

SUSTAINABILITY
REPORT



posti

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Sustainability in Posti's day-to-day operations

As Posti sheds its skin time after time in response to changing customer needs, it always remains a reliable partner. Posti's journey of nearly 400 years has seen great changes.

Posti's most significant task in [society](#) is to ensure smooth daily life for Finnish consumers and businesses. Each weekday, Posti visits the front door of some 2,8 million Finns, and serves approximately 200,000 business customers per year. The past year was a challenging one for Posti. Posti's basic business is undergoing a transformation as digitization erodes letter and publication delivery volumes at an annual rate of approximately 10 percent. The effects of the reform of the Postal Act will become apparent in the near future.

Posti is a state-owned company that operates on market terms, whose [financial responsibility](#) is based on transparency and profitability. Posti wants to grow profitably, as only a financially sound company can implement its sustainability practices.

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

At Posti, sustainability and responsibility are part of day-to-day work, [management and risk management](#). Management is based on [Posti's corporate values](#). Good management supports the achievement of targets and fosters a positive work atmosphere. Posti's corporate values are also the foundation of [the Posti Corporate Responsibility Principles](#). Updated in fall 2016, they also take into account the UN Guiding Principles on Business and Human Rights.

As a work community, Posti is equal, international and diverse. The constantly changing business environment and the pursuit of new growth give rise to new competence requirements. Posti develops the competence of its [personnel](#) in new services and their ability to address the opportunities of digitalizing business.

Posti received 7,000 [summer job](#) applications during the year. Posti provided summer jobs to approximately 2,500 people across Finland. Posti again participated in the national Responsible Summer Job campaign.

Posti's goal is to provide healthy and safe work and a healthy and safe working environment for its employees. In promoting [safety at work](#), Posti's focus is on proactive measures. Accident prevention is a shared responsibility. While safety at work comes down to more than just shoes, using appropriate footwear is a significant factor in safety. Posti's early-morning delivery personnel received [new slip-resistant cold-weather shoes](#) for the winter.

[Posti's environmental program](#) aims to reduce carbon dioxide emissions by 30 percent by 2020, in relation to net sales (compared to 2007). Posti was among the first to join [the new energy efficiency agreement period 2017-2025](#). The agreement is a voluntary commitment to improve energy efficiency.

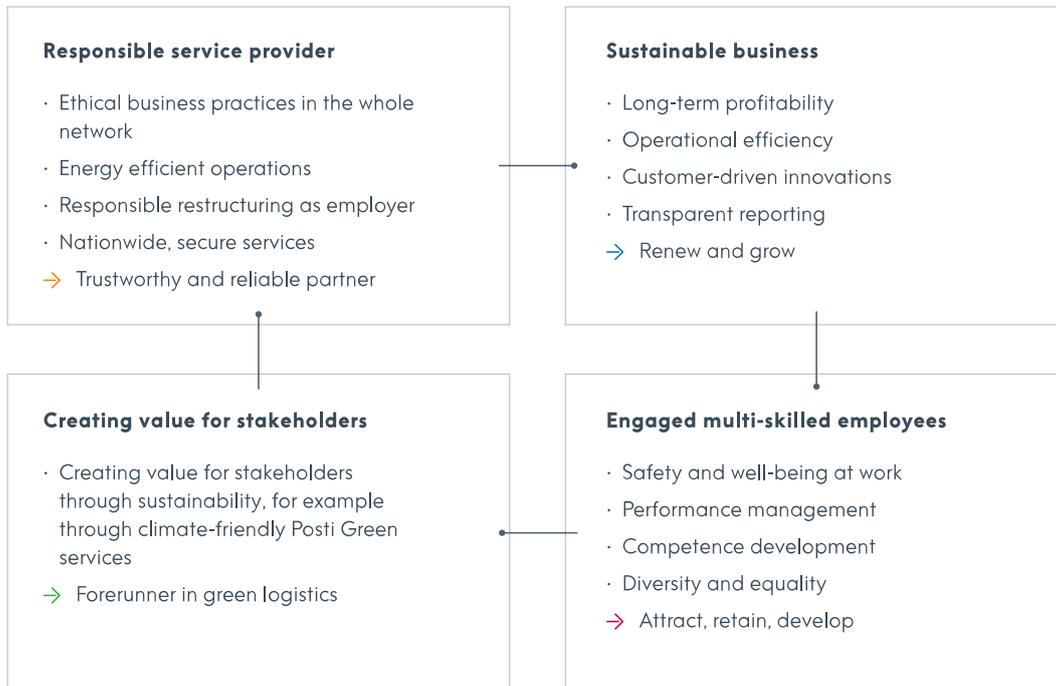
Posti uses only green electricity and, in the future, part of it will be produced by Posti itself. Last winter, Posti mounted [1,920 solar panels](#) on the roof of its Vantaa logistics center.

Since 2011, Posti has provided its customers with carbon neutral mail delivery in Finland at no extra cost. [Posti Green services](#) are part of Posti’s environmental program. The product-specific Posti Green calculation process and customer reporting was verified by a third party in summer 2016.

For more inspiring stories, please refer to the [Highlights of the year](#) section.

Areas of corporate responsibility

Posti’s sustainability is divided into [social responsibility](#), [personnel responsibility](#), [environmental responsibility](#) and [financial responsibility](#). Based on Posti’s materiality analysis, the key areas of sustainability were defined as being a responsible service provider, sustainable business, creating value for stakeholders and engaged multi-skilled employees. Rather than being separate, these areas overlap in many ways.



Indicators and targets of sustainability

Area of corporate responsibility	Indicator	Description	Realized in 2016	Target in 2020
→ Sustainable business	Adjusted operating result, %*	Operating result as a percentage of net sales. The operating result equals the result reported in the income statement after the deduction of all expenses and depreciation and amortization, but before the deduction of financial items and taxes.	2.9%	Over 5%
	Revenue from new business areas and solutions	According to Posti's strategy it aims to gain over 10% of its revenue in 2018 from new business areas such as home services and food logistics.	N/A	Over 10% (in 2018)
→ Responsible service provider	Number of Posti's service points	Posti aims to be the number one service provider for postal and logistics customers. Accessible and reliable services are in the core of Posti's business. The indicator includes the service points maintained by Posti and its partners, parcel points, delivery pickup locations and business service points.	1,422	1,500
	Customer satisfaction rate	The indicator applies solely to the operations of Posti Ltd. Customer satisfaction refers to the results of the customer satisfaction survey conducted in Finland by Posti, on a scale from one to five.	see Stakeholders	N/A
→ Engaged multi-skilled employees	Personnel engagement index	Engagement index contains four items: pride, satisfaction, willingness to recommend, and engagement.	38%	-
→ Environmental responsibility	Carbon dioxide emissions	The primary goal of Posti's environmental program is to reduce carbon dioxide emissions by 30% by 2020 (compared to 2007; emissions in relation to net sales).	-16%	-30%

* Non-IFRS = excluding non-recurring items

Managing responsibility

At Posti, sustainability and responsibility are part of our daily work and management. Management is based on Posti's corporate values:

- succeeding with the customer,
- driving for improvement and innovation,
- taking responsibility, and
- winning together.

Good management supports the achievement of these targets and fosters a positive work atmosphere.

Posti's corporate values are also the foundation of [the Posti Corporate Responsibility Principles](#). The principles were updated in 2016. Posti's responsibility policies take into account [the UN Global Compact principles](#), [the UN Guiding Principles on Business and Human Rights](#) and [the UN Sustainable Development Goals \(SDGs\)](#). The Global Compact principles comprise self-regulation pertaining to human rights, the environment and corruption. The UN Guiding Principles specify a company's responsibility with regard to human rights and call on companies to respect human rights. The UN Sustainable Development Goals contain guidelines aimed at ensuring sustainable development.



Posti is committed to operating in a responsible and ethical manner. Posti's [Code of Conduct](#), which is aimed at the company's personnel, covers legal and regulatory compliance, good business practices, principles concerning equality and non-discrimination, the avoidance of conflicts of interest, the prohibition of unethical commercial practices and environmental responsibility. The Code of Conduct also documents the principles concerning the consequences of misconduct. The Code of Conduct also specifies the anonymous whistleblowing channels established by the Group for employees to confidentially report suspected cases of misconduct or other problems.

The Group's partners are required to adhere to the corporate responsibility principles outlined by Posti. Posti's [Supplier Code of Conduct](#) covers legal and regulatory compliance, good business practices, principles concerning equality and non-discrimination, the avoidance of conflicts of interest, the prohibition of unethical commercial practices and environmental responsibility.

Sustainability is the responsibility of Posti's Vice President, Stakeholder Relations. The Vice President, Stakeholder Relations is a member of the Group Management Board. Matters related to sustainability are discussed at least once per year by the Board's Audit Committee and the Management Board.

Management of sustainability risks

The objective of [Enterprise Risk Management](#) is to safeguard the achievement of Posti's strategic and key targets from unexpected risks and to enhance Posti's business opportunities and corporate image. For this reason, the process is designed to support the strategy and annual planning process.

The risk management unit prepares information security guidelines and supports the management in implementing them. In all Group companies, the management is responsible for the management of business risks.

Risks related to sustainability are updated at least twice per year as part of Posti's Enterprise Risk Management process. They are reported as a separate item in the Group's risk report. Sustainability risks are discussed by the corporate responsibility steering group, the Executive Board, the Board of Directors of Posti Group and the Board's Audit Committee.

Taking sustainability risks into consideration

Sustainability risks include, for example:

- risks related to potential personnel arrangements and, in particular, outsourcing measures, that may have a negative effect on our reputation and, consequently, cause us to lose customers;
- potential information leaks and information security deviations, particularly those related to personal information;
- potential accidents that cause substantial damage to people or the environment;
- potential human rights infringements;
- potential risks related to supplier management, involving corruption and the failure of internal control. These are particularly important in Russia, Poland and the Baltic countries.

Posti processes all information in strict confidence, taking information security requirements into account. Privacy is crucial to Posti's business. Posti's corporate security policies determine the minimum level for all of its countries of operation. They take into account the information security requirements of Posti customers, the business environment and risk management. In terms of protection, Posti considers as particularly important customer and personnel information as well as Posti's and its partners' confidential information and the related systems and business processes.

