

MY SWISS POST IS THERE FOR ME WHEREVER I AM

ANNUAL REPORT 2017



SWISS POST 

Group

Business activities

Communication market: Letters, newspapers, small goods, promotional mailings and innovative services in BPO document solutions in Switzerland and internationally

Logistics market: Parcel post, express and SameDay services, and e-commerce and logistics solutions within Switzerland and abroad

Financial services market: Payments, savings, investments, retirement planning and financing in Switzerland, as well as international payment transactions

Passenger transport market: Regional, municipal and urban transport, integrated services and mobility solutions in Switzerland and in selected countries abroad

Our performance in 2017

Key figures

		2017	Strategic goal
Operating income	CHF million	7,987 ¹	–
Operating profit (EBIT)	CHF million	630 ¹	700–900
Group profit	CHF million	420 ¹	–
Equity	CHF million	6,613	–
Degree of internal financing – investments	Percent	100	100
Addressed letters	In millions	2,002	–
Parcels	In millions	129	–
Avg. PostFinance customer assets	CHF billion	120	–
PostBus passengers (Switzerland)	In millions	155	–
Customer satisfaction	Index (scale of 0 – 100)	83	≥ 78
Headcount	Full-time equivalents	42,316	–
Employee commitment	Index (scale of 0 – 100)	81	> 80
CO ₂ efficiency improvement since 2010	Percent	19	25 ²

¹ Normalized figures.

² Target for 2020.

Organization chart as at 31 December 2017



* Member of Executive Management

** Member of Extended Executive Management

Markets and segments

Communication market

PostMail offers private and business customers high-quality products and tailored solutions for letters, newspapers, small goods and promotional mailings, from acceptance right through to delivery. This range is complemented by its digital services.

Key figures		2017
Operating income	CHF million	2,835 ¹
Operating profit	CHF million	370 ¹
Addressed letters	In millions	2,002
Unaddressed items	In millions	1,765
Newspapers	In millions	1,116
Headcount	Full-time equivalents	15,736

Swiss Post Solutions is a leading provider of solutions for business process outsourcing and innovative services in document solutions.

Operating income	CHF million	551
Operating profit	CHF million	25
Area of activity	Number of countries	14
Headcount	Full-time equivalents	6,585

PostalNetwork offers the densest network for postal services in Europe. Whether at home, on the go or digitally: a wide range of access points for private customers and SMEs ensures even greater customer proximity on a daily basis.

Operating income	CHF million	1,102
Operating profit	CHF million	-159
Inpayments	In millions	145
Headcount	Full-time equivalents	5,435

Logistics market

PostLogistics offers logistics solutions for national and cross-border parcel delivery, as well as courier, express and SameDay services. It handles transport and warehousing logistics and provides private customers with services that make it easy to receive parcels. The range is completed by a full portfolio of services in e-commerce and logistics solutions in the healthcare sector.

Key figures		2017
Operating income	CHF million	1,619 ¹
Operating profit	CHF million	119 ¹
Parcels	In millions	129
Express items	In millions	2
Headcount	Full-time equivalents	5,281

Financial services market

PostFinance is the ideal partner for anyone who manages their own finances: whether in payments, savings, investments, retirement planning or financing – PostFinance offers its customers simple, straightforward products with fair conditions.

Key figures		2017
Operating income	CHF million	2,088
Operating profit	CHF million	549
Customer accounts	In millions	4.81
Inflow of new money	CHF million	-611
Avg. PostFinance customer assets	CHF billion	120
Headcount	Full-time equivalents	3,475

Passenger transport market

PostBus is the market leader in public bus transport in Switzerland. With its fleet of modern vehicles, PostBus carries millions of passengers every year. In regional passenger transport, the bus company is developing an increasingly strong presence in cities and conurbations alike.

Key figures		2017
Operating income	CHF million	836
Operating profit	CHF million	-69
Domestic passengers	In millions	155
Domestic vehicle kilometres	In millions of km	119
Vehicles	Number	2,311
Headcount	Full-time equivalents	3,261

¹ Normalized figures.

Simple yet systematic – Swiss Post.

We connect the physical and digital worlds, setting new standards with our products and integrated solutions. We make it easier for our customers to operate in today's complex environment, giving them greater scope to succeed.



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From subscription management to delivery → Page 26



How Swiss Post as a logistics partner is easing the burden on the healthcare sector

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This Annual Report is supplemented by a separate **Financial Report** (management report, corporate governance and annual financial statements), comprehensive **Annual Report key figures** and a **GRI report**. Information on reference sources is provided on page 70.



Dear Reader

We have again achieved a good result in financial year 2017, although income and profit declined as forecast. The volume of addressed letters has been falling for years, pressure on prices in the logistics market continues to increase and, at PostFinance, interest income is shrinking steadily due to the ongoing low interest rate situation. In 2017, we were again able to master these challenges well.

The question is: how can Swiss Post remain competitive and continue to develop using its own resources in accordance with its mandate? The answer is clear: Swiss Post must develop its core business systematically, build up new business and continue to pursue a policy of consistent cost management. The main focus of our investment is on areas where we can grow in our core business. Developments at Swiss Post Solutions, for instance, are encouraging, with several important customers acquired in 2017. In terms of innovation, too, Swiss Post was successful last year – as many of the articles in this report show.

Innovation and investment will remain central to Swiss Post in the future: it will continue to pursue its chosen path in the coming years and to adapt its services to customer behaviour. In our core business, we are pushing forward into new business areas or supplementing existing solutions with digital ones. Online banking, control of where and when parcels are delivered, access to services anytime and anywhere: all of these innovations help us meet current and – even more importantly – future customer needs.

In the transformation of the postal network, our customers' behaviour also guides us. By 2020, Swiss Post plans to expand what is already Europe's densest postal network to more than 4,200 access points. In the process of restructuring the network, Swiss Post treats each branch as an individual case, taking regional requirements and special features into account. Whenever the conversion of a post office is under discussion, we issue invitations to public information events. In 2017, we held more than 130 discussions with residents of affected communities.

On behalf of the Board of Directors and Group Executive Management, we would like to sincerely thank our 60,000 employees for their dedication and hard work – particularly in these challenging times.



Urs Schwaller
Chairman of the
Board of Directors



Susanne Ruoff
CEO



Dialogue and trust are key values for Swiss Post.

Strategy and transformation

Digitization is changing the postal and financial markets, and also the mobility sector. In order to meet customer requirements now and in the future, Swiss Post is pursuing a transformation strategy from 2017 to 2020. Guided by the vision "Simple yet systematic", it is adapting its core business and aims to continue its growth by opening up new physical, digital and hybrid business areas.

Strategic goals for 2017 to 2020



Customer satisfaction

At least **80 points** on a scale of 0 – 100.



Access points

More than **4,000 access points** by the end of 2020.



Market position

Market leader in the four current markets.



New sales

10 percent of new sales by 2020.



Finance

Operating result of **600 million francs**.



Efficiency

Savings at Group level of around **5 percent** by 2020.



Employee commitment

At least **80 points** on a scale of 0 – 100.



CO₂ efficiency

Improve CO₂ efficiency by at least **25 percent** in comparison with 2010 by the end of 2020.

2020 strategy

We have to transform Swiss Post

New competitors, often international, are forcing their way onto the market. Customers expect individual and flexible solutions – around the clock, both physical and digital. Changing letter volumes, competition in the parcel market and the low interest rate situation in the banking environment are having their effect on Swiss Post. Through its 2020 strategy, Swiss Post is transforming its business areas in each of these dynamic markets.



Our vision: Simple yet systematic – Swiss Post.
“We connect the physical and digital worlds, setting new standards with our products and integrated solutions. We make it easier for our customers to operate in today’s complex environment, giving them greater scope to succeed.”

The 2020 transformation strategy is based on the corporate vision: Simple yet systematic – Swiss Post. But on the path to achieving this, the company faces challenges that are almost unique in its history.

The challenges

While the future is now virtually impossible to predict, it also holds many opportunities. The biggest challenges can be outlined in three categories:

New digital competitors

The Internet has led to a rise in the number of digital competitors with new business models in Swiss Post’s markets, jeopardizing its core business. Swiss Post must therefore offer physically and digitally integrated services and access points, and continue to develop its expertise in the digital world (for example, in online payments and smart data).

Income and margins under pressure

The growth in e-commerce is intensifying the pressure on prices in the logistics market. At the same time, letter volumes are in decline and demand for over-the-counter services is falling. The financial markets are suffering from the low interest rate environment.

Conflict between regulatory and political demands

Regulatory requirements and political initiatives can change market conditions and influence Swiss Post’s transformation. Swiss Post wants to achieve its transformation in dialogue with regulators and the public.

Group goals

To implement the transformation, Swiss Post has set Group-wide goals for the period from 2017 to 2020:

Customer focus

Swiss Post is working to focus more closely on the customer, and its efforts are measured by three indicators:

- Customer satisfaction attains a score of at least 80 points (scale of 0 – 100)
- Customer experience is consistently positive
- More than 4,000 access points are provided

Market

Swiss Post wants to generate 10 percent of new sales by 2020. It is therefore looking to expand in its core business and in seven key growth and business development areas, which is not something that can be taken for granted at a time when new challenges are arising – such as digital companies increasingly opting to handle their own logistics. Swiss Post must therefore continue to develop its services and access points systematically – by combining physical and digital products and services, for instance.

Efficiency

Swiss Post wants to optimize its processes. As well as implementing measures to increase efficiency in the units, it is seeking to achieve savings of around 5 percent at Group level by 2020.

Employees

Employees are crucial to business success. Swiss Post relies on staff commitment and wants to maintain a very high employee commitment score of 80 points (scale of 0 – 100).

Corporate responsibility

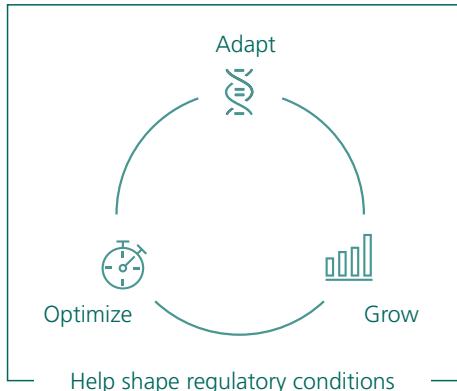
Swiss Post is aiming to improve its CO₂ efficiency by at least 25 percent by 2020 (base year 2010).

Finance

If Swiss Post can impress its customers, increase its competitive edge and optimize its internal processes, it can generate an operating result of 600 million francs in the 2017–2020 strategy period.

The strategic thrusts

To meet its goals, Swiss Post is pursuing four strategic thrusts:



Adapt

Changing customer behaviour requires continuous strategic development of the core business, including its existing physical and digital services and access points.

Grow

New business areas open up opportunities for Swiss Post to inspire with innovative solutions in fields such as e-commerce and cross-channel communication.

Optimize

Interest rates, margins and volumes are coming under increasing pressure. Swiss Post is therefore increasing its cost efficiency – in procurement, for example, this is achieved through the functional management model and optimized ICT.

Help shape regulatory conditions

As a closely regulated company, Swiss Post finds itself trying to reconcile the conflicting demands of the market and policymakers. It wants to fulfil its universal service obligation in such a way that it reflects changing customer requirements. To do so, it requires entrepreneurial freedom. In dialogue with the regulators, Swiss Post exerts its influence on core topics in order to generate as much customer benefit as possible.



Q&A

Michel Franzelli
Head of Strategy & Transformation

Why does Swiss Post need a transformation strategy?

New technologies are emerging every day, and new competitors are forcing their way onto the market. For customers, this means that new opportunities are opening up all the time. For example, it used to take several weeks for an order from Asia to reach my home. In the near future, it will take just two to four days. This has an impact on all Swiss Post units, and an intensive transformation is essential.

How does this benefit customers?

We support business customers in the process of digitization and give them the freedom to concentrate on their core business. Swiss Post Solutions, for instance, handles document solutions, both physical and digital. For private customers, Swiss Post offers new services that make their lives easier, such as mobile payment with TWINT.

