,859 thousand euros in 2020).

As of 31 December 2021, the Parent Company has property, plant and equipment acquisition commitments for a sum of 39,728 thousand euros (62,701 thousand euros in 2020). At year end, the company has no commitments for the sale of assets.

The cost of fully depreciated items forming part of the Correos Group's property, plant and equipment as of 31 December 2021 amounts to 421,861 thousand euros (444,765 thousand euros as of 31 December 2020).

The net book value of the homes, premises and plots of land included in the Parent Company's property, plant and equipment not assigned to operations amounts to 38,725 thousand euros (45,121 thousand euros as of 31 December 2020), with an acquisition cost of 64,160 thousand euros (78,540 thousand euros as of 31 December 2020).

The Correos Group has taken out various insurance policies to cover risks that could affect most of its tangible fixed assets.



8. Investments property

The details and movements under this heading in the years 2021 and 2020 were the following:

| | Balance at 01/01/2020 | Registrations and provisions | Transfers | Balance at 31/12/2020 | Registrations and provisions | Transfers | Balance at 31/12/2021 |
|-----------------------------------|--------------------------|---------------------------------|--------------|--------------------------|---------------------------------|--------------|--------------------------|
| Cost | | | | | | | |
| Land | 5,466 | - | 431 | 5,897 | - | 1,211 | 7,108 |
| Buildings | 17,192 | 18 | 6,100 | 23,310 | 72 | (1,594) | 21,788 |
| Total cost | 22,658 | 18 | 6,531 | 29,207 | 72 | (383) | 28,896 |
| Accumulated amortisation | | | | | | | |
| Buildings | (5,974) | (356) | (3,487) | (9,817) | (257) | 2,615 | (7,459) |
| Adjustments for impairment | | | | | | | |
| Land and buildings | (54) | - | (1,438) | (1,492) | - | (1,424) | (2,916) |
| Net book value | 16,630 | | | 17,898 | | | 18,521 |

Investment properties are premises leased by the Parent Company to third parties. Revenues from these contracts recognised in the consolidated profit and loss account amounted to 1,463 thousand euros in financial year 2021 (1,281 thousand euros in financial year 2020).

The expenses associated with investment property mainly relate to annual depreciation and maintenance costs and amounted to 1,040 thousand euros in the financial year 2021 (863 thousand euros in the financial year 2020). All expenses are recognised in the consolidated profit and loss account on an accruals basis.

There are no restrictions on the realisation of investment property or on the collection of the income arising therefrom or of the proceeds from its disposal, except for those mentioned in Note (1) of these notes on ‘Activity of the Parent Company’.

There are no contractual obligations for the acquisition, construction or development of investment property or for repairs, maintenance or improvements.

The Parent Company has taken out various insurance policies to cover risks that could affect most of its investment property.

Future minimum non-cancellable lease payments for operating leases linked to the Group’s investment property are shown in the table below:

| | Financial 2021 | Financial 2020 |
|----------------------------|-------------------|-------------------|
| Up to one year | 1,314 | 2,410 |
| Between one and five years | 3,049 | 7,442 |
| More than five years | 201 | 2,532 |
| | 4,564 | 12,384 |



9. Non-current assets held for sale

The details and movements under this heading in the years 2021 and 2020 were the following:

| | Balance at 01/01/2021 | Registrations and provisions | Disposals | Transfers | Balance at 31/12/2021 |
|---------------------------------------|--------------------------|---------------------------------|----------------|--------------|--------------------------|
| Cost | | | | | |
| Land | 1,645 | | (1,089) | 2,212 | 2,768 |
| Buildings | 9,474 | | (3,422) | (1,181) | 4,871 |
| Other installations | 169 | | (9) | 7 | 167 |
| Total cost | 11,288 | - | (4,521) | 1,039 | 7,806 |
| Accumulated amortisation | | | | | |
| Buildings | (7,337) | (4) | 2,459 | 2,162 | (2,720) |
| Other installations | (147) | - | 9 | (11) | (149) |
| Total accumulated amortisation | (7,484) | (4) | 2,468 | 2,151 | (2,869) |
| Adjustments for impairment | | | | | |
| Land and buildings | (308) | (161) | 1,445 | (1,780) | (804) |
| Net book value | 3,496 | | | | 4,133 |

At year-end 2021 the Group classifies under 'Non-current assets held for sale' 4,133 thousand euros (year-end 2020 3,496 thousand euros), for investment in land, buildings and facilities on own properties which are available for immediate sale and whose sale is highly likely. 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.

The Parent Company has also written off sales for the sum of 4,521 thousand euros and accumulated amortisation of 2,468 thousand euros in 2021 (cost of 2,028 thousand euros and accumulated amortisation of 837 thousand euros in 2020), with the result obtained from the sale of properties for the sum of 14,658 thousand euros (2,559 thousand euros in 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 |

10. Inventories

Details as of 31 December 2021 and 2020 are as follows:

| | Balance at 31/12/21 | Balance at 31/12/20 |
|---|------------------------|------------------------|
| Inventories valued at cost | | |
| Stamps in the possession of third parties | 193 | 330 |
| Stamps at Company's post offices and warehouses | 1,935 | 2,057 |
| Philately Stamps | 3,381 | 4,675 |
| Wardrobe | 6,545 | 8,126 |
| Other stocks | 7,100 | 4,341 |
| | 19,154 | 19,529 |
| Valuation adjustments due to impairment | (3,817) | (5,039) |
| | 15,337 | 14,491 |

The Correos Group maintains valuation corrections for impairment of stamps for 3,506 thousand euros (4,338 thousand euros in 2020) in those cases in which it has estimated that their net realisable value is lower than their book value.

The movements of the valuation corrections for impairment of inventories in the years 2021 and 2020 were the following:

| | Valuation adjustments | | |
|---|-----------------------|-------|---------|
| | Stamps | Other | Total |
| Balance at 01 January 2020 | 3,182 | 652 | 3,834 |
| Valuation adjustments due to impairment | 4,337 | 50 | 4,387 |
| Reversal of valuation adjustments | (3,182) | - | (3,182) |
| Application against cost of stock | | - | - |
| Balance at 31 December 2020 | 4,337 | 702 | 5,039 |
| Valuation adjustments due to impairment | - | 459 | 459 |
| Reversal of valuation adjustments | (229) | - | (229) |
| Application against cost of stock | (1,451) | - | (1,451) |
| Balance at 31 December 2021 | 2,657 | 1,161 | 3,817 |

On a regular basis, the Parent Company destroys those stocks of stamps whose age and/or reason for issue makes their realisation impossible. In this regard, during the financial year 2021, stamps and other products were destroyed for the sum of 1,451 thousand euros. There was no destruction of stamps or other products in 2020.

11. Current and non-current financial assets

The composition of the Correos Group's current and non-current financial assets as of 31 December 2021 and 2020, except for cash and cash equivalents described in Note (12), including balances with public administrations that are not considered financial instruments, is as follows:

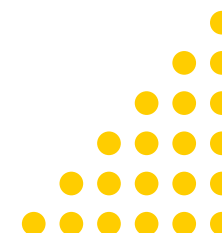
| | Balance at 31/12/21 | Balance at 31/12/20 |
|---|------------------------|------------------------|
| Non-current financial investments | | |
| Deposits and guarantees | 3,589 | 2,597 |
| Loans to third parties | 2,011 | 2,176 |
| Other | 103 | 89 |
| | 5,703 | 4,862 |
| Trade debtors and other receivables: | | |
| Clients from sales and provision of services | 482,373 | 564,358 |
| Clients, companies accounted for by the equity method (Note 20) | 4,270 | 4,638 |
| Sundry debtors | 24,923 | 29,355 |
| Debtors, group companies and associates (Note 20) | 35,180 | 93,258 |
| Staff | 5,047 | 4,985 |
| Public administration (Note 18) | 1,143 | 795 |
| | 552,936 | 697,389 |
| Current financial investments: | | |
| Deposits and guarantees | 1,057 | 1,086 |

The financial instrument captions included in the above table are considered 'Assets at amortised cost'.

11.1 Trade and other receivables

The headings 'Clients for sales and provision of services' and 'Sundry debtors' include 231,005 thousand euros of receivables of the Parent Company from postal operators in third countries for the provision of postal and telegraph services (247,251 thousand euros as of 31 December 2020).

The 'Staff' entry includes amounts paid by the Parent Company to various employees as payroll advances in accordance with a specific plan designed by the Company and which at year-end are pending recovery.



The headings 'Clients for sales and provision of services' and 'Sundry debtors' are presented net of impairment losses and the movement during the years 2021 and 2020 is as follows::

| | Valuation adjustments | | |
|--|-----------------------|---------|---------|
| | Clients | Debtors | Total |
| Balance at 1 de January de 2020 | 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 de December de 2020 | 25,500 | 515 | 26,015 |
| Valuation adjustments due to impairment | 5,214 | - | 5,214 |
| Reversals of valuation adjustments | (3,373) | - | (3,373) |
| Balance at 31 de December de 2021 | 27,341 | 515 | 27,856 |

The Correos Group has recognised, under the item 'Losses, impairment and changes in trade provisions' in the consolidated profit and loss account, a sum of 3,375 thousand euros for the direct write-off bad debts (920 thousand euros for the same item in 2020).

11.2 Non-current and current financial investments

Current 'Deposits and guarantees' relates mainly to legal deposits deposited with various labour courts in connection with lawsuits brought by current and former employees of the Parent Company.

The composition of 'Non-current financial investments' is the following:

El epígrafe 'Inversiones financieras a largo plazo' de la Sociedad

| | Balance at 31/12/21 | Balance at 31/12/20 |
|---|---------------------|---------------------|
| Non-current financial investments: | | |
| Loans to third parties | 2,011 | 2,176 |
| Other financial investments | 3,692 | 2,686 |
| | 5,703 | 4,862 |

The heading 'Non-current financial investments' of the Parent Company includes long-term deposits and guarantees of 2,167 thousand euros (1,078 thousand euros in 2020), plus 18 thousand euros (18 thousand euros in 2020) corresponding to the acquisition of shares in International Post Corporation (IPC).

The different companies of the Correos Group carry out an analysis of the solvency of each of their customers. These analyses are used to decide whether or not to award a deferred payment contract with them. The authorisations to sign these contracts are segregated according to the amount of credit.

11.3 Information on the Nature and Extent of Risks arising from Financial Instruments

11.3.1 Credit risks

The credit risk arises from the possible loss due to breach of contractual obligations on the part of the counterparties of the Parent Company, that is, the possibility of failing to recover financial assets for the sum entered and the term established.

The maximum exposure to credit risk of the Correos Group as of 31 December 2021 and 2020 is the following:

| | Correos Group | |
|---|---------------------|---------------------|
| | Balance at 31/12/21 | Balance at 31/12/20 |
| Non-current financial investments | 5,703 | 4,862 |
| Clients for sales and provision of services | 482,373 | 564,358 |
| Sundry debtors | 24,923 | 29,355 |
| Current financial investments | 1,057 | 1,086 |
| Banks and credit institutions (Note 12)) | 112,317 | 17,377 |
| Clients, companies accounted for by the equity method | 4,270 | 4,638 |
| Accrued interest not due | - | 2 |
| | 630,644 | 621,677 |

‘Sundry debtors’ includes, inter alia, balances receivable for interim payments for international correspondence of the Parent Company of 18,098 thousand euros (20,249 thousand euros).

The financial instrument captions included in the above table are considered ‘Assets at amortised cost’.



The breakdown of the concentration of counterparty credit risk for "Clients for sales and provision of services" and "Sundry debtors" of the Correos Group as of 31 December 2021 and 2020 is the following:

| | Financial year 2021 | | | |
|---|---------------------|--------------------|-------------------|--------------------|
| | Parent Company | | Rest of companies | |
| | Number | Thousands of euros | Number | Thousands of euros |
| Clients and debtors: | | | | |
| With balance greater than 1,000 thousand euros | 32 | 77,580 | 97 | 52,872 |
| With balance between 500 and 1,000 thousand euros | 37 | 25,146 | 746 | 20,244 |
| With balance below 500 thousand euros | 23,020 | 75,792 | 19,563 | 17,378 |
| | 23,089 | 178,518 | 20,406 | 90,494 |
| Foreign postal operators | | 231,005 | | - |
| Other financial assets | | 10,529 | | 1,020 |
| | | 241,534 | | 1,020 |
| | | 420,052 | | 91,514 |
| | 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 |

The breakdown, by seniority date, of the 'Clients' and 'Foreign postal operators' of the Parent Company of the Correos Group as of 31 December 2021 and 2020, being the most representative, is as follows:



| | Financial year 2021 | | Financial year 2020 | |
|-----------------------------------|---------------------|--------------------------|---------------------|--------------------------|
| | Parent Company | | Parent Company | |
| | Clients | Foreign postal operators | Clients | Foreign postal operators |
| Not due | 140,751 | 45,367 | 138,725 | 72,812 |
| Due, non-doubtful: | | | | |
| Less than 30 days | 16,435 | 1,256 | 49,118 | 298 |
| Between 30 and 60 days | 6,981 | 2,035 | 24,224 | 3,269 |
| Between 60 and 90 days | 2,679 | 689 | 1,885 | 282 |
| Between 90 and 120 days | 1,931 | 471 | 3,334 | 151 |
| Over 120 days | 9,747 | 163,088 | 21,795 | 150,191 |
| Provisional payments | - | 18,098 | - | 20,249 |
| | 178,524 | 231,005 | 239,081 | 247,252 |
| Doubtful clients | 13,092 | 1,919 | 13,115 | 1,815 |
| Adjustments for impairment | (13,092) | (1,919) | (13,115) | (1,815) |
| | 178,524 | 231,005 | 239,081 | 247,252 |

Provisional payments take into account the amounts paid by the Parent Company to other foreign operators for the provision of postal services prior to the final settlement. The balance of advances collected by the Parent from foreign operators amounted to 181,390 thousand euros as of 31 December 2020 (186,283 thousand euros as of 31 December 2020).