The EU General Data Protection Regulation (GDPR) sets out new provisions concerning the processing of personal data. Posti has prepared for the changes brought about by the new Regulation by setting up a preparatory project.

Improving and promoting [occupational safety](#) are important development areas for Posti. The focus is on proactive measures. Posti's goal is to be a healthy and accident-free workplace.

[The Corporate Responsibility Principles](#) were updated in 2016. The principles take into account, among other things, the UN Guiding Principles that specify a company's responsibility with regard to human rights and call on companies to respect human rights. As a work community, Posti is equal, international and diverse.

Posti has a Group-wide uniform sourcing policy that defines how the sourcing function and supplier cooperation are managed. As part of [responsible sourcing](#), Posti has defined its [Supplier Code of Conduct](#). Posti has around 8,000 suppliers, of which approximately one fifth are considered key suppliers. All key suppliers are covered by a self-assessment system.

Responsible supply chain

Uniform sourcing policy

Posti is committed to sustainable business and bearing its responsibility with respect to society, the environment and all of its stakeholders.

Posti has a Group-wide uniform sourcing policy that defines how the sourcing function and supplier cooperation are managed. The sourcing policy supports Posti's strategy, environmental program and the Corporate Responsibility Principles. It outlines decision-making responsibilities and responsibility boundaries, and it specifies the minimum requirements for the sourcing organization.

As part of responsible sourcing, Posti has defined its [Supplier Code of Conduct](#). It covers legal and regulatory compliance, good business practices, principles concerning equality and non-discrimination, the avoidance of conflicts of interest, the prohibition of unethical commercial practices and environmental responsibility.

The Group's partners are required to adhere to the [Corporate Responsibility Principles](#). They take into account the UN Global Compact principles, the UN Guiding Principles on Business and Human Rights and the UN Sustainable Development Goals (SDGs).

The Compliance project in sourcing, which began in spring 2015, continued in 2016. The aim of the project is to ensure that everyone in the Group complies with the common practices. Sourcing practices have been improved in 2016; for example, the amount of maverick buying has been significantly reduced.

A partner that enables growth

Through category management, Posti has identified key suppliers with which the company develops partnerships that enable mutual growth. In total, Posti has nearly 8,000 suppliers, of which roughly one in five are considered key suppliers.

Posti prioritizes local suppliers in sourcing. Of the suppliers approved in 2016, 81 percent were within the scope of self-assessment in Finland, representing a combined purchasing volume of EUR 430 million. All key suppliers carry out a self-assessment that involves an acceptance of the Supplier Code of Conduct. Some key suppliers are strategic suppliers that are audited in accordance with a uniform process and model.

Responsible sourcing networks: Sedex and EcoVadis

Posti is part of two responsible sourcing networks: Sedex (Supplier Ethical Data Exchange) and EcoVadis.

Sedex is the world's largest cooperation platform for sharing information on ethical supply chains. Sedex has over 38,000 members representing more than 30 industries in over 150 countries.

EcoVadis helps businesses monitor their suppliers' and partners' operating practices related to ethical, social and environmental issues in more than 110 countries. EcoVadis assesses suppliers annually based on their overall sustainability performance. Posti received a **Gold rating** for the performance in 2015. With a score of 65/100. Posti was ranked among the top five percent of companies in EcoVadis' evaluation of corporate sustainability in all industries.

Highlights

January–March

Posti's sustainability performance is deserving of a gold medal. Posti was awarded [gold-level recognition](#) by the international EcoVadis network for its sustainability performance in 2015. EcoVadis is a responsible sourcing network for buyers and suppliers. It includes 25,000 suppliers representing 150 different industries and 110 countries. The system assesses and scores the overall sustainability performance of suppliers annually in the areas of environmental responsibility, social responsibility, business ethics and sustainable sourcing.

Posti launched regular **Q&A with the CEO** events in March. Aimed at all personnel, the events feature members of the Executive Board answering questions from personnel on any topic related to Posti. Feedback, ideas, suggested solutions and discussions are also welcome in addition to questions.

[Improving safety at work](#) – Posti's early-morning delivery personnel received new slip-resistant cold-weather shoes for the winter. While safety at work comes down to more than just shoes, using appropriate footwear is a significant factor in safety. The most typical accident suffered by early-morning delivery personnel is slipping and tripping in staircases.

April–June

[The Society's Commitment to Sustainable Development](#) is a long-term vision for the future of Finland – “The Finland we want in 2050”. Participants in the initiative make actionable commitments to support the achievement of the shared goals stated in the Society's Commitment to Sustainable Development. [Posti's goal](#) is to reduce absolute carbon-dioxide emissions by 30 percent by 2020 (compared to 2007). The commitment also supports the UN sustainable development goal of taking urgent action to combat climate change and its impacts (SDG 13).

Posti organized the **Busting the Myths of Foreign Talent** seminar in May in cooperation with the FIBS Diversity Network. The rapidly changing postal and logistics industry will see a growing need for diverse and international talents. Posti's employees in Finland already represent more than 80 different nationalities.

The Association for Finnish Work granted **Posti Ltd** membership in the association and the right to use the [Key Flag symbol](#).

July– September

All of Posti's services in Finland are carbon neutral [Posti Green services](#) that generate no emissions for customers. The product-specific Posti Green calculation process and customer reporting was verified by a third party in summer 2016.

Posti provided summer jobs to approximately 2,500 people across Finland. The majority of the summer workers were employed in mail and publication delivery operations. As in previous years, Posti again participated in the national [Responsible Summer Job campaign](#).

When new stamps are issued, the first day of issue is celebrated at the Vapriikki Museum Center in Tampere. Collectors come to the event to pick up the first day's postmark for their items bearing the new stamps and to buy other philatelic products. On September 9, WWF Finland joined Posti to celebrate the first day of issue of the new **Endangered animals stamps**, which were produced in cooperation between Posti and WWF with the aim of increasing awareness of endangered animals and their protection.

October– December

Posti's representatives **Arimo Siren and Juhani Vuola won gold** at the IPC Drivers' Challenge organized by the International Post Corporation in Belgium. Posti also won the competition in the previous year. The Drivers' Challenge is part of the sustainable development program launched by IPC in 2009.

Home Services won gold in the New Business Diversification of the Year category in a competition organized by Postal Technology International. The competition had seven categories in total, with the category won by Posti's Home Services receiving a particularly large number of proposals.

Posti launched a Specialist Qualification in Management focused on [occupational safety management](#) in 2016. The first batch completed the program in November 2016 and the second batch will start in spring 2017. The advantages of the program include the opportunity for participants to obtain a vocational qualification as well as results that are reflected throughout the work community.

Society

One stamped letter per month

Postal services are facing a major transformation in Europe as digitization reduces mail delivery volumes substantially. Lower volumes, strict regulations and the general rise in costs are significantly increasing the unit costs of the delivered products. Today's mail delivery volumes are 30 percent lower than five years ago.

Posti is the only operator in Finland to provide five-day delivery services that cover the entire country. The universal service obligation covers the entire country, with the exception of the Åland Islands. The Finnish Communications Regulatory Authority supervises compliance with the obligation.

Following the amendments to the Finnish Postal Act in June 2016, the entire postal market is now open to free competition. This means that Posti's competitors are allowed to deliver mail anywhere and at any time without a specific delivery day obligation. Posti, however, is still subject to the five-day delivery obligation throughout the country, which puts Posti on unequal footing with regard to competition with the other players in the market.

Posti's universal service obligation currently covers a very small share of all postal items, namely letters and postcards paid by stamps. In 2016, Posti delivered some 2.1 billion items in total. Of this amount, approximately 109 million items (less than 6 percent) were covered by the universal service obligation. Christmas cards accounted for 28 million of these. Christmas cards are sent over a period of just a few weeks.

Finnish citizens currently receive an average of approximately 11 stamped letters per year, or about one letter per month. The lower the volume of mail delivered, the higher the costs for each item. Things must be done differently to keep costs under control. Otherwise, maintaining the universal service in the future will be under threat financially. The second phase of the reform of the Postal Act is underway, with new amendments expected to enter into force in June 1, 2017.

During the year, Posti delivered items that fall within the scope of the universal service obligation on five weekdays to all households in accordance with the Postal Act. In areas that are difficult to reach, Posti deviated from the five-weekday obligation in the case of approximately 91 households, with the maximum allowed number being 300. Posti processed 1,910 inquiries related to normal letters during the year. Of these inquiries, 652 were unresolved, 456 items were declared as having been lost, while 802 lost items were found. Inquiries related to letter items represented 0,00024 percent of the total volume.

A jubilee year for the Postal Museum



[The Postal Museum](#) is an active 90-year-old. Established in 1926, the Postal Museum studies, records and exhibits historical and present-day phenomena related to postal operations, mail communications and data and goods traffic. Maintained by the Postal Museum Foundation, the museum is located in Museum Centre Vapriikki in Tampere. Its [collection](#) includes artifacts and images from Posti's archives as well as all of the stamps ever published in Finland. The Postal Museum also comprises a special library focused on the industry.

The Finnish postage stamp remarkably celebrated its 160th anniversary in 2016. The mock-up sheet of Finland's first stamps and the die used to produce the stamps are exhibited at the Postal Museum. The Postal Museum is responsible for the archival, presentation and information services related to Posti's nearly 400-year corporate history. The museum also manages Posti's art collection.

The relocation of the Postal Museum from Helsinki to Tampere in 2013–2014 has proved to be an excellent decision: the number of visitors has tripled and feedback from the public has been positive. The year 2016 was a record year: the total number of visitors was 168,784. A high level of event activity and educational work with institutions ranging from day-care centers to universities are also part of the museum's day-to-day operations. The Postal Museum engages in research collaboration with various universities and publishes the results of research both digitally and in traditional book format. One of the focus areas of the museum's research activities has been communications in times of crisis and wartime correspondence.

[The exhibition activities](#) in 2016 covered themes ranging from covert correspondence between jaegers to all the stamps of Christmas, the story of the Finnish humor magazine *Pahkasika* and the illustration of Posti's long history and present-day challenges in the *Messengers* exhibition. The Postal Museum also highlighted the change in the equipment used in mail transport and fixed up the first electricity-powered delivery vehicle, a 1992 Elcat. The vehicle was included in the exhibition *From Minivans to Pick-ups – The History of Delivery Vehicles and Transportation* held at the national automobile and road museum *Mobilia*. The Postal Museum cooperates on a networked basis with various parties and is a member of international networks. The Postal Museum will hold special events to celebrate the centenary of Finland's independence!