How would you sum up the progress after one year?

Given how rapidly the markets are changing, it is clear that Swiss Post has to continue with the consistent implementation of its transformation strategy.

Transformation

Customer experience is of utmost importance

Whether in postal or financial transactions, on the road with public transport or in highly complex business processes: Swiss Post develops user-friendly access points, products and services for private individuals and business customers.



Our ambition

"My Swiss Post does everything it can to make my life easier – whenever, wherever and however it suits me."

Customer experience

"My Swiss Post does everything it can to make my life easier – whenever, wherever and however it suits me." This is the message that customers should take away after any interaction with Swiss Post. The company embeds this vision into its corporate culture, and its units have defined concrete measures:

- Offer physically and digitally integrated points of contact in the postal network: at branches, for example, there are QR codes at the information points that allow customers to use the Post-App to find out where the nearest open access point is
- Enhance functions: as of November 2017, registered consignments can also be franked and posted at My Post 24 terminals
- Create more convenience for existing products: business customer letter mail services are being simplified and structured in modules
- Turn existing services into comprehensive solutions: PostBus is working on a mobility platform which allows customers to manage their journey from start to finish, including car sharing and bicycle hire

Digitization

Swiss Post makes allowance for modern lifestyles by focusing its business models on mobility and our 24-hour society.

Internally, Swiss Post is developing new skills through schemes such as partnering. It is networking more closely with other companies and entering into partnerships. To enable faster and better testing of new digital business models, it is procuring new infrastructure, thereby opening up opportunities for the testing of prototypes that will later benefit customers. With TWINT, for example, recipient customers can make cashless payments for shipment expenses and charges.

Swiss Post Solutions harnesses new technologies such as artificial intelligence to digitize documents, extract relevant information from images and process it automatically.

Swiss Post aims to use existing customer data where appropriate in order to offer customers personalized services – wherever they want them.

**Postal network**

Swiss Post will increase its number of access points by 2020. By developing additional formats, such as acceptance and collection points and My Post 24 terminals, Swiss Post will increase the number of access points to more than 4,200 by 2020, of which 800 to 900 will be self-operated branches.

The access points will be geared even more consistently towards customers' daily lives, with services such as acceptance and collection points at major distributors or in industrial districts. PostalNetwork wants to be exactly where its customers are: at home, on the go and in the digital world. The access points will increasingly be networked with each other and provide the customer with a simple, consistent physical-digital experience. Swiss Post is testing a new model for its self-operated branches, with a perceptibly stronger focus on Swiss Post's own products, advice on digital and physical services, and integrated self-service solutions.

Promoting new skills

Swiss Post promotes employees' skills through a comprehensive range of training courses and tools, with a particular focus on digital skills. Swiss Post offers:

- 1,600 advanced training courses (including IT courses, project management courses and language courses in Switzerland and abroad). The material is taught conventionally (presence setting) and through digital learning media
- Career counselling and professional situation assessment
- Temporary job change within the company
- Practical workshops for managers and employees for the discussion of new values and working principles
- Internal talent management for future managers

Swiss Post promotes innovation through the use of new methods and processes such as customer experience management or SCRUM, as well as agile approaches, all supported by Work Smart initiatives such as home office and third workplace.



We are actively shaping Swiss Post's future.

Urs Schwaller
Chairman of the Board of Directors

The postal network

My Swiss Post is there for me wherever I am

Swiss Post has a nationwide presence throughout Switzerland. By 2020, it will expand its network to more than 4,200 access points. At the end of 2017, Swiss Post maintained 1,189 branches, 968 branches with partners and 1,326 districts with home delivery service, as well as 384 acceptance and collection points, My Post 24 terminals and business customer points. It also offers its customers digital services such as online services and apps. Swiss Post has the densest network for postal services anywhere in Europe.

Swiss Post on the go

Customers can use My Post 24 terminals to send and receive their parcels and registered letters easily and conveniently around the clock.



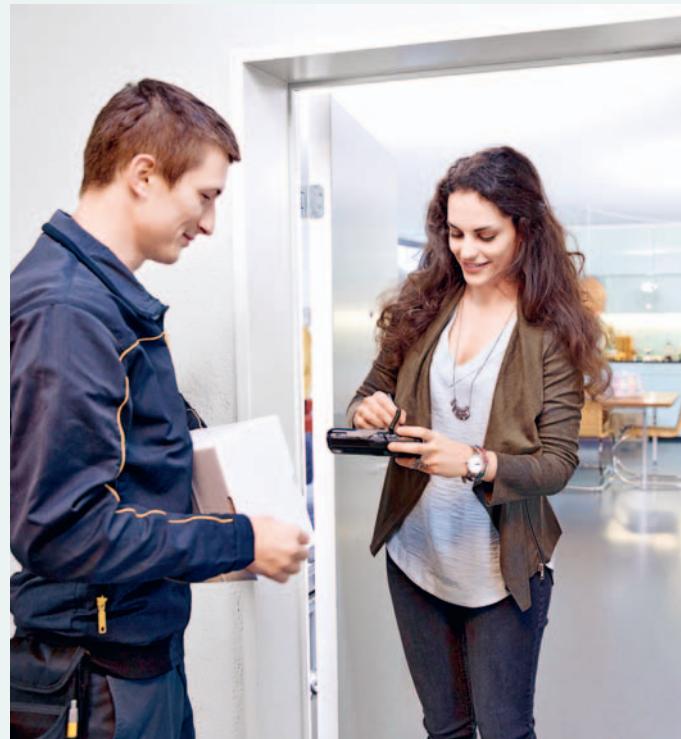
Swiss Post on the go

Branches with partners can be found at various locations, including grocery stores or tourist offices with attractive opening hours. These partners undertake postal operations on behalf of Swiss Post. Their range includes the most frequently required services.



Swiss Post digital

Thanks to Swiss Post's digital services (including [swisspost.ch](#), apps and e-finance), customers can use Swiss Post services anytime and anywhere.

**Swiss Post at home**

Customers can carry out the most common postal transactions directly with their mail carrier from Monday to Friday. They can simply affix a sign to their private letter box, and the mail carrier will ring the doorbell on the next delivery round.

**Swiss Post in branch**

In branches, customers can use all postal services such as handing in letters, collecting consignments, buying stamps and making inpayments. In Interlaken and Landquart, Swiss Post is testing a new branch model which offers advice on all digital and physical Swiss Post services, as well as providing integrated self-service solutions.

Growth

Swiss Post is growing and evolving

How can we make our services even more personalized? What potential do new partnerships offer in fields such as mobility and logistics? How do we create added value using artificial intelligence? In our core business and with new and innovative solutions and services: this is how Swiss Post plans to grow.



Targeted growth contributes to future success.

Michel Franzelli
Head of Group Strategy & Transformation

To rise to the challenges it faces and achieve its set goals, Swiss Post wants to grow in its core business and beyond. There are seven growth and business development areas of particular importance in this respect:

Cross-channel communication

Swiss Post aims to increase the effectiveness of advertising for business customers with dialogue-oriented, personalized and cross-channel communication solutions. This will be achieved by opening up electronic communication channels and combining them with physical dialogue marketing. As an example: an e-mail is sent to a defined target group. Anyone who opens the e-mail and clicks on the advertising material but does not place an order also receives a physical mailing, increasing the likelihood of closing a sale.

Digital trust

Swiss Post offers digital services that can be trusted. One example is E-Post Office, the intelligent online letter box where customers can view and edit their physical mail digitally. Thanks to e-voting, voters can cast encrypted electronic votes securely in elections and referendums.

Business process outsourcing (document solutions)

Swiss Post Solutions plans to combine existing services such as scanning, data entry and data extraction with new technologies such as artificial intelligence or robotics, and expand its services accordingly. To do so, it will make use

of intelligent computers in document processing that can sort incoming mail for companies, and in some cases even respond to it themselves.

E-commerce

In this area, Swiss Post wants to grow with the market in cross-border logistics and have a share in the large flows of goods and data. Trade with China in particular is increasing, and Swiss Post is therefore strengthening its cooperation with partners there.

Our core markets are the basis for our growth.

Digital banking

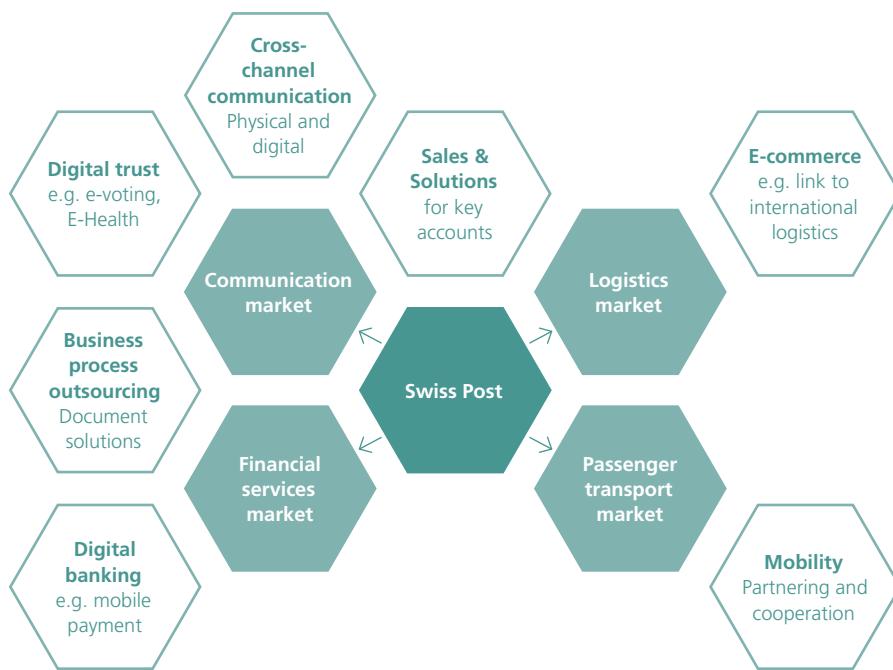
PostFinance intends to stick to the digital course it has adopted with mobile payment solutions, complementing them with additional services such as digital investment advice. The aim is to develop mobile devices as the main interface and eliminate all media disruptions.

Mobility

PostBus is working to offer intelligent and digital ways of combining and interlinking the various forms of mobility across all modes of

transport for its customers in Switzerland. The aim is to establish a mobility platform linking all services offered in the transport network, including taxis, rental bikes such as PubliBike, QR codes with real-time timetables and local information at stops.

Growth and business development areas



Sales & Solutions

This newly created organizational unit is dedicated exclusively to major business customers. It develops tailor-made postal solutions.



Q&A

Edy Portmann

Professor of Cognitive Computer Science

You conduct research into artificial intelligence, or AI, at the University of Fribourg. Why is Swiss Post sponsoring your chair?

In the age of digitization, no company can get around AI. My research is about combining human intelligence with AI in order to make companies fit for the future. Swiss Post wants to help shape these developments and is therefore interested in my research.

How can AI support Swiss Post's growth?

AI has huge potential.

For example, it enables repetitive activities to be automated in sectors such as online retail. Swiss Post already operates in this field and therefore has good growth opportunities.

Do Swiss Post staff and academics get along well?

Both sides benefit from the partner network and from direct contacts. The academics address the challenges facing Swiss Post, while Swiss Post's staff are happy to absorb the academic stimuli.



Q&A

Dieter Bambauer
Head of PostLogistics and Member
of Executive Management

Online retail in Switzerland is growing strongly. What does this mean for Swiss Post?

First and foremost, it means an increase in parcel volumes. To ensure that we can continue to process parcels quickly and reliably, we need to invest. We will build three additional regional parcel centers by the end of 2020, in Graubünden, Ticino and Valais.

20 percent of Swiss e-commerce sales go abroad. What are your views on this trend?
Retailers abroad are increasingly realizing that customs is not a hurdle if they have the support of a professional partner like Swiss Post. At the same time, Swiss customers are showing increasing confidence in the payment processing, delivery and returns processes available from foreign providers.