The Parent Company made treasury surpluses profitable during the financial year 2021 through active management of funds deposited in current accounts with the most solvent national financial institutions.

11.3.2 Market risks

Market risk relates to possible losses due to changes in the fair value or in future cash flows of a financial instrument due to fluctuations in market prices. Market risk includes interest rate risk, exchange rate risk and other price risks.

Interest rate risks

Interest rate risk relates to possible losses due to changes in the fair value or in future cash flows of a financial instrument following fluctuations in market interest rates.

Given the fact that a significant portion of the Group's financial assets and liabilities have maturities of less than twelve months, and long-term financial liabilities have a fixed interest rate of 0%, the Group's exposure to interest rate risk is not significant.

Exchange rate risk

Exchange rate risk arises from the potential loss caused by changes in the exchange rate. The Correos Group's exposure to the risk of exchange-rate fluctuations is mainly associated with the

sales and purchases made in currencies other than the operating currency. These balances arise from services provided to and received from foreign postal operators and from the provision of the international money order service.

In this respect, the Parent Company's exposure to this risk relates mainly to receivables and payables arising from international correspondence. Given that the net of these balances as of 31 December 2021 amounts to 9,377 thousand euros (5,553 thousand euros as of 31 December 2020), the Parent Company's directors consider this risk to be immaterial.

11.3.3 Liquidity risk

Liquidity risk arises from the possibility of the Correos Group not availing of liquid funds or accessing them in sufficient quantity to meet their payment obligations at any time. The Company's aim is to maintain the necessary liquidity availability. The Parent Company has contracted credit facilities to meet any liquidity needs, which have been drawn down during 2021. The sum drawn down as of 31 December 2021 was 109 million euros (327 million in 2020).

In addition, in 2021 the Parent Company obtained a long-term loan of 325 million euros.

In addition, within the Parent Company, binding offers have been received for the arrangement of one or more long-term (3-year) variable rate credit facilities for up to 123.5 million euro. As at 4 February 2022, the granting of a credit line of 123.5 million euros was proposed with Caixabank at a variable interest rate of 0%.

Details of the Group's current financial assets and liabilities as of 31 December 2021 and 2020 and, differentially, its ability to meet its payment obligations in the short term are as follows:

| | Balance at 31/12/21 | Balance at 31/12/20 |
|---|------------------------|------------------------|
| Current financial assets: | | |
| Clients for sales and provision of services | 482,373 | 564,358 |
| Clients, companies accounted for by the equity method | 4,270 | 4,638 |
| Debtors, group companies and associates | 35,180 | 93,258 |
| Sundry debtors | 24,923 | 29,355 |
| Financial investments | 1,057 | 1,086 |
| Cash and other liquid resources | 141,331 | 44,466 |
| Current financial liabilities: | | |
| Current debts | (136,736) | (370,404) |
| Debts with group companies | (3,654) | (2,549) |
| Trade creditors and other accounts payable | (552,880) | (611,537) |
| Difference | (4,136) | (247,329) |

Although the difference between current financial assets and liabilities is negative, the working capital at year-end is positive as indicated in Note 3.3.



11.4 Shareholdings in companies accounted for by the equity method

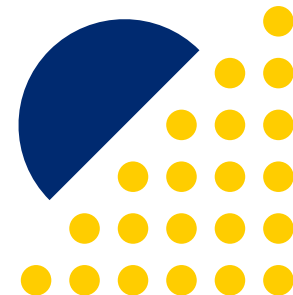
The breakdown and movements under the heading 'Shareholdings in companies based on the equity method' were as follows:

| Financial year 2021 | | | |
|------------------------------------|--|------------------------------------|---|
| | K Parcel Company Limited Local currency (HKD) | | KCG ecommerce 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 + reserves (HKD) | 29,349,417 | Share capital + reserves (RMD) | 42,429,201 |
| Result of the financial year (HKD) | 21,501,830 | Result of the financial year (RMB) | 905,192 |
| Total equity (HKD) | 50,851,247 | Total equity (RMB) | 43,334,393 |
| Total equity (EUR) (35%) | 1,980,232 | Total equity (EUR) (35%) | 1,887,007 |

| Financial year 2020 | | | |
|------------------------------------|--|------------------------------------|---|
| | K Parcel Company Limited Local currency (HKD) | | KCG ecommerce 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 + reserves (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 (RMB) | (92,090) |
| Total equity (HKD) | 29,349,417 | Total equity (RMB) | 42,416,162 |
| Total equity (EUR) (35%) | 1,164,036 | Total equity (EUR) (35%) | 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 |
| KCG ecommerce solutions Company Limited | - | 1841 | -4 | 1,837 |
| | - | 2,249 | 752 | 3,001 |

| | Balance at 31/12/2020 | Participation in the result accounted for by the equity method | Balance at 31/12/2021 |
|---|-----------------------|--|-----------------------|
| K Parcel Company Limited | 1,164 | 816 | 1,980 |
| KCG ecommerce solutions Company Limited | 1,837 | 42 | 1,879 |
| | 3,001 | 858 | 3,859 |



12. Cash and cash equivalents

Details as of 31 December 2021 and 2020 are as follows:

| | Balance at 31/12/21 | Balance at 31/12/20 |
|--------------------------------|------------------------|------------------------|
| Cash: | | |
| Cash | 29,014 | 27,085 |
| Banks and lending institutions | 112,317 | 17,377 |
| Cash equivalents: | | |
| Accrued interest not due | | |
| From third parties | | 4 |
| | 141,331 | 44,466 |

As of 31 December 2021, "Banks and lending institutions" recognised 1,803 thousand euros in respect of collections made by Correos Express on behalf of customers to whom it provides a cash on delivery service (1,951 thousand euros as of 31 December 2020).

13. Shareholders' equity

Details of the movement in the Correos Group's shareholders' equity are shown in the consolidated statement of changes in equity, which forms an integral part of these consolidated financial statements.

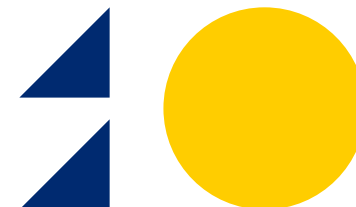
a. Declared capital

The share capital of the Parent Company is distributed across 611,521 shares with a nominal value of 1,000 euros each. All shares have equal voting and dividend rights and are fully subscribed and paid up.

b. Share premium

The share premium, which arises on the incorporation of the Parent Company, has the same restrictions and may be used for the same purposes as the Parent Company's voluntary reserves, including conversion into share capital.

The share premium, as of 31 December 2020, amounts to 250,938 thousand euros.



During the financial year 2021, the distribution of the 2020 result (256,633 thousand euros of losses) was approved, which compensated the share premium for the sum of 250,938 thousand euros and the rest of the loss was taken to voluntary reserves for the sum of 5,695 thousand euros.

Therefore, there is no share premium as of 31 December 2021.

c. Reserves

In accordance with Article 274 of the Capital Corporations Act, approved by Royal Legislative Decree 1/2010 of 2 July, companies are obliged to allocate 10% of the profits of each financial year to the Legal Reserve until it reaches at least 20% of the share capital.

The portion of the Legal Reserve balance exceeding 10% of the company's already increased capital may be used to increase the share capital. Except for the above purpose and while the reserve does not exceed 20 % of the share capital, it may only be used to compensate for losses and as long as there are no other sufficient reserves available for this purpose.

As of 31 December 2021, the Parent Company's Statutory Reserves amounted to 214,119 thousand euros (as of 31 December 2020 214,119 thousand euros).

In 2022, the Directors of the Parent Company intend to request from the Sole Shareholder the authorisation to redistribute the entire balance of the Statutory Reserves to Voluntary Reserves.



Breakdown of reserves:

The breakdown, as of 31 December 2021, is the following:

| | Balance at 31/12/21 | Balance at 31/12/20 |
|--|------------------------|------------------------|
| Details of Reserves: | | |
| Legal reserve | 101.847 | 101.847 |
| Statutory Reserves | 214.119 | 214.119 |
| Voluntary Reserves | 193.059 | 222.920 |
| Reserves in fully consolidated companies | (165.470) | (182.252) |
| Reserves in companies accounted for by the equity method | 752 | - |
| Total | 344.307 | 356.634 |

The breakdown of reserves in consolidated companies is as follows:

| | Balance at 31/12/21 | Balance at 31/12/20 |
|---|------------------------|------------------------|
| Details of reserves in consolidated companies: | | |
| Correos Telecom, S.A., S.M.E.,S.U. | 8,209 | 5,981 |
| Nexea Gestión Documental, S.A., S.M.E. S.U. | (12,636) | (11,833) |
| Correos Express Paquetería Urgente, S.A., S.M.E. S.U. | (161,043) | (176,400) |
| Total | (165,470) | (182,252) |

d. Consolidated results of the Correos Group

Details of the consolidated result of the Correos Group for 2021 and 2020 are as follows:

| | 2021 | | | | |
|--|--------------------|---------------------------|----------------------|------------------------|-----------------------|
| | Individual results | Consolidation adjustments | Consolidated results | For the parent company | For external partners |
| Correos y Telégrafos, S.A., S.M.E. | (71,926) | (24,348) | (96,274) | (96,274) | - |
| Correos Telecom, S.A., S.M.E., S.U. | 2,244 | - | 2,244 | 2,244 | - |
| Nexea Gestión Documental, S.A., S.M.E.S.U. | (1,735) | - | (1,735) | (1,735) | - |
| Grupo CEX | 15,813 | (2,016) | 13,797 | 13,701 | 96 |
| KCG E-commerce Solutions Company Limited | | 42 | 42 | 42 | - |
| K-Parcel Company Limited | | 816 | 816 | 816 | - |
| | (55,603) | (25,506) | (81,109) | (81,205) | 96 |

| | 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) |

e. Breakdown of external shareholders:

The details of external partners as of 31 December 2021 and 2020 is the following:

| 2021 | | | | | | | |
|---------|------------------------------|---------------|----------|--------------------|--------------|------------------------------|-------|
| Company | Percentage external partners | Share capital | Reserves | Integration CEP II | Goodwill CEP | Result for external partners | Total |
| CEP | 49% | 123 | 682 | (2,515) | 2,041 | 96 | 427 |

| 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 |



14. Grants, donations, bequests and compensation received for costs arising from the provision of the universal postal service

The breakdown of the movements in the years 2021 and 2020, for compensation received as capital subsidies was as follows:

| Financial year 2021 | Thousands euros |
|---|-----------------|
| Initial balance at 01 January 2021 | 231,403 |
| Grants, donations and bequests recognised | 516 |
| Tax effect | (126) |
| Allocation of the profit and loss account: | |
| - due to amortisation | (6,101) |
| - due to adjustments for impairment | (1,018) |
| - Others | - |
| - due to disposals | (3,799) |
| Tax effect | 2,699 |
| Reclassification to non-currents liabilities | (645) |
| Final balance at 31 December 2021 | 222,929 |

The Parent Company measures deferred tax liabilities related to capital allowances received up to 2010 at the tax rates expected at the time of their reversal, according to the regulations in force

| Financial year 2020 | Thousands euros |
|---|-----------------|
| Initial balance at 01 January 2020 | 236,946 |
| Grants, donations and bequests recognised | 1,437 |
| Overcompensation UPS 2004-2010 | (389) |
| Allocation of the profit and loss account: | |
| - due to amortisation | (5,608) |
| - due to adjustments for impairment | (1,516) |
| - Others | (984) |
| - due to disposals | (633) |
| Tax effect | 2,150 |
| Final balance at 31 December 2020 | 231,403 |

as of 31 December 2021, and recognises this change in the Company's equity (see Note 5q) and Note 18).