Transparency and profitability are at the core of financial responsibility

Posti's financial responsibility is based on transparency and profitability. Posti wants to grow profitably, as only a financially sound company can implement its sustainability practices. Posti complies with responsible business practices in all of its operations.

Posti plans its finances from a long-term perspective, anticipating changes in the market, customer demands and risk scenarios in Finland and abroad. Posti develops innovative and efficient solutions in both physical and digital services.

Posti is a state-owned company that operates on market terms. Posti's operations are entirely based on the revenue received from the customers. Posti bears its financial responsibility through the renewal of its business and by improving its profitability in line with its strategy.

Posti's financial targets are: the operating profit is more than 5 percent, the return on capital is at least 10 percent, gearing does not exceed 35 percent and more than 10 percent of the Group's net sales will come from new business areas in 2018. The financial impact of Posti's operations is comparable to those of the banking and telecommunications sectors, as the services are used by hundreds of thousands of private and public sector operators every day, in addition to consumers.

Financial impact in accordance with the income statement

EUR million	2016	2015	2014
From customers			
Net sales	1,607.6	1,649.1	1,867.1

posti

EUR million	2016	2015	2014
To personnel			
Salaries and fees	584.8	606.9	684.7
Social security expenses	49.8	50.9	59.3
Pension expenses	96.1	98.8	103.9
To suppliers			
Materials and services	448.6	437.5	527.4
Other operating expenses	338.2	365.4	400.5
To public sector			
Income tax on profit for the period*	4.4	18.3	1.6
To financial sector			
Interest expenses	12.2	14.1	16.3
To owner			
Dividends for profit for the period*	60.0**	18.0	0.0

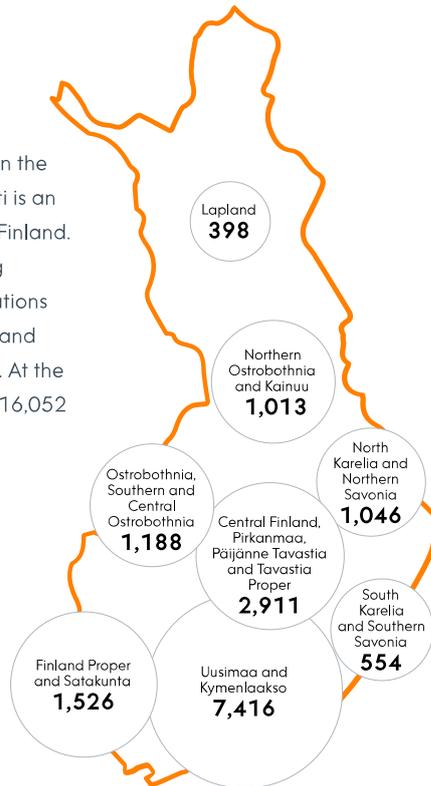
* more information from the section Tax footprint

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

Posti supports development and well-being throughout the country. The Group’s operations span the entire country, and Posti is an important employer in Finland. At the end of 2016, Posti had 20,497 employees in Finland. In addition to providing employment, Posti’s operations generate well-being in and [tax revenue](#) for Finland.

The geographical distribution of Posti’s employees in Finland on December 31, 2016

Group’s operations span the entire country, and Posti is an important employer in Finland. In addition to providing employment, the operations generate well-being in and tax revenue for Finland. At the end of 2016 Posti had 16,052 employees in Finland.



Tax footprint

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

Tax strategy

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

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

Management of tax-related issues

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

Principles observed in tax reporting

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

The information presented in this report is based on information collected from the Group's accounting systems. Taxes refer to taxes or tax-like fees paid to public sector entities, whether they are paid or remitted by the company. The nature and amount of taxes vary significantly from country to country. Taxes payable refer to taxes paid by the Group companies which are, as a rule, expensed in the company's Financial Statements. Taxes remitted refer to taxes or fees collected by the companies which are remitted to tax collectors, often on behalf of parties other than the company itself.

The company has restricted its tax reporting to only cover substantial operating countries. Based on this decision, country-specific tax information is only presented for Finland and Russia. Nearly 85% of the Group's net sales comes from these countries. According to the Group's strategy, these countries are its main markets. Other operating countries are grouped under Scandinavia and Other countries. Posti also uses the same geographical categorization in its Consolidated Financial Statements.

For countries other than Finland and Russia, information is presented on a country group-specific basis as the information reported is not of material importance and the presentation of country-specific information might jeopardize the non-disclosure of confidential information, such as customer or pricing details. From the Group's perspective, the amount of information reported is not of material importance when the taxes payable for an individual country do not exceed EUR 5 million.

The Group operates in ten countries. In addition, Posti has companies in countries where the Group no longer has business operations. When assessing the materiality threshold, net sales of EUR 1 million for each individual subsidiary is considered the threshold for non-materiality. Non-material companies are excluded from the reporting, as the amount of taxes paid by the companies is minor in proportion to the figures disclosed by the Group. These companies are in the categories Scandinavia and Other countries.

Posti does not have any operations in countries classified as tax havens, where the corporate income tax rate is significantly lower than the Finnish corporate tax rate. The information presented below is based on the financial statements of separate companies and the information has not been consolidated except net sales.

The Group's tax footprint

2016, MEUR	Finland	Russia	Scandinavia	Other countries
Net sales	1,261.9	104.6	133.2	107.7
Result before taxes	-191.3	-3.2	7.2	0.5
Number of personnel	14,141	2,468	375	1,539
Paid taxes	46.3	6.8	5.0	3.4
Remitted taxes	261.7	8.0	16.7	6.8
Received public support	0.1	0.0	0.0	0.1

2015, MEUR	Finland	Russia	Scandinavia	Other countries
Net sales	1,265.3	118.5	140.4	126.1
Result before taxes	133.9	-14.6	-9.7	0.6
Number of personnel	16,874	2,809	417	1,498
Paid taxes	43.7	7.5	5.6	5.0
Remitted taxes	274.8	10.4	13.5	6.8
Received public support	0.1	0.0	0.0	0.2

Remitted taxes by category and by geographical area

Remitted taxes 2016, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Value added taxes	165,150	148,659	4,862	10,083	1,546
Salary taxes	127,560	112,920	2,878	6,627	5,135
Other taxes	548	165	300	0	83

Remitted taxes 2015, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Value added taxes	172,389	155,400	6,505	8,918	1,566
Salary taxes	132,154	119,262	3,206	4,463	5,223
Other taxes	830	79	646	88	17

The Group's tax position in 2016

In 2016, the Group's effective tax rate was 21.5 percent (2015: 17.1 percent). The effective tax rate is calculated based on accrual-based income taxes and changes in deferred taxes. The increase in the tax rate was primarily attributable to changes in deferred taxes associated with the utilization in Finland of tax losses recognized by foreign subsidiaries. The Group's accrual-based income taxes for the financial year, excluding the effect of changes in deferred taxes, amounted to EUR 4.4 million. The Group received tax refund for previous financial years amounting to EUR 3.8 million.

Posti Group Corporation has lodged an appeal with the Board of Adjustment in Large Taxpayer's Office regarding a decision made by the Large Taxpayer's Office in 2015 to reject the utilization of tax losses by a foreign subsidiary that was merged with the company. The appeal concerns capital amounting to EUR 39.0 million. The matter is still pending in the Board of Adjustment.

In a decision made in October 2016, the Large Taxpayer's Office partly rejected Posti Group Corporation's claim to deduct in taxation the tax losses of a foreign subsidiary that was merged with Posti Group Corporation in 2015 as well as the deductibility of losses on the disposal of a foreign property company. The total value of these items is approximately EUR 20 million. The company considers the tax authorities' decision erroneous and has lodged an appeal with the Board of Adjustment in Large Taxpayer's Office. At the same time, however, the Large Taxpayer's Office approved approximately EUR 36 million of the merged foreign subsidiary's tax losses as deductible.

Posti Ltd was informed in January 2017 of the tax authorities' decision, according to which the adjustment to the recognition of revenue from pre-paid services is a deductible expense in the company's income taxation for 2016. This adjustment reduced the company's income taxes payable by EUR 5.3 million.

Taxes by category and by geographical area

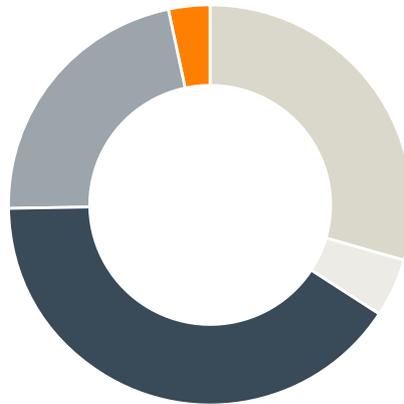
Paid taxes 2016, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Income taxes	18,254	17,878*	319	16	41
Real estate taxes	2,868	1,931	937	0	0
Employer taxes	24,956	11,035	5,585	4,976	3,360
Environmental taxes	13,516	13,482	0	0	34
Other taxes	1,970	1,970	0	0	0

*) includes income tax in the amount of EUR 10,188 thousand paid during 2016, but allocated to 2015.