Are Swiss providers falling by the wayside?

Let's not forget that Swiss products are also very attractive for customers abroad. There is still great potential for online retailers in this area. Swiss Post provides retailers with support for the digital transformation, simple customs clearance and fast delivery of their goods.

Growth and development area: e-commerce

Swiss Post guides companies through the worldwide warehouse

The onward march of the smartphone has turned the world into one big online shop. Online customers are mobile, ordering wherever and whenever it suits them. They want a seamless, simple shopping experience and the products in their hands as quickly as possible. Swiss Post is transforming itself into a service provider that supports retailers in the digital world.

Five years ago, Sandra rarely ordered anything online. Nowadays, she orders all sorts of everyday and leisure products several times a week in an online shop – increasingly on her smartphone. She used to be happy if the goods arrived within a week. Now, she wants to have the products in her hands as quickly as possible, and also decide for herself where and how she receives them. Sandra is not unique: the 24-hour society is able to place orders anytime and anywhere, and that's what it wants.

Change identified early

Online retail has changed rapidly in recent years, and Swiss Post responded early to the change, introducing evening, Saturday, Sunday and same-day delivery, installing more than 90 My Post 24 terminals, creating pick@home and providing the ability to manage parcels independently with "My consignments".

High-street retailers are experiencing declining customer frequency, so they have to face up to digitization. Swiss Post has developed a full range of services for these retailers, advising customers, taking care of the design and development of their online shop and handling the ordering process, payment, warehousing, delivery and returns management. This means that retailers can concentrate on their core business.

Development continues apace

In online retail, new technologies are currently changing requirements fundamentally. To give an example: Sandra wants to buy a sofa. Thanks to augmented reality, she can project it into her flat before she buys it. This

enhances the customer experience. Delivery options are also becoming increasingly flexible and faster through the use of innovations such as drones and delivery robots. In addition, smartphones can be used for navigation inside buildings. Instead of using satellites, location is established via WiFi. Customers do an online search and then let their phone lead them directly to what they are looking for in the store. The worlds of online and offline shopping are merging.

Swiss Post establishes a competence center

As a partner of retailers, Swiss Post is in the throes of the transformation from a logistics provider to a service provider. This requires a new mindset, but also an approach to providing service that is increasingly geared to the needs of senders and recipients. In the digital transformation process, Swiss Post wants to provide professional advice and support to retailers right from the start, from new entrants to major companies. To enable this, it established the Competence Center Digital Commerce in autumn 2017. This competence center develops individual solutions for retailers according to their level of digital maturity. Its expertise ranges from current and future business models to the latest technological developments.



Cross-border online retail

Small goods shipping: opportunity and challenge

International shipping of small goods is booming: in the first half of 2017 alone, more than 7 million consignments were imported from Asia. An opportunity for Swiss Post, allowing an increase in capacity utilization for letter deliveries.

Charging cables, smartphone cases, bracelets, stickers: more than 45,000 of the small goods items currently arriving at the Zurich-Mülligen letter center every day come from Asia. The reason for this is the increasing popularity of cross-border online shopping. Consumers in Switzerland have learned to trust Chinese websites like AliExpress.com and wish.com – and benefit from their products' low prices.

Remuneration to rise

Although the level of remuneration for consignments from Asia is still low, the business is worthwhile for Swiss Post because it is volume-based. In addition, the members of the Universal Postal Union decided at their most recent congress to substantially increase the rates for small goods consignments from China from 2018: a step in the right direction for Swiss Post.

Asendia

Since 2012, Swiss Post and France's La Poste have been conducting their cross-border activities in the mail sector as equal partners in the joint venture Asendia. Its business activities include shipment and delivery of letters, mailings, catalogues, press titles and small goods weighing up to 2 kilograms, as well as all services along the value chain. Consignments arriving in Switzerland via Asendia branches are delivered by PostMail or PostLogistics and therefore create added value for Swiss Post.

Better utilization of sorting and delivery capacities

"The growth of these shipments is encouraging for Swiss Post," says Marina Bartetzko, Head of Asendia Switzerland (a PostMail profit center). Thanks to the growing volume of small goods consignments, Swiss Post can partially offset the decline in letter volumes and better utilize sorting and delivery capacities, which also helps to preserve jobs. "The import of small goods from Asia is therefore an opportunity that we want to actively shape and harness," says Marina Bartetzko.

Challenges of import

Because of their size and sheer volume, small goods consignments are a challenge in terms of automatic sorting and delivery. And senders' requirements are high, particularly with respect to tracking during the entire logistics process: for example, they want delivery scans so that they know exactly when the consignment has been delivered to the recipient's letter box in Switzerland. To meet these challenges and requirements, Asendia Switzerland, in cooperation with PostMail and the International Post Corporation (IPC), has invested heavily in services such as cross-border Track & Trace data systems.

E-Tracking Light

Inexpensive international consignment tracking

As of June 2017, people sending goods up to a weight of 2 kilograms abroad by large or maxi letter can use E-Tracking Light to track their consignment to its destination country – easily and inexpensively. This is facilitated by a radio label on the envelope containing RFID technology, which is activated during mailing and registered automatically at the letter processing centers, with the last signal coming from the domestic sorting system in the destination country. All stations can be viewed in the "Track consignments" online service.

Growth and development area: digital trust

Swiss Post gets new ideas off the ground

The Development & Innovation unit (E) develops new digital business models. As an innovation platform, it supports the other units with expertise and contacts, launches its own projects and drives market-oriented programmes forward. As such, the business unit provides systematic advice and support to Swiss Post on its path to digital transformation.

To ensure that service providers in the health-care sector can communicate seamlessly, or that every citizen can cast their vote online using e-voting, Swiss Post develops digital solutions close to its core business that are trusted by customers.

Swiss Post actively and systematically monitors developments and trends, new technologies and business opportunities in its environment. It tests innovative technologies such as drones (page 32), delivery robots (page 34) or self-driving shuttles (page 50). As a result,

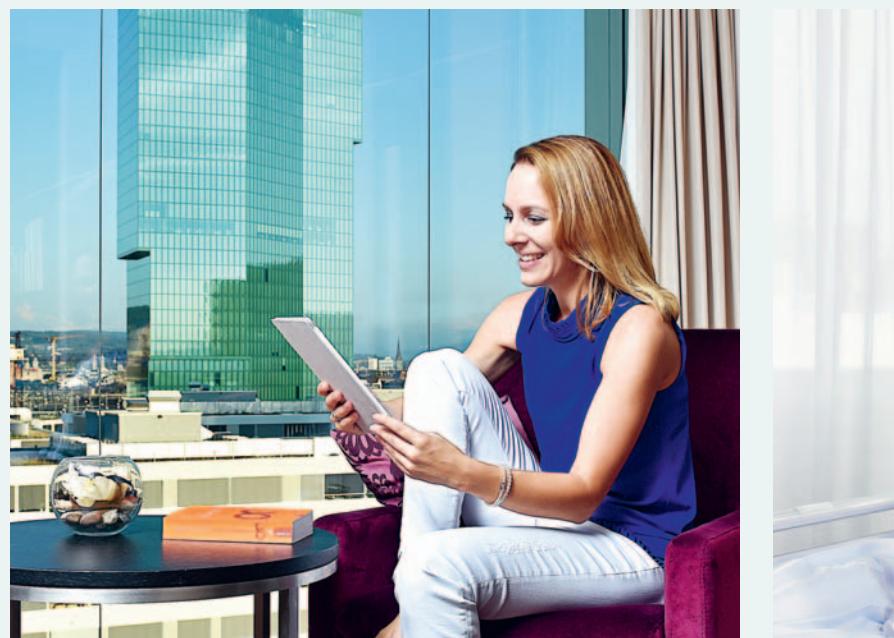
Swiss Post learns at an early stage what its customers' requirements might be in the future, and how it needs to develop its core business in the digital age.

Thanks to selected partnerships, Swiss Post has been involved in important developments in Switzerland from the outset. It cooperates with start-ups, other large companies, cities, cantons and universities. In developing innovations, Swiss Post combines its own know-how with the expertise of external partners.

Your digital identity

SwissID provides private users with easy and secure access to a wide range of online services. Users can log in, identify themselves or sign documents easily, while staying in full control of their data at all times. This allows companies to simplify online processes that require unique identification and access to personal data. Swiss Post, SBB, Swisscom, Credit Suisse, Raiffeisen, UBS, Zürcher Kantonalbank, financial services provider SIX and insurer Schweizerische Mobiliar are planning to work together to establish the basis for a privately funded but state-certified solution and develop a trustworthy Swiss brand for electronic ID. In November, they signed a memorandum of understanding to this effect.

→ www.swissid.ch





Connecting health securely

Thanks to its modular E-Health platform, Swiss Post dovetails treatment and logistics processes by enabling the secure exchange of electronic patient data between stakeholders in the healthcare sector. Through this platform and its logistics solutions, Swiss Post helps to ensure that processes in the healthcare sector are effective and efficient and to save costs.

→ www.swisspost.ch/ehealth



Elections and votes at the click of a mouse

Voting in the future will increasingly be online – with the Swiss Post e-voting solution. This means that incorrectly completed ballot slips, illegible handwriting and missing signatures are a thing of the past. The secrecy of the ballot and data protection are guaranteed at all times. Citizens can familiarize themselves with e-voting through Swiss Post's demo system.

→ www.swisspost.ch/evoting
→ www.evoting.ch/en



Q&A

Claudia Pletscher

Head of Development & Innovation,
Member of Extended Executive
Management

What do new technologies mean for Swiss Post?

New technologies are changing customer expectations and opening up new opportunities for Swiss Post. Our approach is to begin by analysing what they mean for our core business, in order to identify new business opportunities.

What areas of technological innovation are you working on?

We are doing intensive work on topics such as artificial intelligence, blockchains and the Internet of things. By linking things like letter boxes, logistics centers and parcels to the Internet, we can create added value for our customers. We are also looking at the use of smart glasses with augmented reality for letter sorting and delivery.

Do such ideas actually get implemented?

If they add value for our customers and are technologically feasible – then yes. We are optimistic that transportation of laboratory samples using drone flights between two Ticino hospitals will soon be definitively introduced.

The implementation of this innovation was made possible by testing the technology step by step.



Q&A

Alex Glanzmann
Head of Finance and Member
of Executive Management

Swiss Post makes a profit every year. Why does it still require optimization?

Digitization and social change are progressing apace. If Swiss Post is to remain successful in the long term, it must continually adapt and optimize its organization. Reviewing our own cost and process landscape is simply a must.

How much does Swiss Post hope to save as a result of this optimization?

In the Finance, Human Resources and Communication function units, Swiss Post wants to reduce its costs by around 30 percent by 2020. However, the new management model should not be seen as just an efficiency measure – the aim is rather to simplify processes, increase transparency and reduce the effort required for internal coordination.

The project is scheduled to run until 2020.

Why is it taking so long?

While it may appear long, the duration of the project gives the units concerned enough time to gear themselves towards the lower budgets. This approach is also more socially responsible than an immediate budget cut of 30 percent.

Optimization

Pooling strengths

The boundaries between the markets in logistics and personal mobility, finance and communications are becoming increasingly blurred due to customers' changing requirements. For this reason, Swiss Post is increasingly pooling and administering management responsibilities centrally.

Parcels can be ordered for delivery to a car boot with an app. Comprehensive integrated solutions for companies cover document processing, payment processing and logistics services. These are just a few examples of how the lines between Swiss Post's markets are becoming blurred. Good reason for Swiss Post to also pool its management responsibilities, and in April 2017, Finance (F), Communication (K) and Human Resources (P) were converted to functional management. In 2018, Information & Communication Technology (ICT) will also be regrouped using functional management. In addition to improving efficiency and reducing costs, the primary goal of this reorganization is to sharpen the focus on customer requirements.

Consolidated competencies

With numerous measures implemented, Swiss Post has begun to optimize processes at Group level. At K, for example, the procurement of third-party services has been simplified by the establishment of a pool with a reduced number of agency partners. Procurement

competence has been centralized. At P, the central focus is on simplifying human resources processes. For F, it is on the harmonization of value flows: where many existing business processes used to be supported and handled by multiple systems, Swiss Post is now introducing a modern database solution.