15. Non-current provisions

The details and movements under this heading in the years 2021 and 2020 were the following:

| | Non-current provisions | | | |
|--|------------------------|---------------------------------|-----------------------------|---------------|
| | Provision for taxes | Provision claims from the staff | Provision for court actions | Total |
| Balance at 01 de January de 2020 | 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 de December de 2020 | 1,596 | 11,785 | 13,890 | 27,271 |
| Provisions | 234 | 492 | 39,539 | 40,265 |
| Applications / payments | (419) | (431) | (14) | (864) |
| Reversals / excesses | (277) | (2,088) | (32) | (2,397) |
| Reclassifications | - | - | 8,920 | 8,920 |
| Balance at 31 de December de 2021 | 1,134 | 9,758 | 62,303 | 73,195 |

The provisions of the financial year for the amount of 40,265 thousand euros was charged to the profit and loss account according to their nature (4,077 thousand euros in 2020). 14.7 million euros resulting from penalties proposed to Correos for possible non-compliance in the provision of the notification service in the centralised contract for administrative and judicial notifications, which has been appealed in court. In addition, on 21 February 2022, the CNMC notified the Company of its resolution dated 18 February 2022, which puts an end to the disciplinary

proceedings, opened in 2019, in relation to discounts to large customers. In this decision, the CNMC declared that Correos had committed an infringement and imposed a fine of 32.6 million euros. The Company will appeal the aforementioned resolution before the Audiencia Nacional by filing the appropriate contentious-administrative appeal. As of the date of preparation of these financial statements, the risk is estimated to be 75% probable and a provision of 24.45 million euros has been made.

The reclassifications for a sum of 8,920 thousand euros are penalties proposed to Correos in 2020 for possible non-compliance in the provision of the notification service in the centralised contract for administrative and judicial notifications and which have been judicially appealed during the financial year 2021 and have therefore been reclassified from short-term provisions to long-term provisions.

The non-current provisions arise from litigation settlements that have been unfavourable to the Correos Group during the year 2021 and which have resulted in the effective payment of certain sums.

Reversals of non-current provisions for the year for the sum of 2,397 thousand euros were credited to the consolidated profit and loss account (1,084 thousand euros in 2019).

Provision for staff claims

The balance of this provision as of 31 December 2021 and 2020 records the estimated amounts payable for employment claims and litigation against the Correos Group.

Provision for litigation

The balance of this provision as of 31 December 2021 and 2020 includes the Parent Company's estimated amounts related to certain proceedings which, if decided against the Company, will result in an outflow of resources for settlement.

In the 2018 financial year, the National Commission for Markets and Competition issued a resolution sanctioning Correos Express for a total of 19,635 thousand euros for alleged breaches of competition regulation.

In May 2018, Correos Express obtained a precautionary suspension of the payment of the fines imposed and, on 6 February 2019, filed an action before the Audiencia Nacional against the aforementioned resolution.

The directors of the Parent Company and Correos Express, based on the assessments and judgements of their external legal advisers and the Group's legal department, consider that it is likely that the National High Court will uphold the appeal leading to a reduction of the penalty by at least 50%, so that the provision recorded by Correos Express amounted to 9,817 thousand euros, with no change in the current year.



16. Financial liabilities

The composition of the Correos Group's non-current and current financial liabilities as of 31 December 2021 and 2020, including balances with public administrations that are not considered financial instruments, is as follows:

| | Balance at 31/12/21 | Balance at 31/12/20 |
|--|------------------------|------------------------|
| Non-current payables: | | |
| Debts with credit institutions | 329,858 | 8,058 |
| Long-term debts convertible into subsidies | 653 | - |
| Deposits and guarantees | 1,321 | 1,253 |
| Financial lease creditors | 0 | 47 |
| Other non-current payables | 268 | 106 |
| | 332,100 | 9,464 |

The financial instrument headings included in the above table are considered "Liabilities at amortised cost".

Drawing "Money order deposits" include drawings drawn prior to 31 December 2021 and payable by the Parent Company to their recipients as of that date.

The heading "Sundry creditors" includes sums collected by the Parent Company on behalf of third parties for the sum of 9,513 thousand euros (12,700 thousand euros in 2020).

In addition, 'Sundry creditors' and 'Customers advances' includes

| | Balance at 31/12/21 | Balance at 31/12/20 |
|---|------------------------|------------------------|
| Current payables: | | |
| Debts with credit institutions | 115,126 | 332,519 |
| Creditors for fixed assets | - | - |
| Money order deposits | 2,628 | 10,390 |
| Deposits and guarantees | 4,283 | 4,696 |
| Financial lease creditors | 100 | 379 |
| Other Current payables | 14,599 | 22,420 |
| Total Current payables | 136,736 | 370,404 |
| Short-term debts with group companies and associates (Note 20) | 3,654 | 2,549 |
| Trade creditors and other accounts payable | | |
| Suppliers | 1,241 | 2,853 |
| Suppliers, group companies and associates (Note 20) | - | - |
| Sundry creditors | 266,632 | 311,712 |
| Staff (unpaid wages) | 37,353 | 43,449 |
| Other debts with public administrations (Note 18) | 56,824 | 59,172 |
| Customers advances | 190,830 | 194,351 |
| Trade creditors and other accounts payable | 552,880 | 611,537 |
| Current accruals | 1,562 | 5,163 |

240,381 thousand euros arising from outstanding obligations to various third-country postal operators for postal services received from them (252,804 thousand euros as of 31 December 2020). Also included under the heading 'Customer advances' are the sums collected by Correos Express Paquetería Urgente S.A., S.M.E. (Sole-Shareholder Company) on behalf of third parties when performing the delivery service with reimbursement at the request of customers of 1,866 thousand euros (1,981 thousand euros in financial year 2020).

At year-end, the Parent Company has no outstanding balances payable to suppliers constituting a deferral exceeding the legal period established by Law 15/2010 of 5 July.

In accordance with the provisions of Law 15/2010 and the Resolution of 29 January 2016 of the ICAC, the Parent Company's information on the average period for payment to suppliers in commercial transactions as of 31 December 2021 and 2020, as it is the most representative of the Group, as follows:

| | Financial year 2021 | Financial year 2020 |
|---|---------------------|---------------------|
| | Days | Days |
| Average settlement period for supplier invoices | 12 | 16 |
| Ratio of paid transactions | 12 | 15 |
| Ratio of outstanding transactions | 15 | 27 |
| | Thousands euros | Thousands euros |
| Total payments made | 475,612 | 479,840 |
| Total outstanding payments | 5,141 | 59,928 |

16.1 Long-term and short-term debt with financial institutions

During the 2019 financial year, the subsidiary Correos Express Paquetería Urgente S.A., S.M.E. (Sole-Shareholder Company) took out a fixed-interest credit facility with Bankinter, S.A. for 15,000 thousand euros, maturing in 2024.

Bankinter, S.A. delivered the amount of 5,000 thousand euros to the company, on 23 April 2019. In addition, related to this policy, it granted an extension dated 26 April 2019 for the sum of 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%. As it was not representative, the Subsidiary recorded this fee as an expense for the period and did not record the policy at amortised cost. The policy does not incorporate any covenants.

The breakdown of the amortisation table of the loan is the following:

| Financial year | Capital outstanding | Interest rate | Instalment | Interest | Capital |
|----------------|---------------------|---------------|------------|----------|---------|
| 2021 | 7,500 | | | | |
| 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 | - |
| | | | 4,504 | 145 | 7,500 |

The Group also has other financial liabilities with financial institutions, the most representative of which is a loan granted by the financial institution Bankinter, S.A. to the Portuguese company CEP for a sum of 1,000 thousand euros, dated October 2019. The conditions of this loan are a fixed interest rate of 1.35%, with monthly payments and a term of 5 years and a credit account granted by the financial institution Banco Sabadell, S.A. to CEP and drawn down in its entirety with a variable interest rate of 0.85% + Euribor 3 months with a renewable term of one year.

The details of the amortisation table for the 4 years of the loan are as follows:

| Financial year | Capital outstanding | Interest rate | Instalment | Interest | Capital |
|----------------|---------------------|---------------|------------|----------|---------|
| 2021 | 534 | | | | |
| 2022 | 327 | 1.35% | 207 | 6 | 201 |
| 2023 | 121 | 1.35% | 207 | 4 | 203 |
| Resto | - | 1.35% | 155 | 1 | 154 |
| | | | 569 | 11 | 558 |

In 2021 the Parent Company has contracted a loan of 325 million euros to be repaid in full on 14 April 2024 at 0% interest with the financial institution Kutxabank.

During the current year, the Parent Company has contracted a credit line with a financial institution with a limit of 108.8 million euro (605 million euro in 2020) with an interest rate of 0% p.a. (0.1% p.a. in 2020), maturing on 28 June 2022 (maturity on 9

June 2021), the balance drawn down as of 31 December 2021 for 108.8 million euro (327 million euro in 2020), which is reflected under 'Short-term debts with credit institutions '.

As a result of the signing of the aforementioned loan agreements, the Company is obliged to comply with certain financial obligations that are normal in this type of financing. At year-end, the Company's management considers that there is no reason for early termination of the above contracts, as it considers that all financial obligations have been fulfilled or waived by the financial institution. They are also expected to be complied with within the next 12 months or, if non-compliance is expected, a waiver will be obtained.



17. Revenue and expenditure

The Group's revenues arise primarily from the provision of postal and parcels services. The Parent Company is the only company in the postal market that offers national coverage to citizens, companies and administrations. Similarly, 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 Parent Company as the backbone of the territory and facilitator of communications and commercial exchanges was reinforced last year, especially during lockdown, when postal and parcel delivery became an even more essential service than ever for society.

In determining whether revenue should be recognised, the Group follows a five-step process:

- 1. Identification of the contract of a client
- 2. Identification of performance obligations
- 3. Determination of the price of the transaction
- 4. Allocation of the price of the transaction to the execution obligations
- 5. Revenue recognition when performance obligations are met.

In all cases, the total transaction price of a contract is allocated among the various performance obligations on the basis of their relative independent sales prices. The transaction price of a contract excludes any amount charged on behalf of third parties.

Revenue is generally recognised at a point in time when the Group satisfies the performance obligations, i.e. when the service

required by the customer has been performed in accordance with the customer's requirements.

The Group recognises liabilities for onerous contracts received in respect of unfulfilled performance obligations and presents these amounts as other liabilities on the Balance Sheet. Also, if the Group fulfils a performance obligation before the consideration is received, the Group recognises a contractual asset or a receivable on its Balance Sheet, depending on whether more than the passage of time is required before the consideration is due.

– a) *Postal revenues*

The Parent Company is the operator designated by law to provide the universal postal service in Spain, in accordance with the requirements of quality, reliability, accessibility and affordability that delivers on the right of all citizens to postal communications, in a market that was fully liberalised on 1 January 2011, in accordance with Law 43/2010, of 30 December, on the Universal Postal Service, Users' Rights and the Postal Market.

This Act, together with Royal Decree 1829/1999 of 3 December 1999 (Postal Regulations), deals mainly with the regulation of the conditions of collection, acceptance, distribution and delivery of the universal postal service required of the designated operator, as well as the cost and financing of these obligations, prices and other tariff conditions for postal services.

b) Revenue from parcel services

The Group offers a wide range of parcel delivery options and is subject to Law 16/1987 of 30 July 1987 on the Regulation of

Land Transport and Law 15/2009 regulating the Contract of Land Transport of Goods. Most of the contracts are short-term and with different types of companies. .

– c) Revenue from layout services

The Group's extensive portfolio of services includes layout services for its clients. The revenue for these services is identified in the contracts signed with customers, detailing the rates proposed and accepted by the parties.

Revenues for these services are recognised when the layout and subsequent communication requested by the customer are all completed, fulfilling the performance obligations set out in the contract. The Group does not invoice in advance for these services, as they do not require significant hourly charges.

– d) Revenues from Printing and Enveloping Services

These services are intended for any type of company, in any sector, that wishes to establish physical communications with its customers.

Revenues for these services are generated over time as the Group provides services according to the requirements and standards of its customers and once these services are provided, the right to receive payment for these services is generated. It is not the Group's practice to invoice for these services in advance.

– e) Digital Communication Services Revenues

These types of services are included in the portfolio of services offered to customers to qualify for omni-channel services. They are mainly intended for private companies and public

administrations that need to establish communications with their customers through digital devices, such as e-mail, mobile devices (smartphones or tablets), etc.

– f) Telecommunications infrastructure rental

Rental of dark fibre, rights of way, co-location on radio sites mainly for telecommunications operators. Revenue for these services is recognised over time as the Group provides services to each customer.