Paid taxes 2015, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Income taxes	18,092	16,061	345	490	1,196
Real estate taxes	3,675	2,588	1,087	0	0
Employer taxes	26,278	11,240	6,082	5,115	3,841
Environmental taxes	13,184	13,184	0	0	0
Other taxes	567	567	0	0	0

Paid taxes and fees

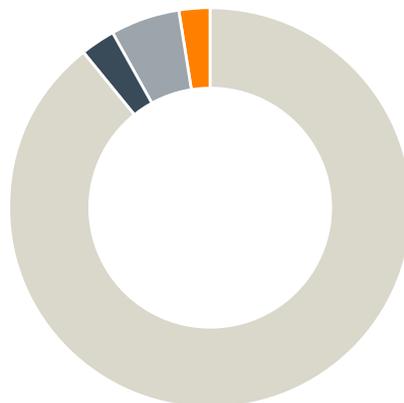
total 61.6 MEUR



Income taxes 18.3 MEUR Real estate taxes 2.9 MEUR Employer taxes 25.0 MEUR
 Environmental taxes 13.5 MEUR Other taxes 2.0 MEUR

Remitted taxes by geographical area

total 293.3 MEUR*

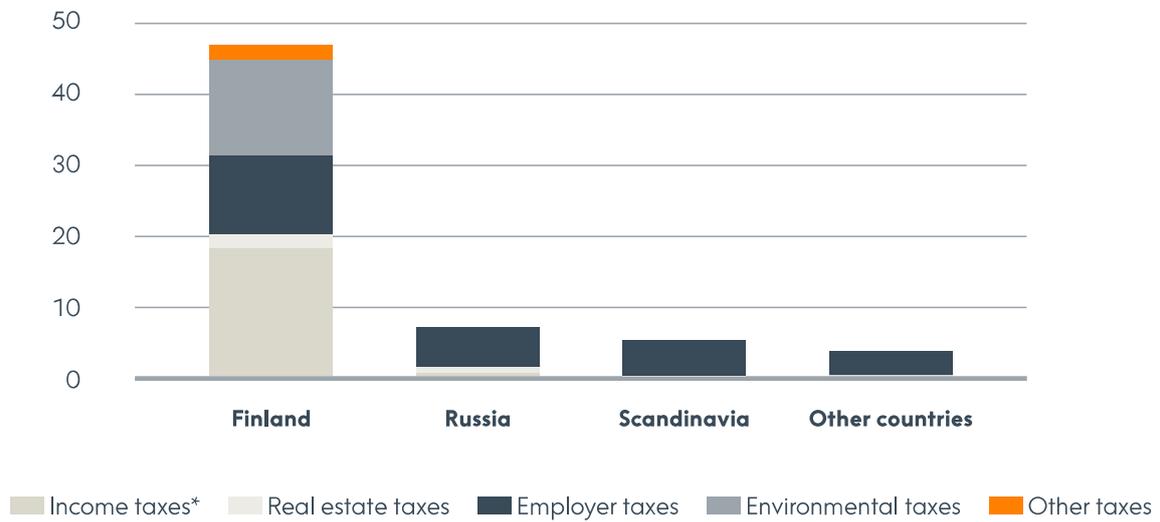


Finland 261.7 MEUR Russia 8.0 MEUR
 Scandinavia 16.7 MEUR Other countries 6.8 MEUR

* of which value added taxes 165.1 MEUR, salary taxes 127.6 MEUR and other taxes 0.6 MEUR.

Paid taxes by type and geographical area

total MEUR



* The income taxes for Finland contain 10,188 thousand euros, which have been paid during the year 2016, but will be directed for the year 2015.

Cooperation with stakeholders

It is important for Posti to actively engage its stakeholders. Posti keeps in contact with its stakeholders through open communication and dialog. Stakeholder relations are managed with confidentiality, integrity and fairness. Posti's key stakeholders are customers, personnel, personnel organizations, the state as the owner, political decision-makers, the authorities, associations, and the media as well as Posti's partners in subcontracting, research and the industry.

Posti conducted an extensive [stakeholder survey](#) at the turn of 2015–2016. The survey assessed stakeholders' views regarding the regulation of the postal industry, the future of the industry, as well as their perceptions related to sustainability. The amendments that made up the first phase of the reform of the Finnish Postal Act entered into force in June 2016. The second phase of amendments is expected to take effect in spring 2017. Posti has actively engaged in discussions with its stakeholders throughout the different phases of the Postal Act reform process. The next extensive stakeholder survey will be conducted after the amendments have entered into force. The reform of the Postal Act has initiated a lot of discussion, some of which has been quite emotional.

Posti engages in active dialog with its partners and networks regarding the focus areas of the industry and sustainable development. These partners and networks include the international postal industry associations PostEurop, UPU (Universal Postal Union) and IPC (International Post Corporation), Service Sector Employers Palta, the Finnish Federation for Communications and Teleinformatics (FiCom), FIBS CR Network and the Global Compact network. Posti is a member of the aforementioned associations and networks.

Developing the measurement of the customer experience

The customer experience is very important for Posti. Posti requests feedback from its customers on a continuous basis to support the development of its operations. In 2016, Posti developed its indicators of customer satisfaction. Some of the indicators were implemented in fall 2016, some in early 2017. Due to the extensive changes in this area, comprehensive data is not available for the year 2016.

The goal is to quickly obtain concrete feedback on specific transactions. Ongoing automated questionnaires produce more accurate data than traditional interviews conducted less frequently. When feedback can be linked to specific transactions, corrective actions are easier and faster to take.

Posti currently has approximately 15 measurement points linked to specific transactions. The plan is to increase the number of measurement points going forward. This represents a significant investment in the continuous collection and utilization of data on the customer experience. Project-specific customer satisfaction surveys are also used.

The content of the customer satisfaction survey aimed at business customers was developed in 2016. The focus is on the customer-supplier relationship or, in other words, what Posti is like as a partner.

Personnel

Developing professional competence

Posti is the largest corporate employer in Finland. Posti wants to be the best employer in its industry, one that adheres to shared values in all aspects of its operations. As a work community, Posti is equal, international and diverse.

The constantly changing business environment and the pursuit of new growth give rise to new competence requirements. Posti develops the competence of the personnel in new services and their ability to address the opportunities of digitalizing business. Needs are assessed in personal target and development discussions.

Skilled and motivated personnel are an essential starting point for Posti’s success and good results. Professional development is supported by providing employees with opportunities for on-the-job learning, support for self-motivated study and access to a range of training courses. The digital transformation of the business environment calls for new know-how, the capacity to learn new things and the ability to quickly adapt to changing circumstances.

At the supervisor and expert level, special focus is placed on supporting change management. In production, the line management training program for supervisors will continue with a focus on regionality and ensuring that the themes of the training are current. Good management is reflected not only in higher productivity, but also the commitment, well-being and competence development of Posti’s personnel.

The best workplace in our industry



Using the tools of service design

The development of competencies related to the customer experience and service design supports the strategic goals of Posti's business and organization. Posti markets products and processes developed in cooperation with customers, which means that there is a clear and validated customer and business need for them. Existing products are developed according to the same principle. A better customer experience helps Posti differentiate itself from its competitors.

In service design development programs, a multi-talented team is formed for each project right from the start. This means that the service being developed will be examined from a variety of perspectives. Broad participation also creates more commitment among different functions towards the service being developed. Customer interviews in various stages of the development process are a key element of the projects. Approximately 100 Posti employees participated in service design training in 2016. In addition, more than 10,000 consumer and business customers participated in interviews concerning the services being developed.

The service design development programs have led to initiatives such as the Befriending Service, the Helposti code and the Posti.fi mailer's instructions website, and the programs have also contributed to the development of the online grocery shopping concept. Now ideas are being developed, also in a business-led manner.

People responsibility indicators

At the end of the year, Posti employed a total of 20,497 people. The average number of personnel was 20,632. A total of 16,160 people on average were employed in Finland.

Of the total personnel, 81 percent are covered by collective labor agreements. In Finland, 99 percent of Posti's personnel are covered by collective labor agreements. The Baltic countries, Poland and Russia do not have binding collective labor agreements. The employees represented by the labor protection committee make up 78 percent of Posti's total personnel. In Finland, the ratio between the basic salaries of women and men was 97 percent.

Number of operating locations

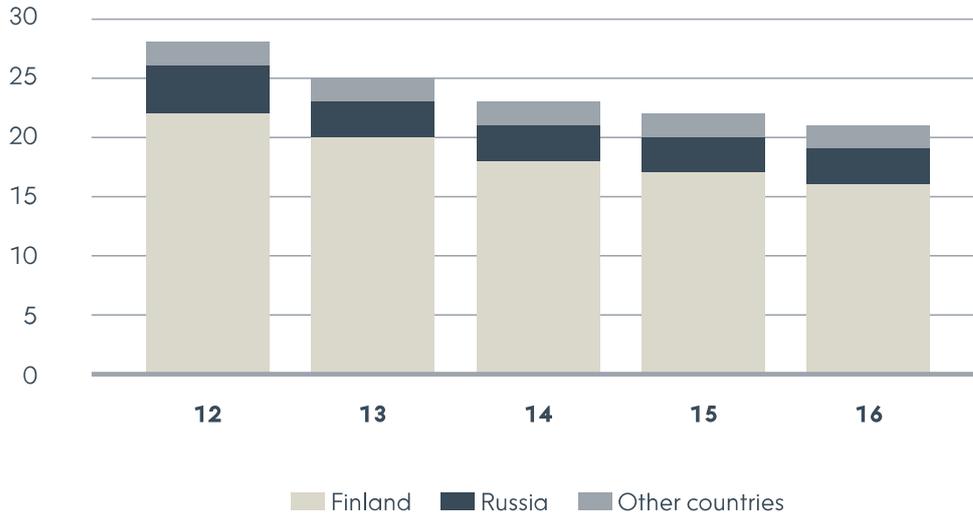
	2016	2015
Finland	563	596
Russia	15	21
Other countries	25	30
Total	603	647

Personnel per country on December 31, 2016

	2016	2015
Finland	16,052	16,874
Russia	2,553	2,809
Poland	620	568
Sweden	229	260
Estonia	378	419
Norway	144	157
Denmark	0	0
Latvia	94	164
Lithuania	278	259
Germany	146	88
Other (USA)	3	0
Total	20,497	21,598

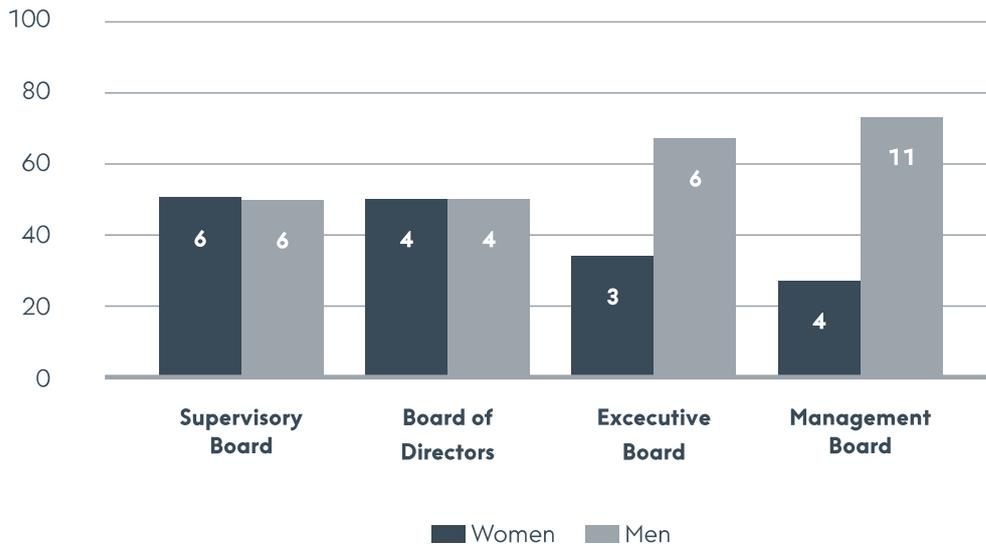
Development in the number of personnel

1,000 persons



Number of women and men in leadership roles

%



Women made up 38 percent and men 62 percent of the Group's employees. Posti's Supervisory Board has 12 members and the Board of Directors has eight members. The Executive Board is composed of nine members, and the Management Board is composed of 15 members. The Supervisory Board and the Board of Directors have had an equal number of men and women as members, while men have constituted the majority of the Executive Board and Management Board.