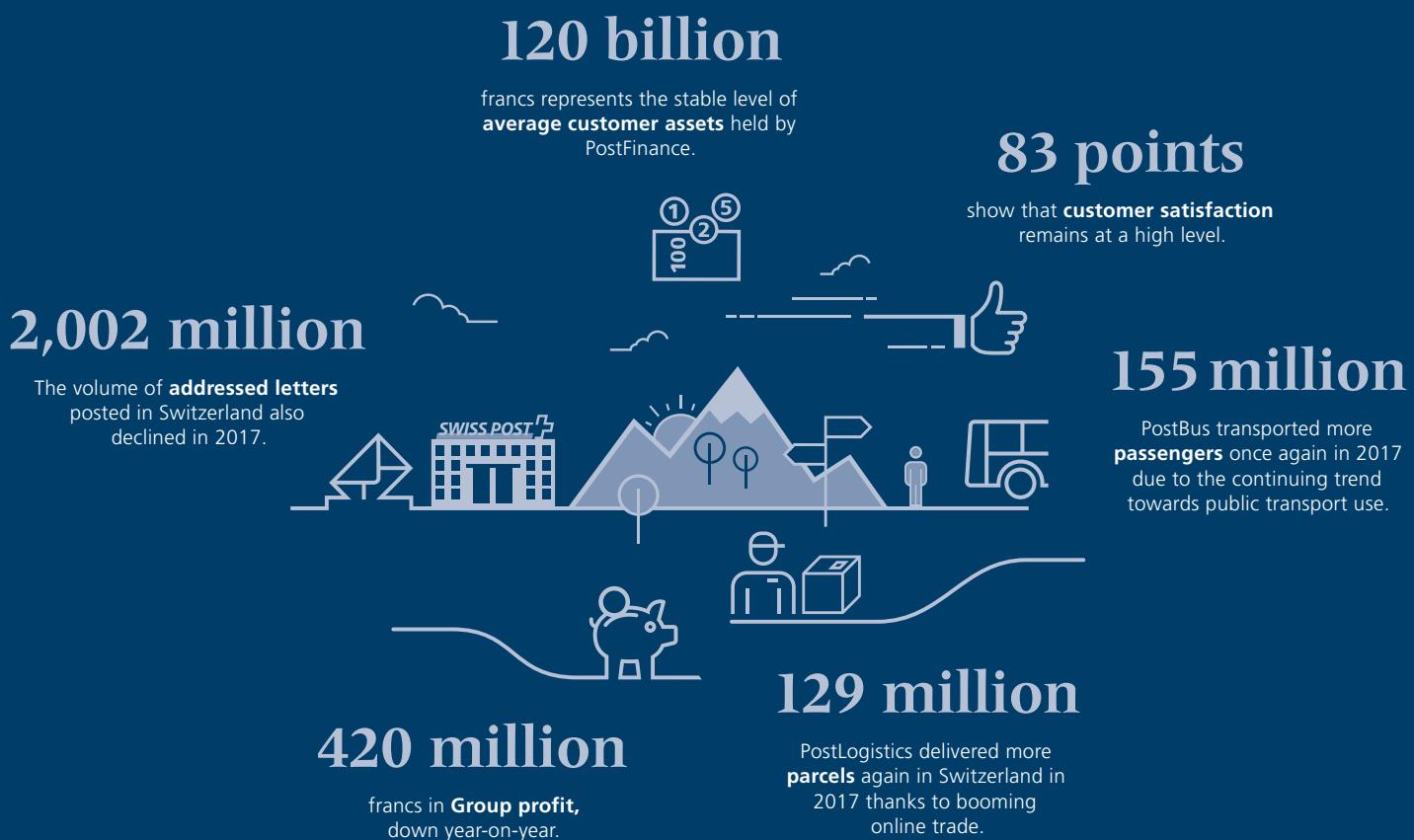
Information Technology as a business enabler

ICT plays an important role in Swiss Post's digital transformation because it manages every process and interaction between customers and partners and Swiss Post. It is also responsible for the development and functionality of competitive digital services. Swiss Post's business units need intelligent and efficient solutions from a single source, in areas such as data management and process digitization. To improve efficiency still further, Swiss Post is preparing to merge the various ICT functions into a single organizational unit. At the same time, processes are being simplified and standardized, and existing functions and roles are being reviewed and added as required.



Business performance

In the year under review 2017, Swiss Post generated profit of 420 million francs. In the previous year, this figure was 558 million francs. The solid annual result was significantly influenced by the irregular accounting practices in segment accounting at subsidiary PostBus Ltd, which were first reported in February. Operating profit (EBIT) totalled 630 million francs last year, down 74 million francs year-on-year. Operating income fell to 7,987 million francs. Swiss Post nevertheless managed to record a profit in its core business.



Group result

Situation at PostBus impacts 2017 Group result

In the year under review 2017, Swiss Post generated profit of 420 million francs. In the previous year, this figure was 558 million francs. The solid annual result was significantly influenced by the irregular accounting practices in segment accounting at subsidiary PostBus Ltd, which were first reported in February. The previously announced reimbursement of around 78 million francs of excess compensatory payments received between 2007 and 2015 and a provision for the unresolved situation for 2016 and 2017 weighed on the result. Operating profit (EBIT) totalled 630 million francs last year, down 74 million francs year-on-year. Operating income fell to 7,987 million francs. Swiss Post nevertheless managed to record a profit in its core business.

Operating income
CHF million

7,987

Group profit
CHF million

420

Equity
CHF million

6,613

Economic value added
CHF million

9

Headcount
Full-time equivalents

42,316

The market environment for Swiss Post Group remains challenging: volumes of addressed letters are falling, pressure on prices in the logistics market is increasing and over-the-counter transactions continue to decline. Nevertheless, the result improved in both the letter and parcel markets. The deficit at PostalNetwork was reduced thanks to operational measures. At PostFinance, one-off effects such as the sale of two equity portfolios and reversals of impairment on financial assets helped bolster the result.

PostBus to repay excess subsidies in full

As previously communicated in early February 2018, PostBus received excess compensatory payments between 2007 and 2015 due to irregular reclassifications. PostBus will reimburse the claimed amount – a sum of 78.3 million francs – to the Confederation and cantons. Accordingly, its operating result stands at –69 million francs. In addition, a provision amounting to 30 million francs will be made for the years 2016 and 2017. The effective amount will be determined as part of the clarification of the new model in the coming weeks.

Investment, universal service and appropriation of profit

Investment is of vital importance for Swiss Post. It is the only way for the company to maintain its competitive edge and remain fit for the future. In the past year, Swiss Post capitalized investments of around 400 million francs for the preservation of its capital assets, development of its core business and expansion of new business. PostFinance is investing in projects such as a new core banking system, which will come into operation on 1 April 2018. In 2017, Swiss Post financed the costs of the universal service – as well as all investments – from its own resources.

As at 31 December 2017, consolidated Group equity stood at 6,613 million francs. At the General Meeting, the Board of Directors will propose paying a dividend of 200 million francs to the Confederation. This means that Swiss Post again created added value for Switzerland, customers, employees and its owner in 2017.

Profound transformation required

One year ago, Swiss Post began an extensive transformation process designed to tackle the rapid developments in digitization and the associated customer requirements in the long term. In the first year of implementation, the company not only defended its leading market positions in all of its core businesses, but also successfully expanded them. It will continue to pursue its chosen path in the coming years and to adapt its services to customer behaviour. Efficiency improvements and targeted cost management throughout the

company are an ongoing project and a key factor in achieving a good operating result. Finally, Swiss Post is also faced this year with the task of conducting a fundamental analysis of the situation at PostBus and adapting strategy where necessary.

- For detailed information on the Group result, see page 25 of the Financial Report.
- For detailed information on segment results, see the following pages of this report: 25 (PostMail), 29 (PostLogistics), 37 (PostalNetwork), 41 (Swiss Post Solutions), 45 (PostFinance) and 49 (PostBus).



Swiss Post maintained a profit, albeit lower.

Alex Glanzmann
Head of Finance and Member
of Executive Management

PostMail	Swiss Post Solutions	PostalNetwork	PostLogistics	PostFinance	PostBus
 15,736 Full-time equivalents	 6,585 Full-time equivalents	 5,435 Full-time equivalents	 5,281 Full-time equivalents	 3,475 Full-time equivalents	 3,261 Full-time equivalents
 2,835 Operating income CHF million	 551 Operating income CHF million	 1,102 Operating income CHF million	 1,619 Operating income CHF million	 2,088 Operating income CHF million	 836 Operating income CHF million
 370 Operating profit CHF million	 25 Operating profit CHF million	 -159 Operating profit CHF million	 119 Operating profit CHF million	 549 Operating profit CHF million	 -69 Operating profit CHF million

Investment in parcel logistics

Regions are important: Swiss Post builds parcel centers

By 2020, Swiss Post will invest around 150 million francs in the construction of three regional parcel centers, laying the foundations for the future in parcel processing. At the same time, this is Swiss Post's response to two of the key challenges in the parcel market: the growth in parcel volumes and the rising demand for Priority parcels.

129 m

parcels were delivered by Swiss Post in 2017. This is equivalent to growth of around 6.2 percent compared to 2016.

52 %

of parcels today are **Priority parcels**. 15 years ago, only every fifth parcel was a Priority parcel.

Swiss Post will build regional parcel centers in Cadenazzo (TI), Untervaz (GR) and Vétroz (VS) by 2020. The three new centers represent a useful expansion of the logistics network and will help relieve the pressure on the three existing parcel centers in Daillens (VD), Härkingen (SO) and Frauenfeld (TG). Parcels will in future be sorted and delivered in the same region where they are posted, doing away with their current routing through the large parcel centers.

Swiss Post invests in Ticino, Graubünden and Valais

The first regional parcel center is being developed in Cadenazzo. An industrial building is planned, with docking stations for lorries

and delivery vans, as well as a sorting facility for parcels. The facility is scheduled to come into operation at the end of 2019. Swiss Post is working to complete the planned parcel centers in Vétroz and Untervaz by the end of 2020. The three locations will be designed to accommodate sorting capacity of 8,000 parcels an hour.

Commitment to the regions

Swiss Post is reacting to the strong growth in the parcel market by constructing the three regional parcel centers. This not only creates new sorting capacities, it also demonstrates Swiss Post's commitment to the regions by securing jobs and increasing regional added value.

Investment in cross-border online retail

Asendia invests in e-commerce

Since 2013, Asendia, the joint venture between France's La Poste and Swiss Post, has held an interest in eShopWorld, an Irish company based in Dublin and offering e-commerce solutions. eShopWorld is currently considered the fastest growing technology company in Ireland. In August 2017, based on very strong results from eShopWorld and as part of Asendia's growth strategy in the globally booming e-commerce market, Asendia increased its stake in eShopWorld to 50.1 percent.

eShopWorld offers leading international customers solutions for cross-border online retail, supporting them in webshop set-up, currency conversion, customs clearance, shipping and returns management. The company processes 2.1 million payments and 2.5 million parcels annually. eShopWorld services are an important part of the international e-commerce value chain, and the services offered by the company are marketed by Asendia.

With more than 1,000 employees, the joint venture Asendia currently operates in 15 locations in Europe, Asia and the United States. Swiss Post and France's La Poste each hold a 50 percent stake.



Asendia is currently one of Swiss Post's largest and most lucrative commitments abroad.

Ulrich Hurni
Chairman of the Board of
Directors of Asendia

Investment in real estate

Three new skyscrapers at Basel railway station

Until a few years ago, Swiss Post's real estate strategy was to sell all buildings no longer in use. Today, Swiss Post invests in its properties at prime locations, converting them into income properties. As it is doing in Basel.

The rust-coloured Swiss Post building Basel 2 is ageing somewhat and today stands mostly empty. Swiss Post currently uses only part of it for its operational requirements. As repurposing the industrial building proved to be very difficult, the property at a prime location above the tracks at Basel railway station is now set to be converted into a completely new building complex.