Some contracts include multiple obligations. Sometimes, the development of the project, laying of the fibre, and subsequent periodic maintenance. Consequently, in these cases, the transaction price is allocated between the different obligations in the contract. These are usually long-term agreements. In this type of contract, the Group usually invoices in advance to finance the development of the project and is therefore recognised as an advance from customers under the balance sheet heading 'non-current accruals and current accruals'. In this type of contract, the Group begins to recognise revenue when the customer can make use of the asset.

– g) Connectivity services:

Optical transport services offering high bandwidth connectivity between different customer sites, via circuits connected at their ends to terminal equipment, without access to public networks.

Revenue for these services is recognised over time, to the extent that the Group provides a tailored, customer-specific service and has the right to collect for all work performed for the customer to date.

– h) Revenue from provision of services

Revenue from provision of services is valued at the fair value of the compensation received or to be received, arising from same, after deducting any discount or similar, as well as any indirect taxes on transactions which may be charged on to third parties.

Revenue is booked depending on the financial significance of the transaction and is recognised when all of the following conditions are met.

- The amount of revenue may be reliably assessed.
- It is probable that the Group obtains financial benefits or returns arising from the transaction, and
- The costs incurred or to be incurred in the transaction may be reliably measured;

There are no financial components in the transactions of these kinds of services described above.

Revenue and expenditure are allocated based on the actual flow of the goods and services they represent and irrespective of when the monetary or financial flow arising from them occurs.

– i) Revenue

The distribution of the revenue of Correos Group corresponding to the ordinary activities for categories of activities, and for geographic activities for the financial years 2021 and 2020 is as follows:

| | Financial year 2021 | Financial year 2020 |
|---|---------------------|---------------------|
| Segmentation by origin | | |
| Clients under contract | 1,565,207 | 1,458,186 |
| Cash collections | 321,907 | 317,345 |
| Franking machines | 35,086 | 33,414 |
| International (ETOE and activity in Portugal) | 106,625 | 110,504 |
| Penalties | -18,280 | - |
| Other | 70,900 | 55,760 |
| Total | 2,081,445 | 1,975,209 |
| Segmentation by geographical markets | | |
| National | 2,057,480 | 1,947,373 |
| International | 23,965 | 27,836 |
| Total | 2,081,445 | 1,975,209 |

The heading 'Customers under contract' is presented net of the figure for rebates granted by the Correos Group to its customers during the year for the sum of 1,519 thousand euros (with the same figure for 2020 equivalent to 1,761 thousand euros).

– j) Supplies

The breakdown of the heading 'Supplies' in the consolidated profit and loss account for the financial years 2021 and 2020 is as follows:

| | Financial year 2021 | Financial year 2020 |
|--|---------------------|---------------------|
| National purchases of merchandise | | |
| Stamps and other franking signs | 3,314 | 4,505 |
| Other products | 8,808 | 8,863 |
| Changes in inventories | (4,317) | (1,097) |
| Merchandise consumed | 7,805 | 12,271 |
| Impairment of merchandise, raw materials and other supplies | 350 | 1,205 |
| Activities carried out by other companies | 374,327 | 381,841 |
| Supplies | 382,482 | 395,317 |

'Activities carried out by other companies' includes the Parent Company's 'international correspondence expenses', which include the costs invoiced to the Company by postal operators in the various countries in connection with the provision of postal and telegraphic services for recipients residing in those countries, 43,374 thousand euros in 2021 (47,096 thousand euros in 2020). It also includes expenditure on transport sub-contracted to third parties, 91,339 thousand euros in the 2020 (96,081 thousand euros in 2020).

This heading also includes charges received from suppliers who work on their own account providing goods distribution services for the Correos Express Group, 232,259 thousand euros in the financial year 2021 (234,009 thousand euros in the financial year 2020).



– k) Compensation for costs arising from the provision of the universal postal service

The Parent Company has recognised compensation for the provision of the universal postal service for a sum of 110,000 thousand euros in 2021 (60,000 thousand euros in 2020).

| Operating compensation | Financial year 2021 |
|---|---------------------|
| Compensation for provision of the UPS pending collection as of 31 December 2020 (Deposited in the Treasury) | 0 |
| 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) | - |
| | Financial year 2020 |
| UPS Treasury compensation - pending payment | 110,000 |
| UPS compensation collected by the Treasury | (110,000) |
| Compensation for provision of the UPS pending collection as of 31 December 2020 (Deposited in the Treasury) | - |

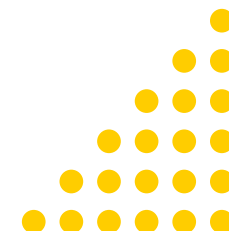
The Parent Company received other subsidies for the sum of 7,167 thousand euros in 2021 (705 thousand euros in 2020).

– l) Personnel costs

The breakdown of staff costs for the years ending 31 December 2021 and 2020 were the following:

| | Financial year 2021 | Financial year 2020 |
|-------------------------------|---------------------|---------------------|
| Salaries, wages and similar | 1,189,002 | 1,216,675 |
| Social Security contributions | 328,009 | 329,865 |
| Other expenses | 8,209 | 7,953 |
| | 1,525,220 | 1,554,493 |

The social charges for the financial years 2021 and 2020 do not include any sum for pension contributions and endowments. In accordance with the provisions of Article 2 of Royal Decree 20/2011 of 30 December on urgent budgetary, tax and financial measures to correct the public deficit, the Group does not make contributions to pension plans (see Note 5-o)).



m) External services

The breakdown of the heading 'External services' for the years ending 31 December 2021 and 2020 is as follow.

| | Financial year 2021 | Financial year 2020 |
|---|---------------------|---------------------|
| Leases | 54,634 | 48,416 |
| Repairs, preservation and maintenance | 81,257 | 84,211 |
| Independent professionals | 99,664 | 96,223 |
| Insurance premiums | 3,473 | 3,443 |
| Supplies | 43,319 | 76,653 |
| Advertising, marketing and public relations | 17,577 | 17,399 |
| Banking and similar services | 817 | 856 |
| Other expenses | 50,532 | 57,938 |
| | 351,273 | 385,139 |

The increase in supply expenditure in 2020 was due to COVID 19 expenditure, the purchase of facemasks and equipment needed to bring the offices into compliance with existing regulations.

'Other expenses' include, inter alia, costs arising from the maintenance and management of the data processing centres by a third party, legal, advisory and consultancy fees of the Group.

At 31 December 2021 and 2020, the minimum future non-cancellable payments arising from the operating lease contracts signed by the various companies of the Correos Group are broken down in the following table:

| | Financial year 2021 | Financial year 2020 |
|----------------------------|---------------------|---------------------|
| Up to one year | 25,511 | 22,046 |
| Between one and five years | 16,942 | 11,136 |
| More than five years | 27,113 | 22,194 |
| | 69,566 | 55,376 |

- n) Taxes

The heading 'Taxes' includes the effect of the adjustment of the pro rata of indirect taxes on investment property from previous years and the effect of the adjustment of the definitive pro rata for the year 2021 (see Note 5-s)). In the financial year 2021, income for the sum of 1,594 thousand euros was recognised for the effect of regularisation of the final pro rata for the financial year (in the financial year 2020 the income recognised was 3,656 thousand euros) as well as income of 211 thousand euros for the effect of regularisation of prior years' investment assets (in the financial year 2020 the income recognised was 346 thousand euros).

With regard to other recorded taxes, the most significant is property tax, which resulted in a cost of 6,000 thousand euros in 2021 (6,225 thousand euros in 2020). There was also an increase in business activity tax, with an expense in 2021 of 1,678 thousand euros (324 thousand euros in 2020), mainly due to the registration under item 849.9 'Other independent services not specified elsewhere' recorded by the Company in all municipalities.

– o) *Impairment and loss/gain on disposal of fixed assets*

The breakdown of this heading for the years ending 31 December 2021 and 2020 was as follows:



| Financial year 2021 | | | | | |
|---|-------------------------|--------------------|--------------|-------------------------|-----------------|
| Fixed assets and non-current assets held for sale | | | | | |
| | Intangible fixed assets | Land and buildings | Other assets | Technical installations | Total |
| Adjustments for impairment: | | | | | |
| Provisions | - | 4,872 | - | - | 4,872 |
| Reversals | - | (4,075) | - | - | (4,075) |
| Reclassifications | - | - | - | - | - |
| | - | 797 | - | - | 797 |
| Income from disposals and other results: | | | | | |
| Profits | - | (14,675) | | - | (14,675) |
| Losses | 149 | 840 | | | 989 |
| | 149 | (13,835) | - | - | (13,686) |
| | 149 | (13,038) | - | - | (12,889) |

| Financial year 2020 | | | | | |
|---|-------------------------|--------------------|--------------|-------------------------|--------------|
| 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 |



– p) *Income and financial costs*

The breakdown of this heading for 2021 and 2020 was as follows:

| | Financial year 2021 | Financial year 2020 |
|---------------------------|------------------------|------------------------|
| Financial Income | | |
| From related companies | | |
| Loans | 42 | - |
| From third parties | | |
| Other financial income | 89 | 79 |
| | 131 | 79 |
| Financial expenses | | |
| Group companies | 4 | |
| From third parties: | | |
| Other financial expenses | 377 | 394 |
| | 381 | 394 |



18. Tax situation

The breakdown of the balances held by the Group with public administrations as of 31 December 2021 and 2020 is as follows:

| | Balance at 31/12/2021 | Balance at 31/12/2020 |
|--|--------------------------|--------------------------|
| Non-current assets | | |
| Deferred tax assets | 61,417 | 60,836 |
| Total non-current assets with public administrations | 61,417 | 60,836 |
| Current assets | | |
| Others (Note 11) | 1,143 | 795 |
| Total current assets with public administrations | 1,143 | 795 |
| | (Note 11) | (Note 11) |
| Non-current liabilities | | |
| Deferred tax liabilities | 74,389 | 77,271 |
| Current liabilities | | |
| Personal Income Tax - (IRPF as per the Spanish) | 20,350 | 20,954 |
| Value Added Tax - VAT | 7,639 | 5,481 |
| Social security | 26,560 | 30,654 |
| MUFACE and passive rights | 1,009 | 1,251 |
| Other | 1,266 | 852 |
| Total current liabilities with public administrations | 56,824 | 59,192 |
| | (Note 16) | (Note 16) |

In 2011, the Correos Group was taxed under the tax consolidation regime, Tax Group no. 38/11, comprising all the companies of the Correos Group and the company Correos y Telégrafos S.A., S.M.E. (Sole-Shareholder Company), as Parent Company.

During the 2012 financial year, as a result of the transfer of the Company's shares to SEPI, formalised in the Act of 5 June 2012, all the companies of the Correos Group were integrated into the SEPI Tax Consolidation Group with number 9/86, and the consequent extinction of Tax Group no. 38/11.

This integration took effect as from 1 January 2012 and was notified by SEPI (as the Parent Company of the Tax Group) to the Central Office for Large Taxpayers of the Tax Authorities when filing the second instalment payment of the 2012 Corporate Income Tax, in compliance with the provisions of Article 70.6 of the Consolidated Text of the Revised Text of the Law on Corporate Income Tax.

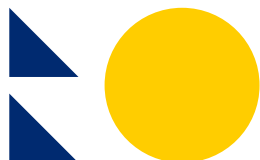
The taxable income of the Tax Group is determined by adding the individual taxable income of the companies that make up the Group, taking into account that they would be outside the Tax Group detailed above, CEP and CEP II. Notwithstanding the above, all companies of the Correos Group submit their settlement separately.

The Corporate Income Tax of each Group Company is calculated based on the financial or accounting result, which is obtained by applying generally accepted accounting principles which do not necessarily have to coincide with the tax result, understood as the tax base.

In order to determine the individual tax bases, certain adjustments or eliminations of inter-group transactions are made at the individual level, i.e. these are transferred to the individual tax bases of the Group companies instead of being made at the consolidated level. The most common of these transactions relate to dividends received by Group companies and provisions for impairment of investments in subsidiaries. The aim of this 'homogenisation' of the tax bases to be included in the base of Tax Group no. 9/86 is to avoid duplication in the calculation of tax debts and credits.