The share of the personnel within the scope of regular personal development discussions and performance reviews is approximately 2,000 people. The discussions are held at least twice a year. With the people working in production in Finland, the accomplishments of the previous year as well as the objectives and targets for the coming year are discussed with the working group once a year. In addition, a personal discussion is held in relation to personal development and well-being at work.

Posti received a total of 30,100 job applications during the year. In Finland, Posti signed 289 new permanent employment relationships (acquisitions not included). There is substantial seasonal variation in Posti. The number of seasonal employees is highest in the summer and around Christmas. Posti provided [summer jobs](#) to 2,500 people. During the Christmas peak period, Posti employed 3,200 seasonal assistants across Finland. Most of the seasonal assistants worked in mail delivery, sorting and transportation.

The following tables and charts illustrate the employee leaving rate in Finland, the breakdown of employment contracts, the length of employees' careers and the age distribution of personnel.

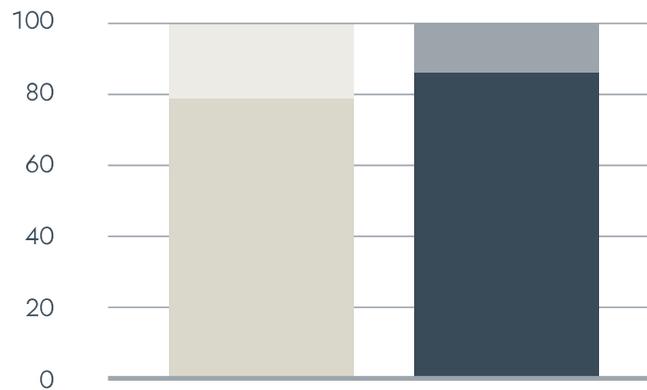
Employee leaving rate in Finland

Leaving rate, Finland	Leaving rate
Females	19.2%
under 25 years	29.8%
25–34 years	18.1%
35–44 years	13.8%
45–54 years	10.1%
55 years or older	32.3%
Males	12.7%
under 25 years	27.8%
25–34 years	15.7%
35–44 years	10.7%
45–54 years	4.4%
55 years or older	19.1%
Total	14.9%

Total leaving rate 14.9% without seasonal employees

Breakdown of employment contracts in 2016

%

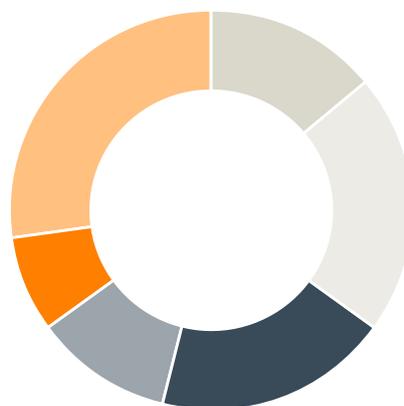


Full-time employees 16,138 (79%)
 Part-time employees 4,359 (21%)

Permanent employees 17,542 (86%)
 Fixed-term employees 2,955 (14%)

Length of employees' career in 2016

%



Less than 1 year 14%
 1-5 years 21%
 6-10 years 19%

11-15 years 11%
 16-20 years 8%
 more than 20 years 27%

Age distribution of personnel

%



under 25 9% 25-34 23% 35-44 21%
45-54 27% 55 or older 20%

Responsible employer

Posti's Voice employee survey is aimed at all employees. The questionnaire was conducted in September in Finland, Russia, Estonia, Latvia and Lithuania. A total of 11,380 Posti employees completed the questionnaire, which represents 70 percent of all personnel (2015: 62 percent).

The questionnaire's key indicators are the dedication index (38 percent, 2015: 47 percent) and the performance facilitation index (52 percent, 2015: 58 percent). The results reflect the fact that Posti is in a period of transformation. The future is seen as uncertain. However, the results indicate differences between units. Posti is a large organization that is undergoing rapid changes.

The results of the questionnaire have been discussed by the Executive Board. A number of common themes were included in the action plan for 2017: prioritizing activities, highlighting the positives, management having an active presence in day-to-day operations and increasing dialogue within the organization.

OpusCapita's employee survey emphasized the practical implementation of culture management. The questionnaire was conducted in fall 2016. A total of 1,633 employees completed the questionnaire, which represents 84 percent of all personnel (2015: 81 percent). The questionnaire emphasized the realization of credibility, respect, fairness, pride and camaraderie in the company. The respondents rated the statements in the questionnaire on a scale of 1–5. The results indicate the percentage of respondents who somewhat agree or fully agree with the statements (responses 4 and 5 on the scale). The result for 2016 was 65 percent, which represents an improvement from the previous year (2015: 61 percent). This is a significant improvement considering the size of the company. OpusCapita benchmarks its performance mainly against the largest multinational corporations in Europe. The target is to elevate the result to a level above 70 percent.

A fresh start with the help of the Uusi polku program

The delivery volumes of letters and publications are decreasing rapidly as a result of digital communications. Posti's business is undergoing a major transformation. Posti has had to conduct a number of cooperation negotiations based on production and financial reasons with personnel representatives. As a responsible employer, Posti invests in helping its personnel cope with the changes brought about by the circumstances. It is important for Posti to seek solutions related to personnel impacts in cooperation with personnel organizations.

Uusi polku (New path) is a support program for Posti's personnel launched in January 2014. By the end of 2016, a total of 2,523 employees had applied for the program, and 1,782 had been accepted. The program was established to provide financial and personal support to Posti employees interested in building a new career path through a new job, studying or entrepreneurship.

Posti is actively monitoring the effectiveness of the program for its participants. A total of 92 program participants have found a new occupation. In 2016, personnel reductions amounted to 1,383 person-years. Out of this total, 417 person-years were related to production and finance, 39 person-years were reduced through voluntary resignation and pension plans, 857 person-years were reduced via the Uusi polku program, and 70 person-years were reduced in relation to acquisitions.

Responsible Summer Job campaign

Posti received a total of 7,000 summer job applications and provided summer jobs to approximately 2,500 people across Finland. While the majority of the summer workers were employed in mail and publication delivery operations, some also worked in sorting, transport, warehouses, customer service and administration.

As in previous years, Posti again participated in the national Responsible Summer Job campaign. The campaign has seen Posti make a commitment to the principles of a good summer employer.

A summer job gives young people the opportunity to learn more about working life. Posti wants to offer young people unique experiences and diverse duties. A large proportion of Posti's summer workers are students, many of whom come back to work summers at Posti time after time.

Occupational safety and well-being

On the path toward an accident-free workplace

Posti invests in the well-being of its employees. Posti aims to promote well-being for its personnel and their ability to cope with work to ensure that employees are motivated and healthy. Putting well-being at work into practice is part of the daily work of supervisors. Every Posti employee is also responsible for their own well-being and for promoting psychological well-being in the working community.

Posti's goal is to provide healthy and safe work and a healthy and safe working environment for its employees. In promoting safety at work, Posti's focus is on proactive measures. Accident prevention is a shared responsibility.

Mail is delivered five days a week, regardless of the weather. The frequency of occupational accidents remains regrettably high. A total of 1,845 accidents were recorded in 2016 (2015: 2,072). These figures include occupational accidents at workplace and commuting accidents which led to an absence.

Improving and promoting occupational safety are important development areas for Posti. This work is done consistently in three areas:

1. A systematic approach to the management of occupational safety
2. Increasing competence and awareness
3. Procedures, working methods and tools

Posti's goal is to be a healthy and accident-free workplace. The management of occupational safety is a precondition for achieving safety objectives. Increasing competence and awareness helps enforce best practices and develop the company culture. Appropriate tools also ensure a smooth workflow. Posti has committed to the following five safety principles:

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

Developing procedures and competencies

Managing safety risks lays the foundation for a safe operating environment. Workplace surveys and risk assessments are ongoing activities at Posti.

Posti has implemented company-level minimum requirements for adopting systematic approaches and harmonizing working methods. Compliance with these requirements is evaluated by internal assessment processes.

In 2015, Posti partnered with the Institute of Marketing to launch a Specialist Qualification in Management focused on occupational safety management. The first batch completed the program in fall 2016 and the second batch will start in spring 2017. The training program is aimed at managers and supervisors in production operations. The advantages of the program include the opportunity for participants to obtain a vocational qualification as well as results that are reflected throughout the work community.

The results of the program can be seen in the work community as a whole. By promoting and strengthening occupational safety procedures, the participants in the program help build a culture of safety at work.

Occupational safety training tailored to Posti's requirements was also introduced in 2016, with more than 200 Posti employees participating.

The two-year project of the Finnish Meteorological Institute focused on reducing commuting accidents through the development road condition warnings and supported by the Finnish Work Environment Fund concluded in 2016. The project made use of, among other things, Posti's accident records and the observations of Helsinki-based postal workers, who are on the move every day, regardless of the weather. The project's participants were the Finnish Meteorological Institute, the Finnish Institute of Occupational Health, Vaisala and Posti. Its results will be published in the Finnish Meteorological Institute's publications for 2017 (FMI publications). Posti has also participated in the "[Stay Upright](#)" campaign since 2012.