"Nauentor" new construction project

The project is known as "Nauentor" and boasts much more than a high-quality building complex. The new building not only offers a modern space for a wide variety of home and office uses, it also creates the prerequisites for improving the connections between the St Alban and Gundeldingen neighbourhoods and optimizing access to the tracks – two long-cherished wishes of the people of Basel.

The building will therefore not be renovated, but instead stripped down to the concrete slab. Swiss Post will use this as the base for constructing the main building, along with two skyscrapers. This first phase will be completed by 2025. SBB will then erect a third tower between Solothurnerstrasse and Meret-Oppenheim-Strasse by 2028.

Swiss Post expects to see the first construction machines moving into place in 2022. Before that happens, however, the planning process will have to be completed and a zone change approved. The documents are currently with the cantonal council. Over the next 12 years, Swiss Post will invest a total of 1.8 billion francs in the development of around 50 properties.

Post Real Estate strategy

Growth and innovation in the real estate sector

Providing Swiss Post's units with needs-based space and services at market prices, and converting properties in prime locations that are no longer used by Swiss Post in order to lease them as income properties: this strategy enables Post Real Estate to support Swiss Post's core business and ensure sustainable additional income. Post Real Estate is also working with partners to develop digital real estate products, which it uses within Swiss Post and also offers on the third-party market, optimizing internal processes and achieving savings. But thanks to its innovative products, Post Real Estate also generates additional revenue and, for external customers, acts as a door opener for products from other Swiss Post business units.

To ensure that its services are generally more cost-effective and efficient, Post Real Estate focuses on standardizing processes and organization in facility management, construction and maintenance cleaning throughout Switzerland.

Innovation in building management



Thanks to "Service on demand", staff at Facility Management at Post Real Estate are always available where they are needed. Simply pressing a smart button is enough to let Maintenance Service know where a light bulb needs to be replaced or paper needs to be refilled.



Working in conjunction with the startup **Locatee**, Post Real Estate has introduced new digital services that enable more efficient use and management of office space. Analysis of various data sources, for example, provides Facility Management with a solid basis for measures designed to reduce cleaning costs.



With its **expenses app**, Post Real Estate has developed a way for its employees to submit their expense receipts for reimbursement. The receipt is read as an image in the app and forwarded directly to payroll accounting.

PostMail

Letters, dialogue marketing and publication solutions

Letters, small goods, promotional mailings or newspapers: Swiss Post transports consignments reliably and securely – within Switzerland and abroad. PostMail offers private and business customers high-quality products and tailored solutions, from acceptance right through to delivery. This range is complemented by its digital services.



**PostMail result**

Digital communication continues to pose challenges for PostMail's core business: at the end of 2017, the number of addressed letters had decreased by 4.2 percent compared with the previous year's figure, and the number of newspaper deliveries had also fallen (-2.9 percent). PostMail is combating this trend with measures such as supplementary services over the "last mile" and, on balance, succeeded in increasing its operating profit from 317 million to 370 million francs. This means that PostMail continues to make a very significant contribution to the Group result. Operating income fell to 2,835 million francs as a result of declining volumes (previous year: 2,906 million francs). However, the fall in revenue was offset by consistent cost management adapted to the relevant situation, the implementation of efficiency measures and one-off effects.

Operating income
CHF million

2,835

Operating profit
CHF million

370

Addressed letters
in millions

2,002

Unaddressed items
in millions

1,765

A Mail letters
delivered on time

97.6%

B Mail letters
delivered on time

99.0%

Headcount
in full-time equivalents

15,736

Dialogue marketing

Mode Bayard springs a surprise with chocolate bunny mail

Shortly before Easter, the Bayard fashion group sent a sweet surprise to the homes of its loyal customers. The original 3D mailing sparked enthusiasm – and an enormous response.

As a basic principle, the fashion group Bayard focuses on well-known quality brands and a timeless style. But that doesn't mean that they're afraid to explore new avenues, coming up with spontaneous ideas such as sending a chocolate surprise before Easter. However, time was pretty tight, and for the campaign to materialize, Bayard needed a partner who could act quickly. The choice came down to Swiss Post, because the dialogue marketing specialists were able to offer the fashion house an all-round service – an enormous advantage given the time constraints. Swiss Post handled everything, from consultation to concept, from design, printing and coordination with the confectioner, and from address management to mailing.

A mailing that made people happy

In April 2017, Bayard's customers were delighted to receive a delicious chocolate bunny or a premium bar of chocolate, delivered punctually by Swiss Post. "It didn't just make the recipients happy," says Direct Marketing Consultant Ivo Feller, who oversaw the project from start to finish. The customer was also thrilled, because the feedback and the

response to the mailing exceeded all expectations. "A sensational 32 percent of the 15 percent discount vouchers enclosed in the mailing were redeemed in the fashion stores," says Feller. "That's way above the benchmark. The Easter campaign is a really good example of how physical mail can resonate well with recipients and is therefore particularly well-suited for customer retention."

DirectPoint

Inspiration, knowledge and tools

DirectPoint, the Swiss Post knowledge platform which was overhauled and relaunched in 2017, provides a point of orientation in the growing diversity of cross-media success factors. It offers companies a place to find informative editorial content from the fields of management, marketing and communication, as well as inspiration, expert knowledge and practical tools for physical and digital dialogue initiatives.

→ www.swisspost.ch/directpoint

Bayard

What began in 1912 as a small general store owned by the Bayards in the town of Visp has grown tremendously. The family from Valais eventually specialized in fashion, gradually taking over various local clothes shops and small chains. Still family-run, the Mode Bayard group today operates 76 branches in Switzerland, along with a popular online shop.



Publication solutions for Bergwelten magazine

From subscription management to delivery

Fantastic hiking trails and inspiring stories – it's all on offer in Bergwelten magazine. For its Swiss market entry, Red Bull Media House Publishing chose a partnership with Swiss Post.



Location-based retail marketing with Profital

At the end of 2017, Swiss Post launched a new product in the location-based service sector. Private customers can use an app to access a compact overview of the latest advertising leaflets and local offers from shops in their area, allowing business customers to increase their penetration rate and minimize coverage wastage.

Hiking magazine Bergwelten Schweiz, published by Red Bull Media House, has been available in Switzerland since April 2017. The magazine's home is the German-speaking Alpine region, but it also brings the beauty and enchantment of the mountains to life for readers all over the world. Fascinating photo spreads awaken the desire to climb a summit, go for a leisurely hike or stop off for a while in a rustic pub.

From printer to subscriber

But how does the magazine for connoisseurs and climbers get to kiosks and subscribers? For its Swiss market entry, the publisher decided on a close partnership with Swiss Post. "The comprehensive range of publication solutions made our market entry easy," says Peter Schiffer, Head of Distribution Print. "From the printer's ramp to retail sales, we count on the services provided by Swiss Post. We look forward to expanding our cooperation in the future and jointly developing new ideas in areas such as subscription management."

One-stop solution

Thanks to its publication solutions, Swiss Post handles services along the entire value chain for publishers, media houses and other companies that issue publications such as newspapers, magazines or newsletters. Tailored to their individual needs, we develop solutions ranging from subscriber management, acquisition and the sale of advertising space to printing, transport and punctual delivery, both nationally and internationally. "By outsourcing services, our customers can concentrate on their core competencies and save costs," says Fabian Marbot, Head of Publication Solutions. This is very much the case with publisher Red Bull Media House, whose new print products consistently attract attention.

Last mile

When the mail carrier collects old clothes

Swiss Post visits some 4.1 million Swiss households every day, so it makes sense for delivery staff to take care of additional tasks on behalf of customers: reading electricity meters, delivering local products, disposing of PET bottles and collecting books for second-hand shops or bags of used clothes.

Yvonne fills the red and white TEXAID collection bag with old children's clothes and takes it down to her private letter box. The mail carrier will take it with him later on his daily round. TEXAID collects 40,000 tonnes of used textiles annually – in containers and clothes bags. After a successful pilot project in 2016, the company decided to entrust Swiss Post with the task of collecting bags from people's homes.

Swiss Post secures jobs with services over the last mile.

Generating new income

For more than ten years, letter volumes have been falling steadily. In 2016, the decline in volumes of addressed consignments was 3.8 percent. For this reason, Swiss Post is developing new services over the "last mile" – the last stage of the letter delivery process, which leads directly to households. Swiss Post serves all 4.1 million households in Switzerland six times a week. Its delivery staff are therefore a natural choice for taking on additional tasks such as those described above. Swiss Post is pursuing two goals with this strategy: looking to generate new income while at the same time continuing to offer delivery staff good jobs in the future.

Food subscriptions from the farm

These newly created services are close to Swiss Post's core business, as shown by another example: delivery of seasonal products by mail carriers. This allows innovative farmers with farm shops to offer their customers in the region food subscriptions with attractive delivery terms. In autumn 2017, 31 farmers took advantage of this service, and the list is growing all the time.

Environmentally sound

The new services also make sense from an environmental perspective, because there are no additional trips required for delivery staff to perform tasks such as reading household electricity meters. This collaboration with the power companies in the Canton of Schaffhausen has been running successfully since January 2017.

Additional services on trial

Swiss Post is running pilot projects to test additional services over the last mile: collecting aluminium, batteries, electronic waste, beverage cartons, PET bottles and other recyclable products for start-up Mr. Green in Zurich, while in the vicinity of Wetzikon and Wila, people can give books, CDs or shoes to their mail carrier, who then takes the goods to a Salvation Army second-hand shop.



Q&A

Ulrich Hurni

Head of PostMail and Member of Executive Management

Is Swiss Post entering new territory with these supplementary services?

We've been providing logistics solutions tailored to individual customers for a long time. Now we need to find multipliable solutions. Letter volumes are declining steadily, so we are trying to generate additional income wherever possible and necessary – with the further aim of safeguarding jobs.

Why are mail carriers particularly well-suited to performing tasks over the "last mile"?

For many customers, our delivery staff are figures of trust. They enable PostMail to reach 4.1 million households every day. However, new supplementary services must be appropriate.

How is the job profile changing?

Delivery of letters and parcels – the current core business – will continue to dominate in ten years' time. Our mail carriers will do much more than that in future, however: they will collect and deliver things, gather information and provide a wide variety of postal services.

PostLogistics

Parcels, logistics solutions and e-commerce

As a leading logistics provider, Swiss Post offers its customers everything from simple parcel post and small consignment transport to complex logistics solutions within Switzerland and abroad, and all from a single source. As a full-service provider, Swiss Post advises and supports online retailers in all phases of their project. From marketing and online shops to logistics and customer care, Swiss Post is the only provider in Switzerland that offers a comprehensive range of e-commerce services.





PostLogistics result

Online retail is growing strongly, and so in turn are parcel volumes: PostLogistics delivered around 130 million parcels in 2017. This represents growth of 6.2 percent year-on-year. However, the boom in e-commerce has also resulted in new competitors forcing their way into the increasingly attractive market, significantly increasing the pressure on prices. Despite this difficult environment, PostLogistics recorded an operating profit of 119 million francs, up 2 million francs year-on-year. Operating income stood at 1,619 million francs (previous year: 1,572 million francs). As Swiss Post anticipates continued growth in online business and a resulting increase in parcel volumes, it is planning to invest around 150 million francs in the construction of three new regional parcel centers by 2020. Swiss Post expects to build additional regional parcel centers in other regions. However, the number of future locations is currently still undecided.

Operating income
CHF million

1,619

Operating profit
CHF million

119

Parcels
in millions

129

Priority parcels
delivered on time

96.0%

Economy parcels
delivered on time

97.5%

Headcount
in full-time equivalents

5,281

My consignments

Manage parcel deliveries individually

Online shopping is becoming more and more popular. At the same time, customers increasingly want to manage their parcels individually – to decide for themselves how, when and where they receive them.