The breakdown of deferred tax assets and liabilities is as follows:

| | Financial year 2021 | Financial year 2020 |
|--|---------------------|---------------------|
| Temporary differences: | | |
| Provisions for risks and costs | 1,754 | 1,703 |
| Goodwill amortisation | 1,523 | 1,915 |
| Staff-related provisions | 274 | 162 |
| Provisions related to fixed assets | 6,418 | 6,117 |
| Amortisation of fixed assets | 4,880 | 6,039 |
| Others | 70 | 488 |
| | 14,919 | 16,424 |
| Adjustment for change in tax rate | (180) | (182) |
| Credits for negative tax bases Portugal | 998 | 1,291 |
| Credits for negative tax bases Spain | 27,937 | 29,058 |
| Credit for deductions | 17,743 | 14,245 |
| Deferred tax assets | 61,417 | 60,836 |
| Temporary differences: | | |
| Tax effect of universal postal service capital offsets received up to 2010 | 73,614 | 76,179 |
| Intangibles generated in Business Combinations | 765 | 1,092 |
| Other temporary adjustments | 10 | - |
| Deferred tax liabilities | 74,389 | 77,271 |



Movements in deferred tax assets for Corporate Income Tax for 2021 and 2020 are as follows:

| | Balance at 01/01/2021 | Recognitions | Adjustments | Reversal | Balance at 31/12/2021 |
|---|--------------------------|--------------|--------------|----------------|--------------------------|
| Deferred tax base | 184,458 | 12,742 | 98 | (24,010) | 173,288 |
| Tax effect: | | | | | |
| Temporary differences | 16,243 | 3,185 | (156) | (4,534) | 14,740 |
| Credits for losses to compensate (Portugal) | 1,291 | - | - | (293) | 998 |
| Credits for losses to compensate (Spain) | 29,058 | - | - | (1,121) | 27,937 |
| Credit for deductions | 14,245 | 3,685 | (26) | (161) | 17,742 |
| Total deferred tax assets | 60,836 | 6,871 | (182) | (6,108) | 61,417 |

| | Balance at 01/01/2020 | Recognitions | 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) | 16,243 |
| Credits for losses to compensate (Portugal) | 1,071 | 220 | - | - | 1,291 |
| Credits for losses to compensate (Spain) | 22,630 | 7,207 | - | (779) | 29,058 |
| Credit for deductions | 8,984 | 5,261 | - | - | 14,244 |
| Total deferred tax assets | 49,109 | 17,227 | (182) | (5,318) | 60,836 |

The main temporary differences in 2021 relate, on the one hand, to the impairment losses on fixed assets (4,158 thousand euros) recognised by the Parent Company and, on the other hand, to the provisions for risks and costs made by Correos Express Paquetería Urgente, SA. S.M.E. (Sole-Shareholder Company), the most noteworthy of which is the provision to cover claims and payments (4,139 thousand euros). The aforementioned expenses are considered non-deductible expenses in accordance with the provisions of Law 27/2014 on Corporate Income Tax and, therefore, have led to an increase in the positive temporary differences arising in 2021.

On the other hand, the sum of the recoveries of temporary differences recorded in 2021 mainly corresponds to the reversal of the temporary measures established by Law 16/2012 adopting various tax measures aimed at consolidating public finances and boosting economic activity, by virtue of which the deductibility of fixed asset depreciation expense in 2013 and 2014 was limited to 70%, establishing its recovery in years commencing on or after

1 January 2015. The sum corresponding to this recovery in 2021 is 3,603 thousand euros in the case of the Parent Company and 253 thousand euros in the case of the Subsidiaries as a whole. Also, arising from the tax amortisation of the goodwill of the subsidiary Correos Express Paquetería Urgente, SA. S.M.E. (Sole-Shareholder Company), this entity reduced its taxable income by 392 thousand euros. All these adjustments to the tax base have resulted in a reduction of the temporary differences arising in previous years.

Movements in deferred tax assets for Corporate Income Tax for 2021 and 2020 are as follows:

| | Financial year 2021 | | | | |
|--|-----------------------|--------------|------------------------|----------------|-----------------------|
| | Balance at 01/01/2021 | Recognitions | Adjustment Rate change | Reversal | Balance at 31/12/2021 |
| Deferred tax liability universal postal service capital e compensation | 76,179 | 10 | - | (2,565) | 73,624 |
| Deferred tax liability business combination | 1,092 | - | - | (327) | 765 |
| Temporary differences | - | - | - | - | - |
| Tax effect of temporary differences | - | - | - | - | - |
| Total deferred tax liabilities | 77,271 | 10 | - | (2,892) | 74,389 |

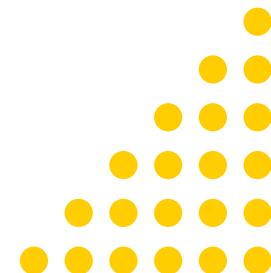
| | Financial year 2020 | | | | |
|--|-----------------------|--------------|------------------------|----------------|-----------------------|
| | Balance at 01/01/2020 | Recognitions | Adjustment Rate change | Reversal | Balance at 31/12/2020 |
| Deferred tax liability universal postal service capital compensation | 77,931 | - | - | (1,752) | 76,179 |
| Deferred tax liability business combination | 1,420 | - | - | (328) | 1,092 |
| Temporary differences | - | - | - | - | - |
| Tax effect of temporary differences | - | - | - | - | - |
| Total deferred tax liabilities | 79,351 | - | - | (2,580) | 77,271 |

The reconciliation of the consolidated result with the tax base for profit tax as of 31 December 2021 and 2020:

| Year 2021 | Increases | Decreases | Total |
|--|-----------|-----------|-----------|
| Aggregate pre-tax result | | | (111,125) |
| Consolidation adjustments | | | (25,824) |
| Consolidated profit before taxes | | | (136,949) |
| Permanent differences: | | | |
| -Individual companies | 26,211 | (25,244) | 967 |
| -Consolidation adjustments | 25,824 | | 25,824 |
| Temporary differences: | | | |
| -Arising in the financial year | 12,645 | (63) | 12,582 |
| -Arising in previous financial years | | (18,219) | (18,219) |
| Preliminary tax base (tax result) | | | (115,795) |
| Compensation for negative tax bases generated outside the SEPI Tax Group | | | (5,704) |
| Tax base after offsetting | | | (121,499) |
| Tax base Spain | | | (122,032) |
| Tax base Portugal | | | 533 |

| Year 2020 | Increases | Decreases | Total |
|--|-----------|-----------|-----------|
| Aggregate pre-tax result | - | - | (342,556) |
| Consolidation adjustments | - | - | (23,919) |
| Consolidated profit before taxes | | | (366,475) |
| Permanent differences: | | | |
| -Individual companies | 1,409 | (15,373) | (13,964) |
| -Consolidation adjustments | 23,919 | - | 23,919 |
| Temporary differences: | | | |
| -Arising in the financial year | 18,154 | (61) | 18,093 |
| -Arising in previous financial years | - | (18,240) | (18,240) |
| Preliminary tax base (tax result) | | | (356,667) |
| Compensation for negative tax bases generated outside the SEPI Tax Group | | | (3,114) |
| Tax base after offsetting | | | (359,781) |
| Tax base Spain | | | (358,950) |
| Tax base Portugal | | | (831) |

In 2021 the Group's Parent Company has recorded a provision of Euros 24,450 thousand (see Note 15), which is considered permanently non-deductible as it corresponds to the provision of a non-deductible expense in accordance with Article 15 of Law 27/2014 on Corporate Income Tax.



The aggregate effective tax expense and the aggregate corporate income tax expense are calculated as follows:

| | Financial year 2021 | Financial year 2020 |
|---|--------------------------------------|--------------------------------------|
| | Consolidated profit and loss account | Consolidated profit and loss account |
| Aggregate results before tax | (111,125) | (342,556) |
| Consolidation adjustments | (25,824) | (23,919) |
| Aggregate results before tax | (136,949) | (366,475) |
| Detail of aggregated results before tax | | |
| - Positive accounting basis | 22,331 | 13,466 |
| - Negative accounting basis | (133,456) | (356,022) |
| - Non-taxable accounting base | (25,824) | (23,919) |
| | (136,949) | (366,475) |
| Theoretical tax charge | (5,953) | (2,796) |
| Tax credits | 33,804 | 89,180 |
| Non-calculable income | 6,311 | 10,795 |
| Non-deductible expenditure | (6,570) | (302) |
| Deductions | 3,685 | 5,262 |
| Effective aggregate taxable income / (expense) | 31,277 | 102,139 |
| Detail of effective aggregate taxable income / (expense)): | | |
| Current taxes | (4,086) | (2,495) |
| Repurchase tax credit | - | - |
| Tax credits | 34,636 | 92,903 |
| Deferred Taxes | 727 | 11,731 |

(Continues on next page)

| | Financial year 2021 | Financial year 2020 |
|---|--------------------------------------|--------------------------------------|
| | Consolidated profit and loss account | Consolidated profit and loss account |
| Total effective aggregate taxable income / (expense) | 31,277 | 102,139 |
| Tax rate change adjustment | (180) | (182) |
| Adjustment tax rate change Repurchase Tax credit | - | - |
| Corporate income tax adjustment for previous year | (26) | - |
| Activation Negative tax bases and temporary | - | - |
| Consolidation adjustment | (9) | (8) |
| Tax effect Business Combination | 328 | 328 |
| Aggregate income / (expense) from corporate income tax | 31,390 | 102,277 |

The calculation of corporate income tax payable and receivable as of 31 December 2021 and 2020 is as follows:

| | Financial year 2021 | | Financial year 2020 | |
|--------------------------------------|---------------------|----------------------|---------------------|----------------------|
| | Tax current debtor | Tax current creditor | Tax current debtor | Tax current creditor |
| Aggregate current tax | 34,635 | (3,654) | 92,815 | (2,049) |
| Repurchase Tax Credit SEPI | - | - | - | - |
| Withholdings and payments on account | 545 | - | 443 | - |

For corporate income tax purposes, the companies resident in Spanish territory of the Correos Group are included in the Consolidated Tax Group no. 9/86, formed by Sociedad Estatal de Participaciones Industriales and all companies resident 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 hand, the right to obtain compensation for the tax credits included in the consolidation.

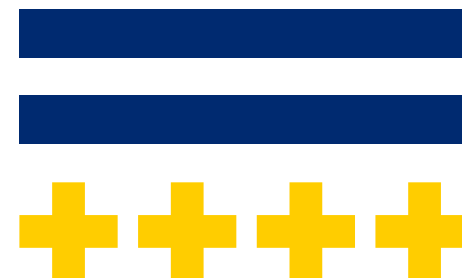
The negative taxable income generated in 2021 by the parent company of the Correos Group amounts to 136,232 thousand euros, and therefore, in accordance with the procedure established in Group 9/86 for tax consolidation, SEPI will pay Correos an amount of 25% of this negative taxable income once the consolidated tax return has been filed, which amounts to a sum of 34,058 thousand euros.

In accordance with Law 27/2014 on Corporate Income Tax, with effect for years commencing on or after 1 January 2015, if, by virtue of the rules applicable to the determination of the tax base, the tax base is negative, there is no maximum period for offsetting this sum. The offsetting shall be carried out at the time as the filing of the corporate income tax return, without prejudice to the powers of verification that correspond to the tax authorities.

The negative tax bases prior to integration into Tax Group no. 9/86, generated in 2011 and prior years by the companies of the Correos Group, may be offset against future tax losses generated by these companies, since SEPI, the parent company of this tax consolidation group, allows this. In any case, and in accordance with the provisions of the Fifteenth Additional Provision of Law 27/2014 following the approval of Royal Decree Law 3/2016, the maximum compensation limit will apply, by virtue of which companies whose revenue in the 12 months prior to the start date of the tax period exceeds 60,000 thousand euros may

compensate a maximum of 25 per cent of the previous positive taxable income.

In the financial year 2021 Correos Express Paquetería Urgente S.A., S.M.E. (Sole-Shareholder Company) has proceeded to offset 4,473 thousand euros (3,114 thousand euros in 2020) from the negative taxable income generated by this subsidiary prior to its inclusion in the SEPI Tax Group.



At 31 December 2021, the Group companies, except CEP and CEP II, have tax loss negative tax bases to offset against possible future taxable profits (generated prior to their inclusion in the SEPI Tax Group) for the sum of 186,269 thousand euros (190,742 thousand euros in 2020). These taxable bases correspond to Correos Express Paquetería Urgente, S.A., S.M.E. (Sole-Shareholder Company) (183,568 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 | 6,187 | - |
| 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 |
| | 183,568 | 2.701 |

Correos Express Paquetería Urgente S.A., S.M.E. (Sole-Shareholder Company), after entering into a profit path that began in 2016,

proceeded to activate the taxable income tax bases that could be offset for the future 10 years, in addition to the existing temporary differences and deductions, as from 2017. In 2021, the Company has not recognised any new tax loss carryforwards to be offset against any future taxable profits, so there is no positive impact on the Company’s income statement in 2021 in this respect.

The balance existing as of 31 December 2021, corresponding to the tax credit recorded in prior years by Correos Express Paquetería Urgente S.A. S.M.E., i.e. 27,937 thousand euros, corresponds to sum of negative tax bases pending offset against future taxable profits of 111,748 thousand euros (116,236 thousand euros as of 31 December 2020).