Accidents

Posti monitors the frequency of workplace accidents that lead to absences (LTA1; occupational accidents per million working hours). In 2016, the LTA1 figure was 41. This figure includes occupational accidents that occurred during working hours and led to an absence of at least one day (excluding OpusCapita). Taking commuting accidents into account, the total number of occupational accidents in 2016 was 1,845, which is 11 percent lower than in 2015.

Large part (55 percent) of the accidents lead to a short-term absence from work. In 2016, the number of accidents that led to more than a month-long absence from work was 107 (2015: 131). This means that 6 percent of the accidents that occurred in 2016 led to a long-term absence from work.

Accidents and sickness related absences*

	2016	2015	2014	2013	2012
Sickness related absences (%)	6.6	6.2	6.2	5.7	5.9
Lost time accidents (number)	963	1,046	1,089	1,306	1,329
Accident frequency**	41.3	43.3	41	46.7	48.7

*) Group level, Finland

***) Excluding OpusCapita

Maintaining health and work ability

Posti introduced the OmaTyöterveys telephone service in the fall to harmonize practices and help employees maintain their health and work ability. A corresponding service was previously piloted for one year. Following positive feedback from both employees and supervisors, a corresponding common practice was implemented for all of the personnel. The telephone service involves health care professionals assessing the employee's situation, providing health-related counseling, granting short-term sick leave and, if necessary, referring the employee to occupational health care. The new service means that employees do not need to travel while sick to visit occupational health care.

In order to harmonize procedures, the EsimiesKompassi (Supervisor Compass) system was made available to all Posti's supervisors in fall 2016 to support the management of absences and work ability. A corresponding system was previously piloted for one year. The feedback was positive and the work ability management system has provided concrete support in the day-to-day management of work ability.

In addition to occupational health care services, Posti provides a diverse range of well-being services to employees. They include various sports and fitness services, support for independent physical exercise as well as support for workplace meals. Since 2006, Posti has also had its own Foundation for Well-being at Work that is tasked with promoting the psychological and physical health of employees. The Foundation's operations are divided into measures improving well-being at work and research activities. The Foundation organizes various sporting events, fitness overhaul campaigns and active family vacations.

Posti is currently implementing changes to managerial work, taking work ergonomics into consideration. For Posti, the best way to influence the strain of mail delivery work is to develop mail delivery tools and to instruct employees to use appropriate and varied working methods.

Posti continued to produce ergonomics guidelines and videos in 2016. Posti has also commissioned studies to evaluate work ergonomics and measure the strain arising from work.

Disability pensions and retirement*

	2016	2015	2014	2013	2012
Disability pensions	77	68	78	76	84
Part-time disability pensions	80	80	62	74	103
Total disability pensions	157	148	140	150	187
Average age for retiring on disability pension	56.2	56	56.3	56.7	56.5
Average retirement age	61.4	62.5	62.5	60.9	60.7
Retired	281	320	301	342	315

*) Group level, Finland



For example, the various ways of using the Ergo bag and their effects on the physical strain of work were studied in cooperation with the TTS Work Efficiency Institute. The study applied methods including heart rate measurements, analyses of the position and movements of the head and upper limbs, assessing the exertion associated with work by means of the Borg RPE scale, time measurements and electromyography (EMG). The results will be used directly by employees and they will also be utilized in cooperation with Posti's occupational health care professionals.

Environment

Posti's environmental management is based on environmental management standards, particularly ISO 14001, as well as legal and official requirements and the UN's Global Compact principles and Sustainable Development Goals (SDGs). Posti's [quality and environmental policy](#) covers all countries of operation.

Environmental issues are discussed both in the Management Board and the Audit Committee at least once a year as part of more extensive corporate responsibility reporting. The targets for environmental work are determined by the corporate responsibility steering group. The business groups determine more detailed operating programs as part of their management model.

Employees' awareness of environmental issues is promoted through training and employee orientation as part of the ISO 14001 management system. Environmental issues are also regularly discussed in the channels of internal communication. At the end of 2016, certified environmental management systems covered 83 percent (2015: 88 percent) of the Group's personnel. The warehouses in Russia also follow an environmental management system pursuant to ISO 14001.

Posti's [environmental program](#) aims to reduce carbon-dioxide emissions by 30 percent by 2020, in proportion to net sales (compared to 2007).

Improving energy efficiency

Posti was among the first to join [the new energy efficiency agreement period](#) 2017-2025. The agreement is a voluntary commitment to improve energy efficiency. Posti signed the agreement for the second time now.

Posti aims to reduce the energy consumption of its facilities by 10.5 percent during the review period 2014-2025. The relevant measures concern the properties with the highest rates of energy consumption. In many locations, lighting technology about to become obsolete was replaced with LED lights during 2016. The work will continue in 2017. Changes to lighting control have also been carried out at many locations. Lighting is responsible for nearly 60 percent of the energy consumption in Posti's facilities.

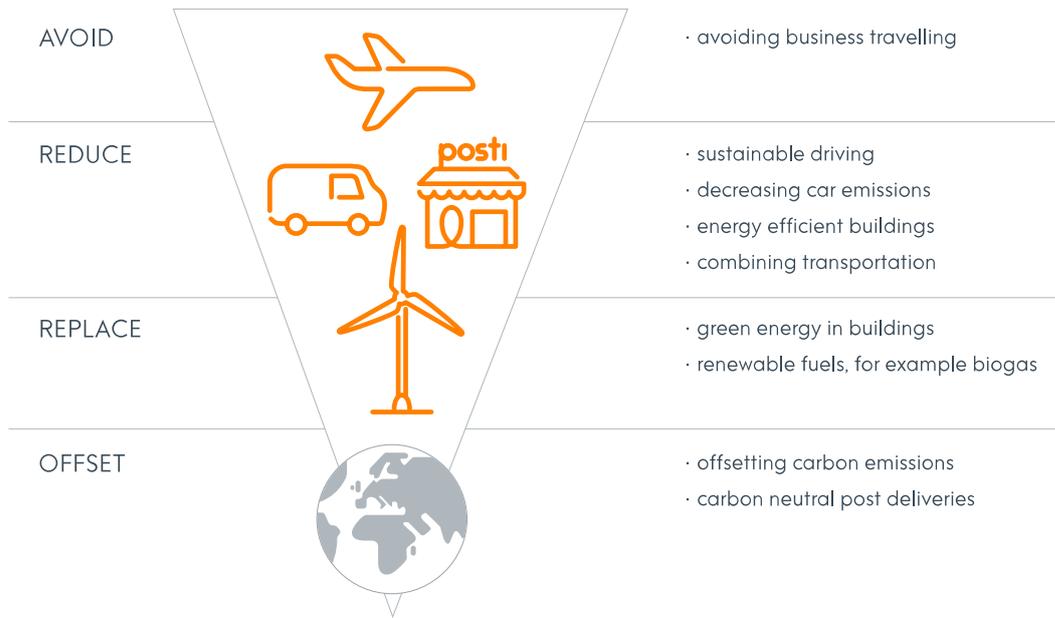
1,920 solar panels on the roof of the logistics center in Vantaa

Posti uses only green electricity and, in the future, part of it will be produced by Posti itself. Last winter, Posti mounted 1,920 solar panels on the roof of its Vantaa logistics center. The nominal power of the plant is 500 kW. Its calculated annual output is 450,000 kW. This is equal to the annual consumption of approximately 25 detached houses. Posti uses all of the energy itself, because the logistics center operates around the clock.

To ensure sustainable development, Posti has undertaken to:

- comply with all applicable environmental laws and standards, including ISO 14001;
- reduce the fuel consumption of its vehicles;
- reduce the energy consumption of its facilities;
- improve recycling and reduce landfill waste;
- consider environmental aspects in sourcing, subcontracting and investment decisions;

- engage in open discussion with its stakeholders to minimize its environmental impact;
- ensure sufficient resources for maintaining and continually improving its environmental operations; and
- report its environmental impact annually and provide employees with information and the opportunity to operate in an environmentally efficient manner.



Recycling of work clothing

In the spring of 2016, Posti began to recycle valuable and usable work clothing. Extra, usable work clothing is sent to the warehouse of the work clothing supplier, where the clothing is washed, repaired and labelled and recycled. In the warehouse, recycled work clothing is placed on top of the piles. When ordering new work clothing, recycled clothing is always received first. For now, work clothing that is unfit for recycling ends up being utilized in energy production or as mixed waste.

Up to 99 percent of waste already recovered

Posti has centralized its waste management services to a single operator in Finland. This ensures energy efficiency and cost-effectiveness. The aim of waste management is to increase the amount of recoverable waste and minimize landfill waste. Posti aims to improve the recovery rate by one percent every year. In 2016, the recovery rate was already at 99 percent (2015: 98 percent) and the recycling rate was 66 percent. Each of Posti’s ISO 14001 certified operating locations has a documented waste management plan. It includes a list of what waste fractions the property collects, related operating models, and illustrations of the placement of waste containers at the property. The volumes of waste per fraction are presented in more detail under [Indicators](#).

Green logistics and Posti Green

The vast majority, approximately 85 percent, of Posti's carbon-dioxide emissions in Finland arise from transports and vehicle emissions. As the largest transport and delivery company in Finland, Posti plays a major role in the development of eco-friendly and energy efficient transportation systems. The environmental efficiency of transport operations is improved primarily by planning routes efficiently, ensuring a high utilization rate, combining deliveries, and driving in an environmentally responsible manner.

Posti's fleet of nearly 3,900 commercial vehicles in Finland recorded a total of 114 million kilometers in 2016 (2015: 108 million km). Posti's subcontractors logged in roughly 80 million kilometers (2015: 85 million km).

Posti is a pioneer, and participates actively in the trials of alternative fuels. Posti's fleet includes some 40 biogas vehicles that run on the 100-percent renewable Finnish Gasum biogas. Its use does not generate fine particulate matters harmful to health, and the greenhouse gas emissions during the fuel's life cycle are minor.

Mail is also delivered on bicycles and on foot. Every day, around 1,800 delivery routes – approximately 36 percent of all routes – are gone through with delivery bikes and delivery carts, on foot. The majority of these are e-assist bikes and carts.