For Céline, the “My consignments” online service is a practical solution. When a parcel is on its way to her, she gets an SMS or e-mail notifying her of the expected delivery time. Using the customer portal on the Swiss Post website, she can now manage the parcel individually, deciding for herself when, where and how she wants to receive it.

Delivery to a neighbour or somewhere else

Céline can not only specify delivery on a particular day, or in the evening or early morning, she can also have her parcels delivered to another location or left with a neighbour.

Delivery of parcels while absent

If a parcel has been sent with the “Signature” or “Assurance” value-added services, Céline does not have to be there in person when it is

delivered. She can also use the “My consignments” online service to grant authorization for delivery. The mail carrier then simply places the parcel in her mailbox or delivers it to the location she specifies.

New delivery service

Delivery of parcels at a chosen time

To offer even more convenient parcel receipt, Swiss Post launched the “Time slot delivery” service for business customers in 2017. This is a value-added service that can be integrated into a business customer’s online shop. When making a purchase in the shop, private customers can choose the time slot in which they want their parcel delivered while placing their orders. Four three-hour time slots are available. This service enables Swiss Post to make e-commerce even easier and more individual.



Health logistics

Logistics partner for hospitals

Pressure on costs, increasing administrative workloads, low storage capacities and strict legal requirements: service providers in the healthcare sector are facing numerous challenges. Swiss Post as a logistics partner can ease some of the burden.

In many areas of the healthcare sector, the rule is zero tolerance: for a hospital, for example, it is essential that ordered goods arrive in perfect condition and exactly on time. Many medicines and medical consumables have to be stored and transported within a specific temperature range. A clear case for Swiss Post: thanks to its digital and logistics expertise, Swiss Post can offer sophisticated integrated solutions for the healthcare sector. Hospitals and clinics can outsource their entire logistics process to Swiss Post and concentrate on their own core competency – their work with their patients.



First-class quality and reliability, as well as nursing staff who have more time for their patients.

Ambros Heinzmann

Head of Procurement & Supply Chain Management and member of the Operations Committee at the Hirslanden Private Hospital Group

Example: Hirslanden Private Hospital Group

The healthcare sector is one of the largest growth markets, and one that holds a great deal of potential for Swiss Post. Health logistics is therefore a strategic focus for Swiss Post, with its investment in new services and infrastructures. Among Swiss Post's largest customers in this field is the Hirslanden Private Hospital Group, which operates 17 clinics throughout Switzerland and has outsourced the logistics for all medical consumables to Swiss Post. To meet this challenge, Swiss Post has developed a dedicated logistics solution, reducing costs with a shared central warehouse, standardized processes and pooled orders – and taking the strain off hospital staff. To ensure that this service can be provided, Swiss Post has set up a central warehouse for pharmaceutical products, certified by Swissmedic, at the Villmergen logistics center. Swiss Post handles all aspects of logistics, from warehousing to picking and from packaging and transport to product returns.

Decentralized receipt, centralized delivery

The Hirslanden Group places orders with suppliers. The goods are then delivered to Villmergen, where they are stored. When a department in a hospital requires a particular product, the code is read with a scanner and sent to the Swiss Post ordering system. At the Villmergen logistics center, the ordered goods are then picked, packed into transport boxes in accordance with the distribution round and delivered to the hospital in question in trolleys.





ThermoCare Ambient

Innovative solution for pharmaceutical shipments

Instead of controlling the temperature of the entire vehicle, the temperature of the individual consignment is controlled: the newly developed ThermoCare Ambient saves shippers time and money.

The rules for shipping pills and ampoules are not the same as for screws or shoes. Many medicines must be transported at a constant temperature of 15 to 25 degrees Celsius – within what is known as the ambient range. Tailor-made for these pharmaceutical shipments, Swiss Post has developed ThermoCare Ambient – a real innovation in the Swiss market. The medicines are shipped in special

boxes consisting of an outer shell and an insulated interior with two energy accumulators. This means that deliveries can be made inexpensively throughout Switzerland using the normal parcel and express channel, and the temperature of the delivery vehicles does not need to be controlled. All Good Distribution Practice (GDP) guidelines are met in full.

Thanks to its ThermoCare Box reusable insulation packaging, Swiss Post can comply with all temperature requirements for the transport of medicinal products.



Drones will complement traditional parcel delivery where practical, but they will not replace it.

Dieter Bambauer
Head of PostLogistics and Member
of Executive Management

Special items

Drone transports laboratory samples

Swiss Post is testing the use of drones in the healthcare sector. If successful, they will be used in the future to transport laboratory samples or medicines between hospitals. Through these tests, Swiss Post is taking on a pioneering role in drone logistics worldwide.

Some blood samples have just been taken, and they now need to get to the lab urgently. A short while later, the samples are flown safely to their destination in a Swiss Post drone. This may sound like a vision of the future, but it will soon be a reality. In Lugano, more than 100 test flights between two locations operated by the EOC hospital group have been carried out successfully to date. Over the course of 2018, drone flights between the two hospitals will become part

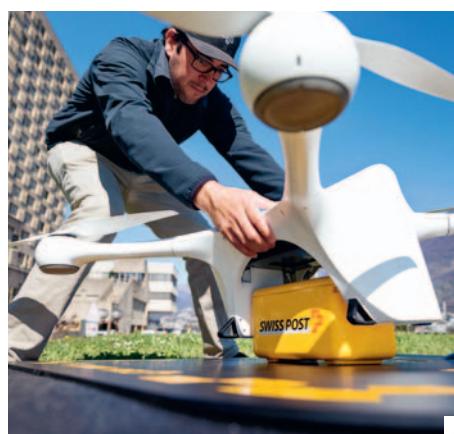
of everyday life. At the same time, Swiss Post is expanding its pilot project to other Swiss cities.

The aim of the drones is to ensure that transport between hospitals becomes faster and more efficient, for the well-being of patients. The Federal Office of Civil Aviation (FOCA) has been involved in the project from the outset and has granted Swiss Post approval for the flights.



1
The drone in action high above the city of Lugano.

3
A member of staff prepares the drone for its flight.



2
The laboratory samples are packaged in a safety box.

4
The drone landing in front of the Ospedale Civico in Lugano.

Technical specifications

Aircraft type: Quadrocopter
 Manufacturer: Matternet
 Diameter incl. rotor blades: 128 cm
 Maximum load: 2 kg
 Maximum range: 20 km
 Average speed: 20 m/s
 Cruising altitude: Approx. 120 m above ground

Villmergen AutoStore

Warehousing logistics for hospitals

AutoStore, the new highly automated storage and picking facility in the Villmergen logistics center, enables Swiss Post to handle the entire logistics process for medical and pharmaceutical products for companies in the healthcare sector. When an order arrives at the AutoStore, robots in the 900-square-metre facility transport the requested items to outgoing goods, where the products are packaged for transport and delivered via Swiss Post's transport network – all the way to the operating theatre or hospital ward if required.

Innight Medica

Night logistics for hospitals

Night after night, five days a week, Swiss Post delivers all of the supplies required by doctors for orthopaedic and trauma surgery the next day: sets consisting of implants and the accompanying surgical instruments. The consignments reach 230 hospitals and clinics by 7 a.m., delivered on time to the operating theatre. Swiss Post then collects the sets in the evening and transports them back to the manufacturer, where they are checked to ensure that they are complete and in good working order.

Delivery robots

A robot takes a picnic to the park

Swiss Post is one of the first companies in Europe to test self-driving delivery robots. Operating autonomously, they bring goods from online shops to wherever they are required.



early Label

Swiss Post wants to test new products and services with its customers as early as possible. During the test phase prior to their official launch, these products are identified with the "early Label".

Have a picnic delivered to a park bench by the lake, running shoes delivered to a hotel or a clean shirt delivered directly to your office: in 2017, Swiss Post and its partner Jelmoli tested the use of delivery robots for goods delivery in the center of Zurich. Following a successful result, tests will continue with additional partners at different locations. The procedure remains the same: when completing an electronic purchase, customers click the relevant

delivery option, enter a delivery location of their choice and define a delivery time slot that suits them. Shortly before the robot arrives, they receive a link via SMS, which is needed to open the robot's delivery compartment.

Technology for the last mile

Delivery robots are ideal for deliveries over the last mile: for consignments that need to be delivered flexibly, quickly and inexpensively, such as food deliveries, medical products or special items required on the same day. Thanks to further tests, Swiss Post has gathered experience in integrating the technology into existing supply chains.

The driving force behind this project is the Development & Innovation function unit, which supports the other units with expert knowledge and contacts and helps to develop and implement new digital business models.

In-car Delivery

When the shopping is already waiting in the car

Whether it's mineral water, bread or nappies: in cooperation with Swiss Post, LeShop.ch delivers your shopping directly to your parked Volvo. "In-car Delivery" makes online shopping even easier and more convenient. This delivery option is currently available in Zurich, Berne, Geneva and Lausanne.

Volvo "In-car Delivery" works with a digital key which provides temporary access to the vehicle. Users register for "In-car-Delivery", order their goods at LeShop.ch and then select their Volvo as the delivery location. The parcel carrier locates the car by geolocation, opens the boot with the digital key and places the goods in it. The customer then receives a notification, which means that they do not have to be present at a specific delivery location or time. The shopping is simply waiting in the car – with no carrying or extra trips required.



E-commerce

Cat food, potting soil and vacuum cleaners

There are more than 8,000 items available in the new LANDI online shop. Swiss Post supported LANDI Schweiz AG in the development of a complete cross-channel solution – and handles many of the key functions in the operation of the various platforms, from order and payment processing to storage at YellowCube.

The weather forecast looks good, and Klaus is planning to spend the next few days working in the family garden. But where are his gardening gloves? No problem: as he orders a new pair in the online shop at www.landi.ch before 5 p.m., the parcel carrier brings the gloves to his front door in plenty of time the next morning.

Whether you're looking for potting soil, clothing, vacuum cleaners, cat food or beverages – since autumn 2017, almost the entire LANDI product range (more than 8,000 items in total) has been available for purchase in the new LANDI online shop. And at "the same permanently low prices offered in stores," says Simon Gfeller, Head of Marketing & Sales at LANDI Schweiz AG. More than 5,000 items are ready for collection in one of 140 LANDI locations within two hours of ordering, while another 3,000 can be picked up after around five days. At present, more than 1,500 items can be delivered directly to the home.

Swiss Post's largest cross-channel solution to date

Despite the size of the project, it took just a few months to build the platform. "Swiss Post's expertise and experience were an important part of the successful implementation of the project," emphasizes Simon Gfeller. In cooperation with fenaco, Bison and its partner agency Garao, Swiss Post developed the largest and most complex cross-channel solution to date along the e-commerce value chain at LANDI: from initial consultation and design through to process planning and the integration of existing systems.

Swiss Post stores LANDI items

Swiss Post also takes care of technical operation and maintenance of the ERP platform for the online shop. "We process the orders, handle payments and take care of shipping the goods," says Matthias Bucheli, Head of Competence Center Digital Commerce at Swiss Post. All items for home delivery are stored at Swiss Post's YellowCube, allowing fast shipping on the following day for all orders received before 5 p.m. And if customers wish to return goods, Swiss Post also takes care of returns management.

The first few months of operation of the new LANDI online shop were a success. "We are very satisfied with the sales and level of service provided," confirms Simon Gfeller.

The delivery of the gardening gloves went off without a hitch. Klaus and his children will whip the garden into shape in next to no time, and are looking forward to the first barbecue of the year in the summer house.



Saving resources with YellowCube

The centerpiece of YellowCube is a fully automated logistics facility. In tens of thousands of containers, Swiss Post stores a huge range of products offered by online retailers. As soon as an order arrives from an online shop, a robot fetches the item in question and transports it to a member of staff, who packages the product, encloses the necessary documents and sends the item. Online customers send any returns directly back to YellowCube, where Swiss Post checks the goods and places them back into storage.



PostalNetwork

Wide range of access points: at home, on the move or digitally

Whether at their front door, on the move or digitally, Swiss Post wants to be wherever its customers are, and offer the best possible universal service for all regions and generations, now and in the future. By 2020, it will expand its network to more than 4,200 access points – including new acceptance and collection points, business customer points and My Post 24 terminals. For self-operated branches, a new concept is being tested.