The company Nexea Gestión Documental S.A., S.M.E. has not recorded any tax credits for this sum from of its negative tax bases pending offset.

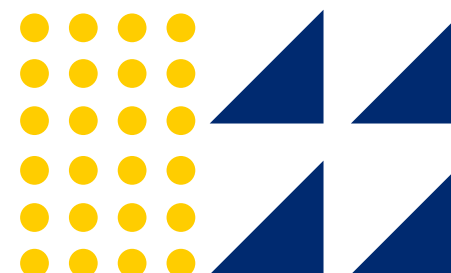
The tax loss carryforwards relating to the CEP and CEP II companies pending offset as of 31 December 2021 amount to Euros 6,150 thousand and are detailed in the following table:

| Generation year | Expiry year | 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 I and CEP II are taxed at 21% in Portugal and the company CEP II, which has been incurring losses since previous years, has capitalised tax losses of Euros 4,695 thousand euros for the years 2015-2020, and the Directors consider that taxable income will be generated in this company over the next five years which, in accordance with Portuguese legislation, will allow for the asset to be recovered.

There is a tax credit arising from tax deductions generated and not applied by the Parent Company of the Group for the sum of 17,743 thousand euros. This credit corresponds to the following deductions: for Technological Innovation (11,087 thousand euros), for investments in fixed assets made in the Canary Islands (4,105 thousand euros), for investments in events of exceptional public interest (1,520 thousand euros), for reversal of temporary measures under Law 16/2012 (637 thousand euros), for job creation for persons with disabilities (293 thousand euros) and for donations to non-profit entities (101 thousand euros).

Current legislation provides that taxes may not be deemed fully paid until the submitted tax returns have been duly reviewed by tax authorities or the four-year inspection period has elapsed. As of 31 December, the companies comprising the Group remain open to inspection by the tax authorities for all applicable taxes from 1 January 2017. The Directors of the Parent Company do not expect any significant additional liabilities to arise for the Parent Company as a result of an inspection.



19. Other information

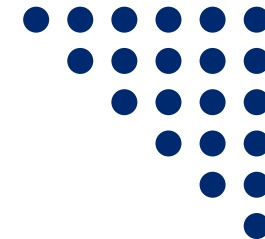
– a) Number of employees

The breakdown the Group's average workforce (*Full Time Equivalent*), by number of employees, for the financial years 2021 and 2020 is as follows:

| | Financial year 2021 | Financial year 2020 |
|---------------------------|---------------------|---------------------|
| Management Committee | 20.29 | 15.00 |
| Rest of workforce: | | |
| Civil servants | 6,571.54 | 7,940.35 |
| Employees | 43,657.91 | 44,500.55 |
| | 50,249.74 | 52,455.90 |

As of 31 December 2021 and 2020, the number of employees of the Correos Group by category and gender was as follows:

| | Data at 31/12/2021 | | | Data at a 31/12/2020 | | |
|---------------------------|--------------------|---------------|---------------|----------------------|---------------|---------------|
| | Men | Women | Total staff | Men | Women | Total staff |
| Management Committee | 14 | 5 | 19 | 19 | 3 | 22 |
| Rest of workforce: | | | | | | |
| Civil servants | 3,953 | 1,991 | 5,944 | 4,966 | 2,391 | 7,357 |
| Employees | 20,062 | 23,909 | 43,971 | 21,655 | 26,025 | 47,680 |
| | 24,029 | 25,905 | 49,934 | 26,640 | 28,419 | 55,059 |



The average workforce (*Full Time Equivalent*) of the Group for persons with a disability of 33% or above during the financial years 2021 and 2020 was as follows:

| | Financial year 2021 | Financial year 2020 |
|----------------|---------------------|---------------------|
| Civil servants | 181 | 203 |
| Employees | 831 | 803 |
| | 1,012 | 1,006 |

– *b) Commitments and contingencies*

As of 31 December 2021, guarantees granted by various financial institutions to the Correos Group amounted to 101,162 thousand euros (84,564 thousand euros in 2020), of which 56,446 thousand euros (59,417 thousand euros in 2020) were arising from contracts with customers, 42,065 thousand euros (23,042 thousand euros in 2020) were arising from legal matters, and the remainder arising from other causes. The Directors of the Parent Company estimate that additional liabilities, if any, which may arise from sureties and guarantees provided would not, in any case, be significant.

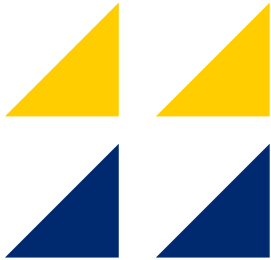
– *c) Fees of auditors and their group or related companies*

The amounts accrued during the financial year 2021 for the audit services of Grant Thornton S.L.P. amounted to150 thousand euros excluding VAT (150 thousand euros in 2020).

The auditor of the accounts of the Subsidiary Companies CEP I and CEP II is Fátima Pereira & Carlos Duarte, and the audit fees

for the year ending 31 December 2021 were 14 thousand euros excluding VAT, regardless of the time of invoicing (14 thousand euros as of 31 December 2020).

In addition, fees accrued for non-audit services during the financial year 2021 by other companies in the Grant Thornton, S.L.P. network for a sum of 30.3 thousand euros (0 euros as of 31 December 2020).



20. Related parties

- a) Associated companies

The related companies with whom the companies of the Correos Group have maintained transactions in the financial years 2021 and 2020 and the nature of the relationships are the following::

| Name of te company | Nature of the relationship |
|--|--|
| Sociedad Estatal de Participaciones Industriales (SEPI | Parent company 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) |



The balances receivable and payable from and payable to the associated companies listed in the table above as of 31 December 2021 and 2020 are as follows:

| | Group company clients and accounted for by the equity method | | Group company Suppliers and accounted for by the equity method | |
|--------------------------|--|--------------|--|----------------|
| | 31/12/21 | 31/12/20 | 31/12/21 | 31/12/20 |
| SEPI | 1 | - | - | - |
| Grupo Rangel | 2,824 | 4,290 | 593 | (3,904) |
| K-Parcel Company Limited | 4,269 | 4,638 | - | - |
| SEPI Group, remainder | 142 | 104 | - | - |
| | 7,236 | 9,032 | 593 | (3,904) |
| | (Note 11) | (Note 11) | (Note 16) | (Note 16) |
| | Short-term debts | | Long-term credits | |
| | 31/12/21 | 31/12/20 | 31/12/21 | 31/12/20 |
| SEPI | - | (500) | - | - |
| K-Parcel Company Limited | - | - | 555 | 571 |
| | - | (500) | 555 | 571 |

The cross credits and debits relating to the Tax Group's operations (see Note 18) are as follows:

| | Balances Fiscal Group N°. 9/86 | | | |
|------|--------------------------------|---------------|------------------------|----------------|
| | Debtors, Group companies | | Debts, Group companies | |
| | 31/12/21 | 31/12/20 | 31/12/21 | 31/12/20 |
| SEPI | 35,180 | 93,258 | (3,654) | (2,049) |
| | 35,180 | 93,258 | (3,654) | (2,049) |

The breakdown of the tax balances with SEPI is the following;

| | Balance at 31/12/2021 | |
|---|-----------------------|----------------|
| | Debtor | Creditor |
| Telecom | - | (462) |
| Nexea | 577 | - |
| Grupo Correos Express | - | (3.192) |
| Correos: | | - |
| - Tax fee SEPI | 34,058 | - |
| - Tax withholdings and prepayments 2020 | 216 | - |
| - Tax withholdings and prepayments 2021 | 329 | - |
| Total (Note 18) | 35.180 | (3.654) |

| | Balance at 31/12/2020 | |
|---|-----------------------|----------------|
| | Debtor | Creditor |
| Telecom | - | (296) |
| Nexea | 653 | - |
| Grupo Correos Express | - | (1,753) |
| Correos: | | - |
| - Tax fee SEPI | 92,162 | - |
| - Tax withholdings and prepayments 2020 | 210 | - |
| - Tax withholdings and prepayments 2021 | 232 | - |
| Total (Note 18) | 93,258 | (2,049) |

The transactions with SEPI Group and Rangel Group companies in the years 2021 and 2020 were the following:

| | Income from provision of services | | Operating Expenses | |
|-----------------------|-----------------------------------|--------------|--------------------|--------------|
| | 31/12/21 | 31/12/20 | 31/12/21 | 31/12/20 |
| SEPI | 4 | 2 | - | - |
| Rangel Group | 5,073 | 5,376 | - | 1,825 |
| SEPI Group, remainder | 362 | 146 | 292 | - |
| | 5,439 | 5,524 | 292 | 1,825 |

- b) Directors and Senior Management of Parent Company

The members of the Board of Directors and Senior Management of the Parent Company have not participated, either directly or indirectly, in the financial years 2021 and 2020 in unusual and/or significant transactions with companies of the Correos Group.

- Remuneration and other benefits of directors and senior management personnel of the Parent Company during the financial year

Remuneration accrued for all items during the financial year 2021 by the members of the Parent Company's Board of Directors and Senior Management personnel amounted to 1,650 thousand euros (1,446 thousand euros in 2020), of which 155 thousand euros correspond to allowances received by the members of the Parent Company's Board of Directors for attending Board

meetings (154 thousand euros in 2020), and the remainder relates to salaries and/or other remuneration items (including compensation) of the Senior Management Parent Company.

The overall amount of remuneration earned by senior management personnel in 2021 has increased compared to 2020 by 203 thousand euros as the average number of senior management personnel has increased by an annual average of about 2 members compared to 2020, with the average amount of remuneration in 2021 being lower than in 2020 for this category.

As of 31 December 2021, no member of the Company's Board of Directors or senior management had any balances receivable or payable from the Company, nor did the Company have any pension and/or life insurance obligations to them.

– Other information concerning the Board of Directors

In the duty to avoid situations of conflict within the Group Companies, the Directors who have sat on the Board of Directors of Group Companies have fulfilled their obligations under Article 228 of the revised text of the Capital Corporations Act. Both the directors and persons related to them have refrained from any conflict of interest provided for under Article 229 of said Law.

The Board of Directors of the Parent Company at the date of preparation of these financial statements consisted of 11 men and 4 women.



21. Business Combination

On 1 March 2021, CEP’s Board of Directors approved the transfer of 100% of its international transport business to CEP II through a capital increase with a contribution in kind.

CEP II recognises the assets acquired and liabilities assumed at fair value at the acquisition date, capped at the value recognised as of the business combination date in 2019.

The breakdown of the compensation paid, at the fair value of the net assets and goodwill acquired was the following:

| | thousands of euros |
|----------------------------------|--------------------|
| Fair value of compensation given | 2,541 |
| Net identifiable assets acquired | |
| Current assets | 2,541 |
| Current liabilities | 2,541 |
| Goodwill | 2,541 |

As a result of the recognition of the aforementioned assets and liabilities, goodwill of 2,541 thousand euros has been recognised at CEP II.

The increase in CEP II’s share capital implicitly involves an inflow of assets, as legally defined in number 3 of Article 73 of the Portuguese Corporate Income Tax Code. From a tax perspective and taking into account that CEP transferred its international transport business to CEP II without dissolving it, the asset deal in question was carried out under the tax neutrality regime. All the assets assigned to the business transferred have been transferred.

Based on the above, as of the date of drafting of these consolidated financial statements, the accounting for the business combination described above is definitive, although it has no effect on the figures in these consolidated financial statements and is eliminated in the consolidation process.