Increasing the number of electric cars in delivery is challenging. Electric cars that are compatible with the winter conditions in Finland and meet the criteria set by every aspect of delivery have so far not been available on the market. The car must be able to transport enough load and to operate at least reasonable routes without recharging in between, also in winter conditions. The lack of extensive network is a challenge itself.

Significant cost benefits through the improvement of utilization rates

Significant changes in the operating model and the use of vehicles took place in 2015. The same strategy continued to be implemented in 2016. The same vehicles are used to carry mail, parcels and freight. The fleet is renewed continuously to respond to changing needs. The utilization rates of vehicles have improved considerably due to route optimization and the combining of transports. Posti engages in active development work to increase the fleet's utilization rate.

The improved utilization rate has brought cost benefits through lower vehicle costs and the vehicles' reduced fuel and servicing costs. In delivery vehicles, the average consumption of fuel has increased despite good driving habits and more advanced engine technology. The vehicles' loading rates and the weights of the transported loads have increased. These have a direct impact on fuel consumption.

Economic and safe driving habits make a difference

Since 2015, every vehicle in Posti's own use has been equipped with a system that monitors driving habits. The system is a daily tool in production activities, including supervisory work, planning, and operations management. In the spring of 2016, driving habit monitoring devices were fitted into more than 400 trailers. These collect data on the kilometers driven, as well as telematics and GPS data, which are used in periodic servicing and dispatching.

Since the roll-out of the system, Posti has successfully reduced fuel and servicing costs. It has also been successful in improving occupational safety. The number of traffic accidents has declined, particularly the number of accidents involving personal injuries. The trend in insurance statistics has been positive; the number of traffic accidents has reduced and the damage repair costs have fallen.

The scope of the monitoring now covers approximately 8,000 people. Every driver receives a regular report, or a link through which to print a report, on their own driving habits. The report allows drivers to monitor the development of their driving habits. A personal driving habit index helps drivers to develop a more economic way of driving (ecodriving) and promote safe driving habits. If necessary, driving habits are intervened in according to the process.

The data collected with the driving habit monitoring devices and the usage targets are developed actively. Development targets include the safety of production, efficiency, quality, customer experiences and new services.

Posti Green

Since 2011, Posti has provided its customers with carbon neutral mail delivery at no extra cost. In 2015, Posti expanded the Posti Green product portfolio to cover the parcel and logistics business in addition to postal services. Posti Green services are part of Posti's [environmental program](#).

Climate change is a global issue. Posti's industry is very large, and the company wants to contribute to mitigating climate change while serving as an example of sustainability to others. Using Posti Green products allows customers to reduce the carbon dioxide emissions of their supply chain processes and communicate the environmental responsibility of their operations to their customers.

Arranging zero-carbon transport services is practically impossible. Emissions are necessarily created in spite of Posti's continuous efforts to reduce CO₂ emissions from transport; for example, by optimizing routes, combining transports and ensuring economical driving.

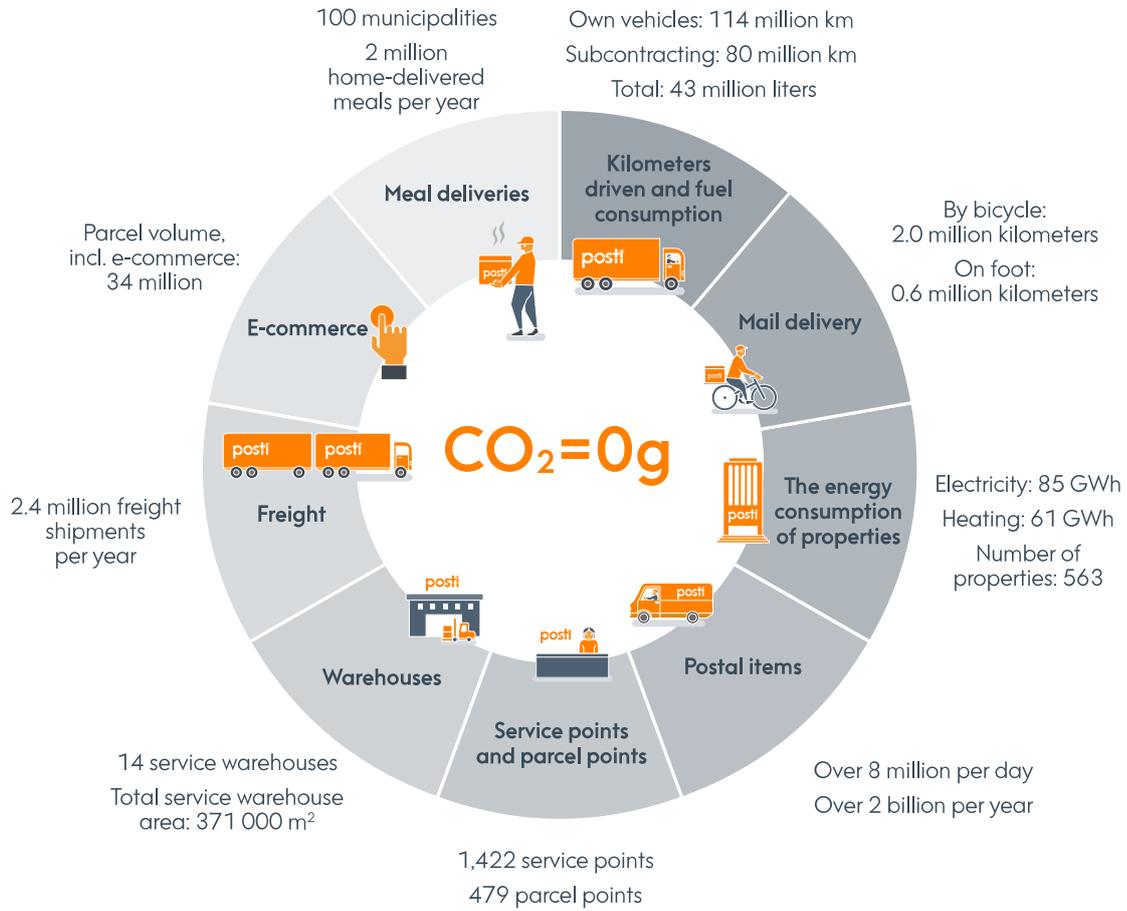
Certified climate projects

Transporting a letter generates around 28 grams of carbon dioxide and transporting a parcel generates approximately 700 grams. Posti offsets its emissions balance by participating in [certified climate projects](#). The projects ensure that a corresponding amount is cut from carbon dioxide emissions somewhere else.

The projects Posti is involved in include wind power projects in India and Turkey. The renewable energy generated by the farms reduces emissions by replacing fossil fuels. The projects also have a regional job creation effect.

Posti Green service model

All of Posti's services in Finland are carbon neutral Posti Green services that generate no emissions for customers. The product-specific Posti Green calculation process and customer reporting was verified by a third party in summer 2016.



Indicators

EN3 Energy consumption within the organization

Terajoules (TJ)	2016	2015	2014	2013	2012
DIRECT ENERGY CONSUMPTION					
Renewable					
Biogas	2	1	4	2	1
Non-renewable – facilities and own vehicles					
Natural gas	157	158	267	165	188
Fuel oil	0	0	1	1	5
Traffic fuel	766	730	778	879	672
INDIRECT ENERGY CONSUMPTION					
Renewable					
Electricity, Finland	306	313	337	265	271
Non-renewable					
Electricity, other countries	187	204	207	303	280
District heating	271	278	324	352	346
Traffic fuel – outsourced, Finland	804	547	612	664	572

The electrical power used by Posti in Finland has been produced with 100 percent renewable energy. The use of renewable energy sources is ensured with guarantees of origin. The measurement of the emissions of the purchased electricity employs a market-based method pursuant to the GHG Protocol standard.

EN15–EN17 The Group's CO₂ emissions

Tons	2016	2015	2014	2013	2012
Fuel use in transport – Posti's vehicles, Scope 1	52,532	50,014	53,396	60,406	46,169
Fuel use in buildings – energy generation, Scope 1	8,818	8,900	15,020	9,268	10,724
Electricity and heat use in buildings, Scope 2	39,068	40,266	44,199	38,272	46,496
Subcontracted transport by vehicles* and air, Scope 3	62,524	65,298	70,801	73,490	59,287
Business travel flights, Scope 3	1,358	1,512	2,139	2,190	2,260
Total	164,300	165,991	185,555	183,625	164,936

*) Includes subcontracted transport in Finland

EN21 Emissions to air – own vehicles

Tons/year	2016	2015	2014	2013	2012
	Finland	Finland	Finland	Finland	Finland
CO	50	54	59	60	56
HC	10	16	16	16	14
NO _x	144	137	130	166	97
Particles	4.4	5.4	5.8	5.9	4.7
SO ₂	0.5	0.5	0.6	0.6	0.5

Source of information: VTT/LIPASTO emissions of traffic. Source of data: kilometers driven by own vehicles.

EN23 Waste management in Finland

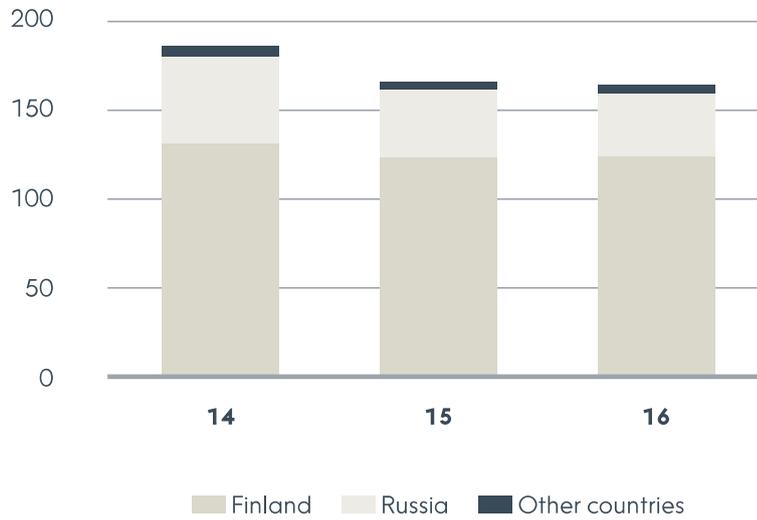
	2016	2015
Properties included in waste management agreement, tons*	Finland	Finland
Recycle and reuse	8,308	8,463
Other recover	3,779	3,747
Incineration	489	367
Final disposal	82	173
Hazardous waste**	537	471
Recycle and reuse	462	444
Final disposal	74	27
Total	13,194	13,221
Recovery rate, %	99%	98%

*) Excluding properties where waste management is included in the rent. Reporting of the fractions of waste has been refined since 2015.