PostalNetwork results

Swiss Post offers the densest network of postal services in Europe: in 2016, there were 3,800 access points, while the figure for last year had already reached 3,870. By 2020, Swiss Post will expand the postal network to more than 4,200 customer access points. Losses in over-the-counter transactions were offset by network development and the consistent adaptation of services to customer requirements. The PostalNetwork unit's operating result improved by 34 million francs to –159 million francs year-on-year. Operating income was down by 94 million francs (previous year: 1,196 million francs). This was due to falls of more than 7 percent in letter volumes and 6.5 percent in over-the-counter payments resulting from growing use of digital services (including e-mail and e-banking). Thanks to investment, PostalNetwork will also continue to safeguard its part of the universal service. Swiss Post is investing in its self-operated branches and testing a new branch model. This new concept focuses on Swiss Post products, consultation on digital and physical postal services and integrated self-service solutions.

Operating income CHF million

1,102

Operating profit CHF million

–159

Access points as a number

3,867

Headcount in full-time equivalents

5,435

Interview

The postal network of the future

In 2016, Swiss Post announced the restructuring of the postal network, a move which was met with a great deal of resistance. In this interview, Head of PostalNetwork and Member of Executive Management Thomas Baur explains how Swiss Post has campaigned for greater understanding over the past year and what has been achieved.

Mr Baur, with regard to the transformation of the postal network, Swiss Post had promised a close dialogue with the cantons and municipalities concerned. How did the talks go?

The dialogue we offered was appreciated and considered useful, even if not all parties were always of the same opinion. Our primary goal was to create transparency, to get to know the cantons' perspectives and their citizens' needs, and to provide them with planning security. The national list now includes 771 guaranteed self-operated branches. These will not be reviewed before the end of 2020.

Did you also have contact with the public?

After each visit to a cantonal authority, we communicated openly on regional issues. In communities where the conversion of a branch is under discussion, we invited local people to an information event. Last year, we held around 130 of these events. People very much appreciated the opportunity to talk directly to Swiss Post managers.

You also announced new services. What new services were introduced in 2017?

Swiss Post has noted a range of issues arising from its discussions with the cantons and citizens and is examining how to implement them. Since September 2017, cash inpayments at the front door have been available in areas with branches with partners. In



Thomas Baur
Head of PostalNetwork and Member of Executive Management

communities without early morning delivery, Swiss Post now also delivers subscription daily newspapers by noon and allows customers to post bulk mailings at branches with partners.

In 2016, Swiss Post announced that it intends to expand the number of its access points from 3,800 to over 4,200 in the next four years. Where do we now stand after one year?

Swiss Post still has a presence in villages. We are expanding the number of access points and addressing Swiss residents' needs. At present, customers can avail themselves of around 3,870 access points. We are continuously expanding the network of acceptance and collection points, My Post 24 terminals and business customer points. One example of this is a pilot for major distributors that we are launching at the start of 2018.

What we achieved:



over 500

discussions with municipalities



52

visits to cantonal authorities



130

public information events for residents

Business customers

Access points for SMEs

What are the consequences of postal network transformation for SMEs? The examples of Gerber Druck AG and Fontana & Fontana AG show how new solutions for business customers can lead to better service.



We appreciate no longer being tied to counter opening hours.

Hugo Fontana
Fontana & Fontana AG,
Rapperswil-Jona

"Quality and passion" – these are the values that encapsulate the guiding principles of Steffisburg company Gerber Druck AG, a reliable production professional in the print and non-print sector for more than 50 years. With international competition, digitization and mounting pressure on costs, the challenges in the industry are enormous. The need for a short-term response during day-to-day business is also becoming more and more extreme. "Our customers send us a mail in the morning and expect their finished brochures to reach their customers the next day," says Managing Director Urs Gerber. The printing company relies on Swiss Post as its delivery partner – even if the processes have changed. "The Steffisburg Dorf branch, along with the now closed Steffisburg Station branch, used to handle everything," says Gerber. "Today, we use the newly opened self-service business customer point, which has the advantage for us that we can drop off Priority consignments until 6 p.m. At the Steffisburg Dorf and Heimberg branches, that's only possible until noon."

Hugo Fontana from painting, decoration and renovation specialist Fontana & Fontana AG in Rapperswil-Jona also finds this practical:

"For us, the business customer point in the industrial area has become an anchor point for key postal services. There are no waiting times, and we use it almost every day to drop off letters, parcels and even registered mail when we need to. We appreciate no longer being tied to counter opening hours." This is an important point for smaller companies that cannot easily leave their business unattended to go to the post office during opening hours.

Alternative access points and postal services

In addition to its business customer points, Swiss Post offers SMEs many other access points to its services: from collection to special delivery at a time of their choice and from cash handling to the Customer Center at www.swisspost.ch, which provides access to all online services.

Interactive stamp

The stamp motif comes to life

Swiss Post honours historic events and prominent personalities with special stamps: 50 years Schilthorn – Piz Gloria, Niklaus von Flüe or the Unspunnen festival. There are many background stories behind these events. With the Post-App, all stamp motifs from issue 1/17 can, as it were, be brought to life. Simply scan the motif and enjoy interesting additional information in the form of text, images and video on your phone. If you want to design your own stamp, you can use the "WebStamp" online service – and even save your own video messages with the new "WebStamp with video" feature.

→ www.swisspost.ch/webstamp

New branch concept

The gateway to our new “yellow world”

Customers are welcomed personally by staff. Open counters create a sense of proximity, and various themed areas turn each visit into an experience. In Interlaken and Landquart, Swiss Post is testing what its branches might look like in the future.

Since August 2017, visitors have been able to experience the new yellow world in Interlaken, and since December, the new concept has also been up and running in Landquart. The stylish listed post office building dates from the 1950s, combines old and new and is a perfect fit for the new branch concept, which connects all Swiss Post services, both physical and digital.

At the cutting edge

Modern and bright, the branch has something of the aura of a charming living room. In the open counter area, a man takes care of his inpayments. Clearly proud of herself, an elderly woman hands in her first ever parcel

all by herself at the My Post 24 terminal in the self-service area. At the advice counter, a father is shown how to manage postal transactions via mobile app or online while his children play with a wooden toy post office.

The initial customer feedback at the two pilot locations in Interlaken and Landquart was positive. “Our customers feel that Swiss Post is at the cutting edge of social and technological development,” says Patrick Schweizer, Head of the Interlaken Branch District. That’s why Swiss Post is investing in modern branches in the coming years. In 2018, further locations will be redesigned to reflect the new branch concept.

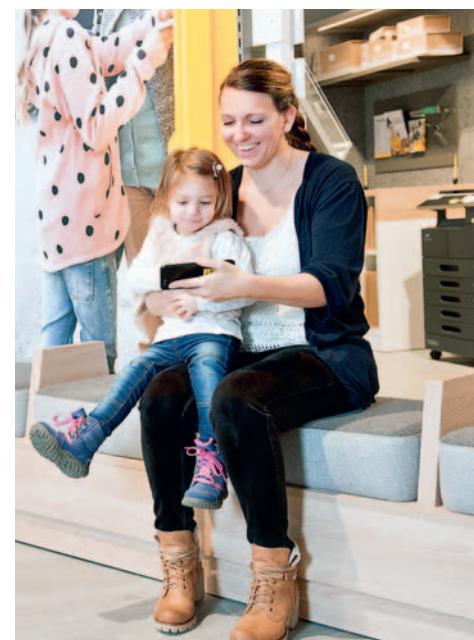


At the Landquart branch, customers can find both their familiar physical services and a wide range of digital products, all combined under one roof.



In the new branch, the focus is on Swiss Post's own services.

Patrick Schweizer
Head of Interlaken Branch District



Swiss Post Solutions

Document solutions and business process outsourcing

Swiss Post Solutions supports companies on their path to digital transformation, with solutions for the outsourcing of complete business processes, innovative document solution services and the latest technologies for secure, efficient electronic communication. Its almost 7,000 employees and specialist partners serve customers in nearly every sector – in more than 20 countries.





Swiss Post Solutions result

The digital transformation of business processes in the document solutions sector is a rapidly growing market. This has enabled Swiss Post Solutions to increase its operating profit steadily over the past five years and to continue expanding its strong international position. In the past year, the business unit generated operating profit of 25 million francs, up 5 million francs year-on-year. The positive trend in operating profit is the result of consistent implementation of efficiency improvements and optimization of the portfolio of solutions and investments. At 551 million francs, operating income was 7 million francs down on the previous year. This was essentially due to the sale of non-strategic activities and the negative exchange rate effect caused by the weak British pound. After adjustment for these effects, organic growth amounted to 5 percent.

Operating income
CHF million

551

Operating profit
CHF million

25

Headcount
in full-time equivalents

6,585

Interview

Handling physical documents digitally

To succeed today, companies must offer pioneering services while also reducing costs. The digital transformation provides support for both demands. Jörg Vollmer, Head of Swiss Post Solutions, explains how this approach can succeed in the world of document solutions.

Mr Vollmer, everyone is talking about the digital transformation. Why are companies not yet making full use of the benefits of document solutions?

To digitize processes, it is essential to have structured and digitized data. This is still rarely the case today. Take the example of a major international bank. Despite e-banking, over 80 percent of available data is still physical and unstructured. Even where the customer interface is digitized, only around 10 percent of all incoming documents can be processed digitally end-to-end. Around 90 percent of customer contact initiated online still ends up being processed physically in the bank's back office. This is exactly where Swiss Post Solutions comes in, with document solutions that combine the physical and digital worlds.

What exactly do you mean by this combination of the two worlds?

Let's stick with our example: our major bank receives around 40 million documents every year, including address changes, credit card applications and applications for mortgages. All in all, there are about 14,000 different document types, which are processed differently depending on the input channel. Until now, the bank has processed all these documents physically and digitized them only for archiving purposes. Swiss Post Solutions and the customer have worked together to reverse this process. Today, all documents are scanned on receipt, so they are immediately available electronically throughout the company.



Jörg Vollmer
Head of Swiss Post Solutions and Member
of Executive Management

What are the benefits of this approach?

Instead of physical documents, everyone involved processes digital information, allowing the bank to significantly reduce processing times and costs. This in turn strengthens the bank's position in the competitive financial market. But employees also benefit directly: digital data is what makes new forms of work such as mobile or home offices possible.



Standard back office processes for Medtronic

Better care for diabetes patients

The innovative MiniMed® insulin pump systems from Medtronic are a sales hit. To process incoming orders more efficiently, the company worked with Swiss Post Solutions (SPS) Germany to completely reorganize its standard back office processes.

Medtronic

Headquartered in Dublin and with 85,000 employees worldwide, Medtronic plc provides solutions for the healthcare sector. Medtronic manufactures more than half of all cardiac pacemakers implanted worldwide, and the company is also known for implantable cardioverter defibrillators and insulin pumps.

Diabetes Deutschland, a division of Medtronic, almost became a victim of its own success: in 2015, the launch of the new, globally unique MiniMed® 640G insulin pump system triggered a veritable boom in demand, and staff were barely able to keep up with the order processing. Orders at the Meerbusch location were coming in by the basketful. The unfinished work piled up, although the team was expanded and even worked weekends. "On the one hand, this was because of the time-consuming, mostly paper-based processes in the German healthcare system," says Jo Merkun, Managing Director of Medtronic Deutschland. "On the other hand, many of our processing practices had evolved historically – and not always very logically."

Analysis of the "patient journey"

To improve its ability to meet current demand and fully exploit future market potential, the company – together with a team from SPS – analysed the "patient journey", the journey of the insulin pump from its initial prescription to the moment the bill is settled with the health insurance companies. How do we deal with submitted prescriptions? Who draws up cost estimates? How are orders triggered, and how are they billed? "In the end, our

recommendation, working closely with our Medtronic colleagues on site, was to outsource all standard processes, process them via distributed entities and leave the back office to specially trained SPS employees," explains Oliver Jentzsch, Head of Competence Center Healthcare at SPS Germany.