22. Segmented information

The Group's segment results for the financial years 2021 and 2020 as well as the balance sheet and cash flow statement are as follows:

| | Financial year 2021 | | | |
|-------------------|--------------------------------|--------------------------|----------------------------------|-------------|
| | Postal, telegraphs and Parcels | Urgent Parcel and Others | Homogenisations and Eliminations | Total |
| Revenue | 1,680,259 | 411,872 | (10,686) | 2,081,445 |
| Supplies | (140,806) | (246,129) | 4,454 | (382,482) |
| UPS compensation | 110,000 | | | 110,000 |
| Staff costs | (1,460,716) | (64,565) | 61 | (1,525,220) |
| Other results | (321,642) | (81,740) | (17,310) | (420,692) |
| Result before tax | (132,905) | 19,438 | (23,481) | (136,949) |

| | 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) |

| | Balance at 31/12/21 | | | |
|--|--------------------------------|--------------------------|----------------------------------|------------------|
| | Postal, telegraphs and Parcels | Urgent Parcel and Others | Homogenisations and Eliminations | Total |
| Fixed assets and investment property | 1,402,522 | 68,099 | - | 1,470,621 |
| Non-current investments in Group companies | 191,879 | - | (187,465) | 4,414 |
| Other non-current assets | 4,196 | 1,530 | (24) | 5,702 |
| Deferred tax assets | 29,033 | 32,385 | - | 61,418 |
| Non-Current Assets | 1,627,630 | 102,013 | (187,488) | 1,542,155 |
| Trade and other receivables | 462,275 | 99,215 | (8,554) | 552,936 |
| Other current assets | 32,196 | 27,964 | (32,012) | 28,148 |
| Cash | 137,744 | 3,587 | - | 141,331 |
| Current Assets | 632,215 | 130,766 | (40,566) | 722,415 |
| Total Assets | 2,259,845 | 232,779 | (228,054) | 2,264,570 |

| | Balance at 31/12/20 | | | |
|--|--------------------------------------|--------------------------------|--|------------------|
| | Postal, telegraphs and Parcels | Urgent Parcel and Others | Homogenisations and Eliminations | Total |
| Fixed assets and investment property | 1,404,480 | 62,746 | 0 | 1,467,226 |
| Non-current investments in Group companies | 167,521 | - | (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 | 1,601,813 | 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 | 2,269,679 | 218,049 | (186,192) | 2,301,535 |

| | Balance at 31/12/21 | | | |
|--|--------------------------------|--------------------------|----------------------------------|------------------|
| | Postal, telegraphs and Parcels | Urgent Parcel and Others | Homogenisations and Eliminations | Total |
| Shareholder's equity | 961,297 | 67,407 | (178,531) | 850,173 |
| External Partners | - | 428 | - | 428 |
| Grants, donations and bequest received | 221,273 | 235 | 1,420 | 222,928 |
| Equity | 1,182,570 | 68,070 | (177,111) | 1,073,529 |
| Non-current provisions | 63,135 | 10,060 | - | 73,195 |
| Deferred tax liabilities | 327,265 | 4,858 | (23) | 332,100 |
| Other non-current liabilities | 73,969 | 21,398 | (10,357) | 85,010 |
| Non-current Liabilities | 464,369 | 36,315 | (10,380) | 490,305 |
| Current payables | 130,096 | 6,640 | - | 136,736 |
| Trade creditors and other accounts payable | 454,371 | 107,063 | (78,626) | 482,808 |
| Other current liabilities | 28,439 | 14,692 | 38,061 | 81,191 |
| Current Liabilities | 612,906 | 128,395 | (40,565) | 700,736 |
| Total Equity and Liabilities | 2,259,845 | 232,780 | (228,055) | 2,264,570 |

| | Balance at 31/12/20 | | | |
|--|--------------------------------|--------------------------|----------------------------------|------------------|
| | 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 | 15,894 | (10,364) | 82,072 |
| Non-current Liabilities | 95,125 | 34,073 | (10,391) | 118,807 |
| Current payables | 364,543 | 5,860 | - | 370,404 |
| Trade creditors and other accounts payable | 505,909 | 113,099 | (7,472) | 611,537 |
| Other current liabilities | 16,803 | 11,165 | (14,743) | 13,225 |
| Current Liabilities | 887,255 | 130,125 | (22,215) | 995,166 |
| Total Equity and Liabilities | 2,269,679 | 218,049 | (186,192) | 2,301,535 |

| | Financial 2021 | | | |
|--|--------------------------------|--------------------------|----------------------------------|-----------|
| | Postal, telegraphs and Parcels | Urgent Parcel and Others | Homogenisations and Eliminations | Total |
| Operating Activities | | | | |
| Result for the financial year before tax | (132,905) | 20,019 | (24,063) | (136,949) |
| Adjustments to the result | 41,554 | 14,803 | 29,687 | 86,045 |
| Changes in current capital | 29,341 | (23,303) | 11,008 | 17,046 |
| Other cash flows from operating activities | 92,085 | (5,904) | 4,383 | 90,564 |
| Total cash flows from operating activities | 30,074 | 5,615 | 21,016 | 56,705 |
| Investment Activities | | | | |
| Payments for investments | (88,718) | (4,678) | (8,292) | (101,688) |
| Proceeds from disposals | 28,095 | 711 | (711) | 28,095 |
| Total cash flows from investment activities | (60,622) | (3,967) | (9,003) | (73,594) |
| Financing Activities | | | | |
| Total cash flows from financing activities | 120,827 | (1,871) | (11,512) | 107,444 |
| Effect of exchange rates fluctuations | 6,308 | - | - | 6,308 |
| Net variation in cash or equivalents | 96,587 | (223) | 501 | 96,865 |
| Cash and other cash equivalents at the start of the financial year | 41,157 | 2,776 | - | 44,466 |
| Cash and other cash equivalents at the end of the financial year | 137,744 | 2,551 | - | 141,331 |

| | Financial 2020 | | | |
|--|--------------------------------|--------------------------|----------------------------------|-----------|
| | Postal, telegraphs and Parcels | Urgent Parcel and Others | Homogenisations and Eliminations | Total |
| Operating Activities | | | | |
| Result for the financial year before tax | (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 |
| Other financial assets | | | | - |
| Total cash flows from investment activities | (83,259) | (16,136) | 5,456 | (93,939) |
| Financing Activities | | | | |
| Total cash flows from financing activities | 331,075,00 | 1,185 | (7,440) | 324,820 |
| 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 | 0 | 100,594 |
| Cash and other cash equivalents at the end of the financial year | 41,157 | 3,311 | 0 | 44,466 |

23. Environmental information

Details of the Parent Company’s investments and expenses for environmental protection and improvement for the financial years 2021 and 2020 are the following:

| | Financial year 2021 | Financial year 2020 |
|-----------------------------------|---------------------|---------------------|
| - Investments | 3,488 | 4,765 |
| - Expenses | | |
| Environmental protection services | 491 | 126 |
| Environmental management costs | 206 | 149 |
| Environmental taxes | 620 | 699 |
| Clean-up costs | 102 | 118 |
| Prevention costs | 625 | 3,100 |
| Total Expenses | 2,044 | 4,192 |

Environmental grants of 503 thousand euros (390 thousand euros in 2020) were received during the financial year.

The Directors of the Parent Company deem there to be no significant contingencies relating to the protection and improvement of the environment, not deeming it necessary to make any allocation to the provision for environmental risks and costs as of 31 December 2021.



24. Contingent liabilities

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 Correos, seeking to order the company to pay UNIPOST compensation for the sum of 301,259,464 euros, as well as interest from the date the lawsuit was filed and the costs of the proceedings. This procedure is still in the process of being processed and is pending the completion of a number of tests and, after that, the conclusions, so it is not possible to estimate the sum to be provisioned, and it is advisable to wait for the pending tests to be processed. At the date of preparation of these financial statements, the risk is estimated as possible.

25. Events after the Closing Date

In the opinion of the Company's directors, no other events have come to light subsequent to year-end that could have a significant impact on these financial statements in addition to those discussed in note 3.3 on the award of a new credit facility in February and in note 15 on the notification received from the CNMC.



Management report. Financial year 2021

1. Business model and evolution

The Correos Group operates in the physical and digital communications sector, as well as in the parcels market. In the latter, it leads the non-urgent transport segment, a benchmark for e-commerce companies.

Correos, the Group's parent company, is the main company in the Spanish postal market and one of the leading companies in the parcels sector, due to the excellence and reliability of its service. It is also the operator designated by law to provide the Universal Postal Service throughout the territory, with criteria of efficiency, quality and affordability, contributing to the sustainability of postal communications for all citizens.

Correos complements its activities with those of its subsidiaries:

- Correos Express, dedicated to express parcel delivery for the B2B (business-to-business) and B2C (business-to-private) segments.
- Correos Nexea, specialising in multichannel solutions for mass physical and digital corporate communications.
- Correos Telecom, responsible for the management and marketing of Correos' telecommunications infrastructures, as well as providing technological support to the rest of the Group's companies.
- Correos Express Portugal, a subsidiary incorporated into the Group in April 2019, following the acquisition of 51% of Rangel Expresso by Correos Express. With this incorporation, the Group embarked upon the international expansion

process defined in its strategy, offering an integrated express parcel service for the entire Iberian market.

In May 2019, the Board of Directors of Correos also approved the creation of two new joint ventures with Asian operators Kerry Logistics Network Limited and Global Freight Systems (GFS), each with a 35% stake. These two companies were created in the first half of 2020. The joint ventures KCG Ecommerce Solutions Company Limited and K Parcel Company Limited provide integrated export parcel handling from China and Hong Kong in response to growing international e-commerce activity.



2. Business environment and markets

The uncertainties caused by the pandemic and its economic effects remained through 2021. The strengthening of global activity and trade in the first half of the year was followed by a loss of momentum in the second half, culminating in the emergence of the new Omicron variant. By year-end, this new wave of the pandemic saw additional restrictions additional restrictions and an increase in absenteeism, which threatened to temporarily paralyse certain productive sectors and further postpone the recovery.

During the past year, the reactivation of demand resulted in shortages of certain raw materials and intermediate goods involved in production processes, as well as insufficient international transport capacity to smoothly meet trade flows. Tensions in global supply chains and shortages of certain materials posed a challenge to many productive sectors, with indirect effects on trade and on air and maritime transport costs, leading to significant inflationary pressures at the global level.

The increase in fuel and energy prices also had a significant impact on the transport sector. In this regard, continued inflationary trends during 2022 could put a brake on household consumption, affecting future demand for postal and parcel services.

Postal market

In this volatile environment, the trend for companies to contain costs and adopt digital customer relationship models had a particular impact on the reduction of physical communications, accelerating the substitution effect in the postal market, where turnover fell considerably.

In a context of accelerated digitisation, part of this postal demand is moving towards hybrid solutions (physical and electronic), with which companies are seeking to reinforce the multichannel communication strategy with their customers, a segment of activity in which Correos and Correos Nexea are also present.

Furthermore, in 2021, the plan for the provision of the universal postal service, provided for in Law 43/2010, was approved. Following validation by the European Commission, this document formalised the conditions for the provision of this public service by the designated operator, Correos, and the criteria for assessing its cost and financing.

It will also serve as a basis for the drafting of the regulatory contract to be signed with the Ministries of Finance and Transport, Mobility and the Urban Agenda, with the aim of guaranteeing the future sustainability of this service, which is essential for social and territorial cohesion.



Parcel market

The parcel market, unlike the postal market, continued to benefit from the expansion of e-commerce among the population, driven by the pandemic and restrictions on commercial activity, although growth was lower than in 2020.

Competition in this sector continued to increase, especially in the B2C (business-to-private) segment, as it has been the fastest growing in recent years, but also the least profitable due to high delivery costs.

In addition to the progressive transfer of companies specialised in B2B parcels to the B2C segment, international companies (some belonging to European postal operators) continued to increase their presence in Spain with new investments, attracted by the high growth rates of e-commerce.

In addition, operators in other markets, such as digital and food delivery, consolidated their own networks for parcel distribution, positioning themselves in urban centres. These platforms have an operation adapted to the delivery requirements of local commerce (and also of some large companies) and manage the need for on-demand delivery drivers, minimising infrastructure requirements and salary costs.

Faced with the risk that this trend could make employment in the distribution sector more precarious, in 2021 Royal Decree-

Law 9/2021¹, known as the 'rider law', was passed, which, among other things, requires food delivery companies and other digital platforms to formalise contracts with their workers. The immediate effect of its implementation was an increase in subcontracting and the emergence of delivery cooperatives. These new requirements also put further pressure on the cost structure of these companies, which in some cases were forced to cease operations in Spain.

On the other hand, several start-ups also sought to provide innovative solutions for the different stages of the e-commerce value chain (fulfilment, refrigerated collection lockers, delivery robots, reusable packaging, to name just a few), becoming partners or suppliers to traditional parcel operators, but also potential competitors.

In this regard, 2021 saw an expansion of the supply of collection boxes in Spain (such as Correos's Citypaq network), managed by different companies in both the parcel and retail sectors. This extension was motivated both by increasing customer usage and the added benefits they bring to the retailer in the context of a pandemic. The trend was also welcomed by local administrations, who are increasingly involved in promoting sustainable deliveries in urban areas.

In the coming years, the parcels sector is expected to continue to show high growth rates and new opportunities linked to the

1. Royal Decree-Law 9/2021, of 11 May, amending the revised text of the Workers' Statute, approved by Royal Legislative Decree 2/2015, of 23 October, to guarantee the employment rights of those working in delivery in the field of digital platforms.



use of the operators' physical network are expected to emerge to enhance urban logistics, sustainable logistics and reverse logistics services.

The application of Artificial Intelligence, robotics, cloud computing, IoT combined with Big Data and blockchain technology to different processes will also allow for greater efficiencies and cost reductions, which will require companies to make continuous investment to avoid being driven out of the market and for which European funds could be particularly important. That could also lead to further concentration of the sector in the medium term.