***) of which 443 (418) tons is refrigeration devices and Waste Electrical and Electronic Equipment (WEEE).

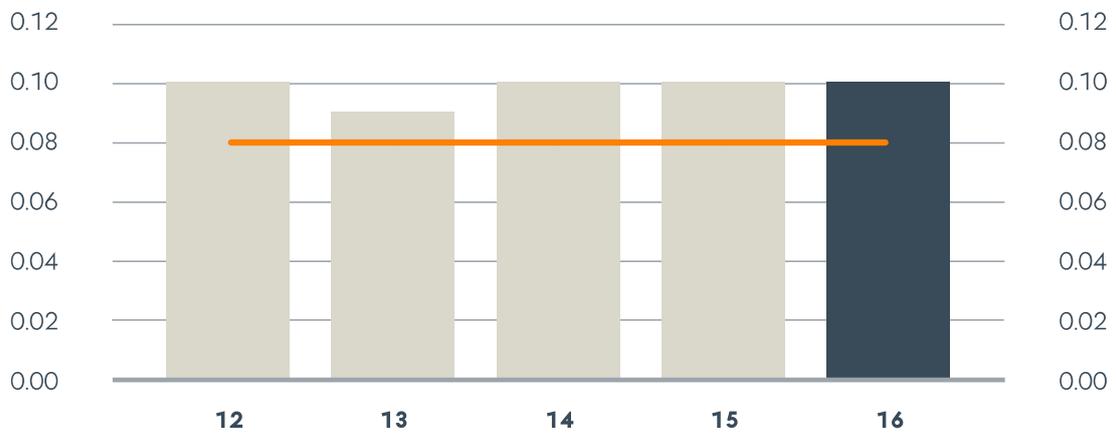
Carbon dioxide emissions

1,000 tn



Carbon dioxide emissions relative to net sales in Finland

kg/EUR



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

Absolute CO₂ emissions have decreased by over 30,000 carbon dioxide tons (20%) from year 2007 to 2016.

GRI reporting

This corporate responsibility report is based on the Global Reporting Initiative guidelines (GRI G4). In addition, Posti complies with the reporting requirements of its owner, the Finnish State.

In accordance with the GRI guidelines, Posti focuses on factors that are key to its operations and essential to its stakeholders. Posti's corporate responsibility report covers the key areas of economic, social and environmental responsibility. The report has not been subject to third-party assurance. According to Posti's estimate, the corporate responsibility report corresponds to the G4 Core application level of the GRI guidelines. A summary of the comparison between the report contents and the reporting guidelines is presented in the [GRI index](#).

Reporting boundary

Posti's sustainability aspects, environmental indicators and HR indicators are reported annually for the same period as the financial figures (January 1–December 31). Key indicators for the different areas of sustainability are reported to the Audit Committee of Posti Group's Board of Directors at least once per year.

Unless otherwise mentioned in context, the reporting covers all operations of the parent company and subsidiaries. Reporting covers all Group functions in all countries of operation. The reporting does not, as a rule, include the operations of subcontractors or affiliated companies. The coverage of the indicators is reported in connection with the indicators.

For figures related to personnel, the key indicators have been calculated in accordance with the Accounting Standards Board's general guidelines on annual reports. In GRI reporting, the information concerning personnel is primarily based on the Group's personnel in Finland.

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

The data and key indicators pertaining to financial responsibility are taken from the consolidated financial statements. Posti reports on its finances in accordance with the IFRS accounting standards, the Finnish Securities Market Act and the rules and regulations of Nasdaq Helsinki. [Posti's financial communications](#) are described in more detail in [Disclosure Policy](#).

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GRI content index

Code	GRI Standard Disclosures	Reference page	Remarks
Strategy and Analysis			
G4-1	CEO's statement	President and CEO's review	
G4-2	Key impacts, risks, and opportunities	Strategy Board of Directors' Report	
Organizational Profile			
G4-3	Name of the organization		Posti Group Corporation
G4-4	Primary brands, products, and services	This is Posti Logistics, mail and financial management services	
G4-5	Location of the organization's headquarters		Postintaival 7. Helsinki
G4-6	Number of countries and names of countries with major operations or that are relevant to sustainability issues	This is Posti	
G4-7	Nature of ownership and legal form	Share capital and shareholding	
G4-8	Markets served	This is Posti	
G4-9	Scale of the reporting organization	Key figures	
G4-10	Total workforce by employment type, employment contract, region and gender	Personnel	
G4-11	Percentage of total employees covered by collective bargaining agreements	Personnel	
G4-12	Organization's supply chain	Supply chain	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	New business through acquisitions	
G4-14	Whether and how the precautionary approach or principle is addressed by the organization		The precautionary approach and principle has been taken into account in accordance with statutory requirements.

G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Managing responsibility
G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	Stakeholders

Identified Material Aspects and Boundaries

G4-17	List of stakeholder groups engaged by the organization	This is Posti Group companies	
G4-18	Process for defining report content and Aspect Boundaries	Sustainability at Posti GRI reporting	
G4-19	Material Aspects	Sustainability at Posti Stakeholders	
G4-20	Aspect Boundary for each material aspect within the organization	GRI reporting	
G4-21	Aspect boundary for each material aspect outside the organization	GRI reporting	
G4-22	Restatements of information provided in previous reports	Correction of an error	See G4-LA6. No other significant changes during the reporting period.
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	New business through acquisitions GRI reporting	

Stakeholder Engagement

G4-24	List of stakeholder groups engaged by the organization	Stakeholders
G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholders
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholders
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	Stakeholders

Report Profile

G4-28	Reporting period	GRI reporting	
G4-29	Date of most recent previous report		March 16, 2016
G4-30	Reporting cycle		Annually
G4-31	Contact point for questions regarding the report or its contents	GRI reporting	
G4-32	GRI content index		Self-assessment has been made, no external assurance.
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	GRI reporting	

Governance

G4-34	Governance structure of the organisation and committees	Governance	
G4-35	Delegating authority	Governance	
G4-36	Executive-level positions with responsibility for economic, environmental and social topics	Sustainability at Posti	
G4-37	Consultation with stakeholders	Stakeholders	
G4-42	Board of Directors' role in setting purpose, values and strategy	Corporate Governance Statement	
G4-45	Board of Directors' role in the identification and management of risks	Corporate Governance Statement	
G4-46	Reviewing the effectiveness of risk management	Corporate Governance Statement	
G4-47	Frequency of risk reviews	Corporate Governance Statement	
G4-48	Formal approval of the organisation's sustainability report	GRI reporting	
G4-49	Communicating critical concerns	GRI reporting	
G4-51	Remuneration policies for the Board and senior executives	Remuneration Statement	
G4-56	Organization's values, principles, standards and codes	Managing responsibility Supply chain	

G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity	Sustainability at Posti
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	Sustainability at Posti

Code	Indicators	Reference page	Remarks
Generic Disclosures on Management Approach			
<i>Category: Economic</i>			
G4-EC1	Direct economic value generated and distributed	Society Tax footprint	
G4-EC4	Financial assistance received from government	Other operating income	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Supply chain	
<i>Category: Environmental</i>			
G4-EN3	Energy consumption within the organization	Indicators	
G4-EN5	Energy intensity	Indicators	
G4-EN6	Reduction of energy consumption	Environment	
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	Indicators	
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	Indicators	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	Indicators	
G4-EN18	Greenhouse gas (GHG) emissions intensity	Indicators	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Environment Green logistics and Posti Green	
G4-EN21	NOx, SOx, and other significant air emissions	Indicators	
G4-EN23	Total weight of waste by type and disposal method	Indicators	

G4-EN24	Total number and volume of significant spills		In November, an articulated vehicle transporting substances classified as hazardous, had a traffic accident. An estimated 250 liters of sodium hydroxide solution leaked in the environment. Clearance work was carried out in collaboration with the Fire Brigade.
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Environment	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		No significant fines or sanctions during the reporting period.
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Environment	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Supply chain	

Category: People

G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Personnel	Covers mainly only operations in Finland. More information is available on Indicators for people responsibility.
G4-LA4	Minimum notice periods regarding operational changes, including whether it is specified in collective agreements	Responsible employer Personnel	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Occupational safe and well-being	In Sustainability Report 2015, 1,739 accidents were reported. In 2015, 2,072 accidents were recorded. The reporting error is due to a system error, which was discovered during 2016.
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Personnel	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Personnel	

G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Supply chain	
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms		There were five grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms during the reporting period. After addressing the matters, corrective actions were taken in two cases.
G4-HR3	Total number of incidents of discrimination and corrective actions taken		No reported discrimination incidents.
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Supply chain	
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms		No reported grievances about human rights impacts.

Category: Society

G4-SO4	Communication and training on anti-corruption policies and procedures		Training of the Employee Code of Conduct is compulsory for all employees of the Group. In 2016, the completion rate for the training was 79% (31.12.2016). Posti Group Corporation has published and implemented Gifts and Hospitality Policy in October, 2016.
G4-SO5	Confirmed incidents of corruption and actions taken		One confirmed incident of corruption during the period under review. The authorities are investigating the case. The personnel of the unit has been changed.
G4-SO6	Total value of political contributions by country and recipient/beneficiary		Posti Group does not support any political parties or institutions.

G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		One investigation request has been done against the company concerning the abuse of the dominating position on the market. No other legal actions for anti-competitive behaviour or significant fines or other sanctions for non-compliance with laws and regulations.
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Legal proceedings	The Finnish Communications Regulatory Authority has set a penalty payment of EUR 100,000 for the company regarding the quality standard of universal service of letters.
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Supply chain	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		None during the period under review.
G4-PR5	Results of surveys measuring customer satisfaction	Stakeholders	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		None during the period under review.
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Managing responsibility Society	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Legal proceedings	The Finnish Communications Regulatory Authority has set a penalty payment of EUR 100,000 for the company regarding the quality standard of universal service of letters.

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