Telecommunications and digital services market

In the Spanish telecommunications market, the extension of high-speed digital infrastructures is expected to continue in the coming years, driven by the Plan for the Connectivity and Digital Infrastructures of society, the economy and the territories (within the framework of the Digital Spain 2025 agenda), as well as the Programme for the Universalisation of Digital Infrastructures for Cohesion (within the Plan for the Recovery, Transformation and Resilience of the Spanish economy), both financed with European funds.

The aim of these programmes is to contribute to territorial structuring and social cohesion, improving the quality of the services necessary for complete digital transformation and working towards the elimination of the digital divide between rural and urban areas, an objective also pursued by the Correos Group.

Furthermore, the development of 5G networks in the coming years will provide greater agility and flexibility in data transfer and processing, driving the Internet of Things (IoT). This will enable many more networked devices, which is essential for the technological development of many industries, including logistics, as well as for smart cities and urban mobility.

Finally, the digitisation of businesses opens up new opportunities for connectivity service providers such as Correos Telecom. In this sense, new public-private partnerships are expected to emerge, both to share networks and to develop business models based on 5G, in which the Correos Group aspires to play an important role.

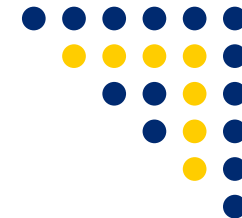


3. Objectives and strategy

The strategic plan for 2020-2023 of the Correos Group is based on 9 strategic objectives:

1. Enhance the parcels business and preserving postal activity.
2. Develop new logistics businesses.
3. Foster growth the network of offices and digital products and services.
4. Increase the Group's international presence.
5. Developing new technology businesses.
6. Improve the efficiency of support processes.
7. Transform the logistics and distribution business in line with the evolution of the postal and parcel business.
8. Adapt the organisation and management model to the new business and operations.
9. Strengthen the Group's commercial strength.

The plan comprises 59 lines of work, with which the Correos Group will deepen the diversification of its activities, internationalisation, digitalisation and adaptation of its operating model.



4. Future trends

The Correos Group identifies a number of external factors with a potential short, medium or long-term impact on its activity and on the markets in which it operates. These trends can represent both a challenge and an opportunity, depending on the strategic responses adopted.

Short/medium term trends



Uncertainty of economic recovery

- Inflationary pressures and energy prices
- Disappearance of companies
- Supply crisis and slowdown in international trade flows
- Reconfiguration and re-localisation of supply chains
- Next Generation EU Funds
- Labour reform
- Political tensions and polarisation
- Intensification of public-private partnerships

Climate emergency

- Decarbonisation of the economy and its technological constraints
- Urban logistics, mobility and demand for sustainable delivery
- Acceleration of the energy transition
- Boosting the circular economy and sustainable packaging
- Increasing Spain's climate vulnerability
- Stepping up environmental sustainability policies in the public sector



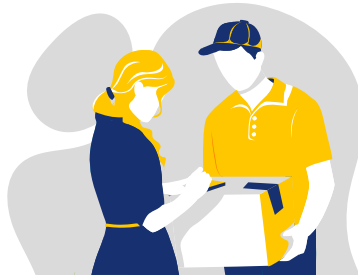
Demographic and social challenges

- Ageing of the population
- Increasing concentration of urban dwellers
- Rural depopulation and loss of services in rural areas
- Sustainable urban planning and smart cities
- Social inequality



Digitalisation of the economy and society

- Continued reduction of postal communications
- Integral digitisation of businesses and society
- Intensification of the digital divide
- Blockchain and Big Data
- 5G, IoT and digital twins
- AI, robotics and cloud computing
- Self-driving vehicles
- Digital identity management
- Cybersecurity



Greater awareness and knowledge among consumers

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



Medium/long-term trends



Resilient and responsible companies

- The growing role of business in responding to societal challenges
- Adoption of remote work
- Importance of employee health and safety and well-being
- Greater challenges in attracting and retaining business talent, especially specialised profiles
- Growing importance of continuous business risk management and innovation

Legal and geopolitical developments

- Regulatory changes in the international and Spanish sphere
- Transformation of the universal postal service obligations in Europe
- Macroeconomic and geopolitical uncertainty
- Transformation of the European tax and customs framework
- Shift of economic hegemony to the new Asian powers
- Increased protectionism

Transformation of markets

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

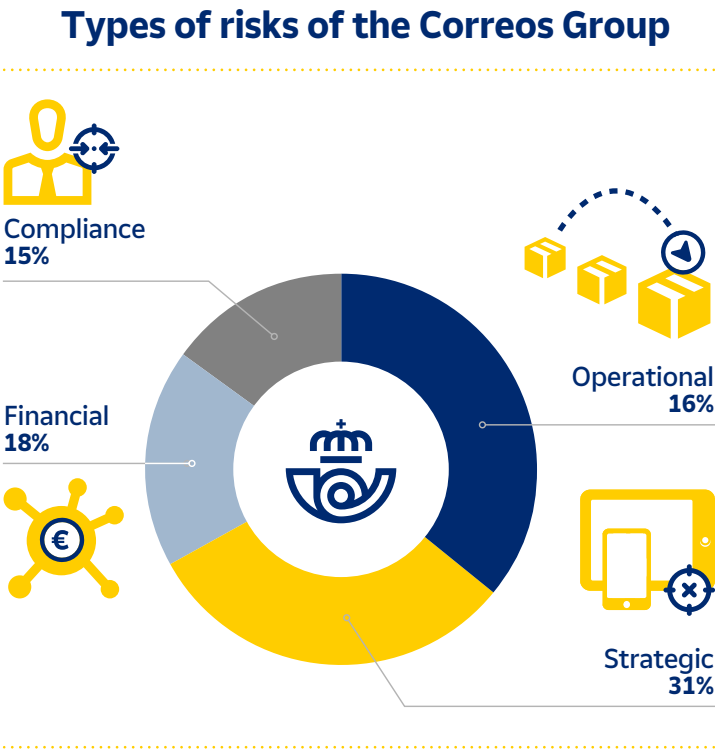
5. Economic value generated and distributed

During 2020, there was a global health crisis caused by COVID-19, which impacted the Group due to the sectors in which it operates, mainly the parent company:

- The drop in postal volumes in 2020 in the Parent Company, which was 24.1%, was double that observed in 2019, which was 12.4% compared to 2018. As for the Group’s parcels business, the double-digit annual growth in volumes experienced in previous years was cut short, with growth in 2020 standing at 4%. The main cause of this was the Covid-19 effect, which has accelerated trends such as the digitisation of production consumption, public administration and, above all, personal and commercial communications, shortening their widespread implementation by decades.
- In addition, the parent company paid 37.3 million euros to cover all expenses related to the purchase of face masks and the material necessary to adapt the offices to existing regulations.
- The uncertainties caused by the pandemic and its economic effects have continued into 2021. The strengthening of global activity and trade in the first half of the year was followed by a loss of momentum in the second half, culminating in the emergence of the new Omicron variant. By year-end, this new wave of the pandemic saw additional restrictions additional restrictions and an increase in absenteeism, which threatened to temporarily paralyse certain productive sectors and further postpone the recovery.

6. Risk management

The Correos Group employs a **risk management and control system** based on the **international COSO framework**. This system is aimed at identifying, controlling, preventing and guaranteeing an adequate response to their materialisation. The corporate risk map contains a total of **55 risks**, of which 15 have been classified as critical for correct management.



The activity of the Group's various companies is conditioned both by factors that are common to their sectors and by unique impacts that only affect each of them. The existing risk categories are:

- **Strategic** risk: responds, among other factors, to the progressive decline in postal activity due to the growth electronic formats, increased competition, the evolution of the economic environment, the protection and monetisation of innovation, the need for partnerships or the emergence of disruptive technologies that lead to rapid changes in demand.
- **Operational** risk: responds to the structural complexity of the Group, the need for the flexible incorporation of new resources and equipment to increase efficiency in processing and delivery processes, to the speed of adaptation of the production model to new demands, changes in international trade flows or the challenges of personal data management and cybersecurity.
- **Compliance** risk: associated with non-compliance with regulations or codes of good governance and ethics on the part of managers and employees, in terms of hiring, use of funds, accountability, adoption of agreements, use of information or conflicts of interest, among others. In addition to these, there are other risks linked to possible changes in sectoral regulations and the company's own operations.
- **Financial** risk: includes tax, credit, liquidity and market risk, which in turn include interest rate, foreign exchange and other price risks.

Within these four categories there are other dimensions that can materialise in different types of risks, the following being of particular importance:

- **Occupational** risk: linked to its status as one of the country's major employers, the need to maintain a nationwide presence, the difficulties associated with rigid recruitment procedures, occupational health and safety, especially in the current context, or the ability to retain talent.
- **Environmental and climate** risk: due to the impact of the extensive infrastructure network and vehicle fleet, increasing national and international regulation, as well as future requirements arising from the commitments assumed by Spain and the European Union.
- **Reputational** risk: associated with unforeseen changes in the Group's relationships with its various stakeholders.



7. Human resources

Integral 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 **job quality and stability, training and career development, talent attraction and retention, diversity and inclusion**, as well as **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 in the international postal sector.

At the end of 2021, **the Correos Group had an average workforce of 50,250 (FTE)**. The parent company, Correos, contributed the largest proportion, 48,446 professionals, 86% of whom were employees and 14% civil servants.

| <i>Average workforce (Full Time Equivalent)</i> | 2021 | 2020 |
|---|--------|--------|
| Correos | 48,446 | 50,822 |
| Correos Express | 1,451 | 1,271 |
| Correos Express Portugal | 135 | 136 |
| Correos Nexea | 175 | 189 |
| Correos Telecom | 42 | 38 |

8. Protection of the environment

The information relating to environmental activities is included in Note 23) of the Annual Report to the Financial Statements of Sociedad Estatal Correos y Telégrafos, S.A., S.M.E. (Sole-Shareholder Company) and Subsidiaries for the year ended 31 December 2021.

9. Events after the closing date

In the opinion of the Company's Directors, no other events have come to light subsequent to year-end that could have a significant impact on these financial statements in addition to those discussed in note 3.3 on the award of a new credit facility in February and in note 15 on the notification received from the CNMC.

10. Others

At year-end, the Parent Company has no outstanding balances payable to suppliers constituting a deferral exceeding the legal period established by Law 15/2010 of 5 July.

In accordance with the provisions of Law 15/2010 and the Resolution of 29 January 2016 of the ICAC, the Parent Company's information on the average period for payment to suppliers in commercial transactions as of 31 December 2021 and 2020, as it is the most representative of the Group, as follows:

| | Financial year 2021 | Financial year 2020 |
|-------------------------------------|---------------------|---------------------|
| | Days | Days |
| Periodo medio de pago a proveedores | 12 | 16 |
| Ratio of paid transactions | 12 | 15 |
| Ratio of outstanding transactions | 15 | 27 |

| | Thousands euros | Thousands euros |
|----------------------------|-----------------|-----------------|
| Total payments made | 475,612 | 479,840 |
| Total outstanding payments | 5,141 | 59,928 |

The Correos Group does not hold any treasury shares, nor has it carried out any transactions with financial products during the financial year 2021.

Throughout the financial year 2021, the Correos Group has made investments in R&D&I for the sum of 17,165 thousand euros (14,679 thousand euros in 2020).

11. Non-financial information statement

The 'The Non-Financial Information Statement 2021 of Correos Group' forms part of this consolidated management report, which is presented in a separate 86-page document and drafted with this consolidated management report.



CONSEJO DE ADMINISTRACIÓN



SOCIEDAD ESTATAL CORREOS Y TELEGRAFOS S.A., S.M.E.
Y SOCIEDADES DEPENDIENTES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 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 two 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 one page of ordinary paper) and the accompanying consolidated annual report on the common sheets of paper numbered consecutively from page 1 to 103 (both inclusive) for the year ended 31 December 2021, 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 14 March 2022. In accordance with the provisions in force, the directors proceed to sign and approve all the aforementioned documents.

In Madrid on 14 March 2022.

CHAIRMAN

D. Juan Manuel Serrano Quintana

DIRECTORS

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|---|-------------------------------------|
| D. Pedro Enrique Blanco Chinarro | D. David Benito Astudillo |
| D ^a Marta Fano González | D. Aquilino González Hernando |
| D ^a Noelia M ^a Gutiérrez Retuerto | D. Gaizka Mado Elcoro-Inbe |
| D. José Ángel Partearroyo Martín | D. Jaime Pérez de la Cruz |
| D. Guillermo Martín Jiménez | D. Alberto Reguena Navarro |
| D. Luis Gonzaga Serrano de Toledo | D. Tomás Suárez-Inclán González |
| D ^a Belén Triana Reyes | D ^a Belén Villar Sánchez |