SPS handles back office

At headquarters in Meerbusch, a dedicated diabetes post office was set up. In this mailroom, the SPS team processes incoming mail and digitizes every document for further processing. Customer communication, such as enquiries with patients, insurance companies or attending physicians, remains the core competency of Medtronic's diabetes team. In the back office, however, SPS handles ordering and processing for the insulin pump, continuous glucose measurement and consumable product ranges – from the SPS location in Pulsnitz near Dresden. This also includes data management and creation of invoices and cost estimates for the health insurance companies.

Document solutions for Generali

Agile and efficient input management

The Generali Switzerland insurance group outsources all of its mailroom and document digitization work to the innovative postal service providers at Swiss Post Solutions (SPS): for the long-term assurance of logistics services.

Every day, thousands of documents are processed in Nyon and Adliswil, at the headquarters of Generali Switzerland. The insurance provider is contacted by its almost one million customers through e-mails, letters or faxes. How are these different documents processed? "Media disruptions are not uncommon in the insurance industry and still represent a great deal of potential for optimization," says Urs Forster, Sales & Marketing Director at Swiss Post Solutions. "If you want to save time and money, you need to continually review your own logistics and digitization processes – and be open to new ideas."

As is the case at Generali Switzerland: to improve its efficiency, the insurance company has already successfully converted the entire document logistics process for its non-life insurance business from late scanning to early scanning. All incoming mail is scanned after sorting and then processed electronically – and not only for archiving purposes after processing. Both the physical and digital mail were therefore integrated into the work processes in the mailroom. In the life insurance business, the transition from late to early scanning has begun. Now, the insurance company is going a step further. As of 1 September 2017, it has outsourced specific activities relating to postal services and document digitization to SPS: all processing of incoming mail, scanning, classification and control of the physical archive, data entry, returns processing and changes of address.

SPS as a new employer

Because SPS is continuing activities at Generali Switzerland's two offices, the jobs there are secure. For employees, only the employer has changed. "We are pleased to have been given the opportunity to support Generali in their digital transformation in the long term. This step enables Generali to achieve significantly shorter processing times for its customers," says Urs Forster.

Generali

Founded in Italy in 1831, Generali (Switzerland) is one of the world's leading insurance companies, with a presence in more than 60 countries. Generali (Switzerland) Holding Ltd operates its business through its subsidiaries from two principal offices: Adliswil and Nyon. It has around 2,000 employees serving almost one million customers.



Q&A

Andreas Krümmel
CEO of the Generali Group
Switzerland

How is Generali modernizing its business model?

Generali Switzerland has developed a new strategy with the focus on innovation and digitization, and is investing around 100 million francs over the next four years in the modernization of its business model. We are working flat out to modernize our IT and continue to develop digitization. We want to exploit their potential in the future for our customers' benefit.

How did customers benefit from the strategic realignment?

We want to be simpler, smarter and faster for our customers. We want interaction with us across all points of contact to be as easy and direct as possible. We believe that digitization plays a decisive role in this.

How does Generali benefit from its cooperation with SPS?

We benefit from the high level of innovation potential that SPS contributes as the Swiss market leader in information logistics. Our cooperation allows us to optimize manual tasks and response times to customer requests. SPS also supports us in our digital transformation.

PostFinance

Payments, savings, investments, retirement planning, financing

PostFinance is one of Switzerland's leading retail financial institutions and, as the market leader in payment transactions, ensures a seamless daily flow of liquidity. With simple, straightforward services, it is the ideal partner for anyone who manages their own finances, anytime and anywhere. Thanks to its strong brand, it is seen as an attractive provider of financial services, and this also benefits its customers, because a strong brand inspires confidence and provides focus and security.





PostFinance result

In the financial year 2017, PostFinance recorded an operating profit of 549 million francs, representing an increase of 7 million francs year-on-year. This slightly improved result is due firstly to capital gains from the sale of two equity portfolios. Secondly, reversals of impairment on financial assets also had a positive impact on the result, following impairment losses incurred in the previous year. Operating income was down 67 million francs to 2,088 million francs. This was principally due to lower interest income, which declined by 117 million francs. PostFinance continues to face a difficult market environment in the interest business, due in particular to the lending prohibition. The ongoing low interest situation further eroded interest margins. To remain profitable in the long term, PostFinance is tapping into new sources of revenue, thereby reducing its dependence on the interest differential business. It is also placing even greater strategic focus on digitization and is transforming from a traditional financial service provider into a digital powerhouse, with the aim of becoming Switzerland's leading digital bank by 2020.

Operating income

CHF million

2,088

Operating profit

CHF million

549

Customer accounts

in thousands

4,809

Development of customer deposits

CHF million

-611

Avg. customer assets

CHF billion

120

Headcount

in full-time equivalents

3,475

Interview

Our traditional business model is under threat

Kurt Fuchs, Head of Finance and Deputy CEO of PostFinance, explains why PostFinance in particular is suffering from the negative interest rate environment and what the financial institution is doing about it.

Kurt Fuchs, the interest differential business has always been the most important source of revenue for PostFinance. Is that still the case?

Yes, we still currently generate more than half of our income from the interest differential business. However, persistently low interest rates are weighing increasingly heavily on net interest income and gradually eroding interest margins.

Why is the negative interest environment more worrying for PostFinance than for other financial institutions?

While PostFinance has had a banking licence since 2013, the lending prohibition set out in the Postal Organization Act means that we are not allowed to issue our own loans and mortgages. In the current market environment with low and even negative interest rates, this is a major competitive disadvantage. We have to invest our customer deposits at historically low interest rates on the capital markets in Switzerland and abroad, where they yield virtually no returns.

Can PostFinance still find profitable investments for its customer deposits?

Yes, but it is becoming increasingly difficult to find safe and reasonably profitable investment options. We have therefore parked a share of our customer deposits at the Swiss National Bank, allowing us to respond quickly to any changes in the market.

Since the financial crisis, customer deposits at PostFinance have increased significantly. What impact does that have on PostFinance's interest margins?

During the financial crisis, customer deposits nearly doubled and have also continued to increase subsequently. Today, we manage

110 billion francs in customer deposits. By way of comparison, in 2007 it was 44 billion francs. Since then, the interest margin has almost halved, from 1.54 percent to the current rate of 0.78 percent.

What is PostFinance doing in this situation?

Our traditional business model is under threat. We are therefore diversifying our income structure by tapping into new sources of income that do not depend on interest rate levels. We see immediate potential in investment business, where we were able to achieve very encouraging growth in the past financial year. In the long term, we also want to tap into new sources of income from innovative digital business models.



Kurt Fuchs

Head of Finance and Deputy CEO
of PostFinance



Digital wallet

More than 600,000 people use TWINT

At the end of 2017, the payment app TWINT broke the 600,000 user mark. That's the number of people now using the app to make payments at store checkouts or in online shops, transfer or receive money in real time and benefit from loyalty programmes and discounts.

>60

banks cooperate with TWINT.

1,000

online shops enable their customers to pay via TWINT.

50,000

checkouts are set up for TWINT.

659

self-operated Swiss Post branches allow their customers to pay with TWINT.

Every eleventh takeaway coffee is free. This early in the morning, it's not something Maurice is thinking about. But the digital loyalty card on his TWINT App is counting – and reminds the vocational student about it when he holds his smartphone up to the payment station. Every day, Maurice has the money for his coffee automatically debited from his PostFinance account via Bluetooth and the TWINT App. Like half a million other users, Maurice has saved his account in the app.

According to market research institute GfK, the TWINT payment app is Switzerland's best-known mobile payment solution. In an unprompted survey, it was named by 37 percent of respondents, rising to some 43 percent among the fully employed.

TWINT is also widely used at Maurice's vocational school: on this particular morning, a classmate tells Maurice that she received a discount voucher for the newly opened shoe shop near the school via TWINT – before

proudly showing him her new boots. And Maurice himself has owed a friend 50 francs since they went out at the weekend. During the morning break, he transfers the money to him from smartphone to smartphone.

Benefit

The customized discount

Most people like discounts. But 90 percent of the vouchers piled up on kitchen tables have little to do with people's personal preferences. PostFinance Benefit, on the other hand, gives customers discounts that are suited to them. Affinities are calculated by analysing purchases made with the PostFinance Card. Anyone who has a PostFinance account and uses e-finance can register online for the service. And thanks to personal notifications, PostFinance customers will never miss a bargain again.



Q&A

Hansruedi König
Chief Executive Officer of PostFinance

How far has the construction work on the “digital powerhouse” progressed?

For the past 18 months or so, we have drawn up the blueprints, so to speak. The first milestone was our conversion of PostFinance to a new organization in the summer of 2017.

What are the next stages of construction?

For a house to be able to weather stormy times, it needs a strong foundation. The foundation of the digital powerhouse is the new core banking system, which we will introduce at Easter 2018. We will then start with the actual construction of the house, and we want to become Switzerland's leading digital bank by the end of 2020.

Why is the new core banking system so crucial?

Our current IT landscape has grown over many years and is therefore very heterogeneous and cumbersome. To become faster and more agile, we need to optimize our IT architecture and modernize our core banking system. Only then will we be technically ready for digitization and the digital powerhouse.

Working capital management (WCM)

Individually tailored WCM solutions

For companies to survive, a healthy level of liquidity is essential. With PostFinance's Supply Chain Finance services, companies can ensure that they have sufficient liquidity for their running costs and enough money to invest in their core business.

The order books are full. The business is growing rapidly, to the delight of investors and management. But success also creates problems. The company has more and more open customer invoices – because most customers make the most of their payment deadline. “A long period of outstanding receivables and tardy payments can endanger companies' liquidity,” says Adrian Brönnimann, Head of Key Accounts Sales & Management.

At the same time, a growing business will itself accumulate more and more receivables from suppliers, which it will of course pay on time, because the company wants to maintain its creditworthiness and good relations with its suppliers.

The risk grows

A gap opens up between outgoing payments to suppliers and the receipt of payments from customers. During this period, liquidity for the business is tied up in inventories or money due from customers. The risk of liquidity bottlenecks grows. To pay its own supplier invoices, the company can draw on debt and equity capital. But that accrues interest and reduces free cash flow, leaving less money for new investments or generation of higher returns.

Optimizing payment deadlines

PostFinance's Supply Chain Finance solutions can help businesses remedy this problem. “We help companies to optimize their payment deadlines,” says Adrian Brönnimann. Through its factoring solution, PostFinance purchases a company's customer receivables and pays them within a few days. “This gives the business immediate liquidity – and can also reduce finance charges.” In reverse factoring,

PostFinance purchases the company's supplier liabilities for deliveries and services and pays them on time. The company can repay the purchased liabilities to PostFinance at a later date of its choice.

Thanks to these WCM solutions from PostFinance, the business improves the predictability of its cash flows. It reduces the risk of payment defaults and creates confidence among suppliers. Faster availability of customer payments provides access to more liquidity. This money is then available for expanding the company's core business.

Working capital

Working capital is about as important to companies' survival as oxygen is to people. To generate earnings, a company must spend a share of its cash on inventory. It must be able to build up accounts receivable on the balance sheet and requires liquidity to settle its current liabilities in day-to-day business. These assets are capital that is tied up and cannot be used for either interest-bearing investments or the expansion of business activities.

PostBus

Bus company and integrated solutions provider

With its innovative services, PostBus wants to help shape the mobility of the future. The company develops practical solutions to accommodate the public's growing mobility requirements. The following pages refer to the year 2017.



**PostBus result**

As previously communicated in early February 2018, PostBus received excess compensatory payments between 2007 and 2015 due to irregular reclasifications. PostBus will reimburse the claimed amount – a sum of 78.3 million francs – to the Confederation and cantons. Accordingly, the operating result stands at –69 million francs. Operating income at PostBus declined to 836 million francs. In addition, a provision amounting to 30 million francs was made for the years 2016 and 2017.

Operating income

CHF million

836**Operating profit**

CHF million

–69**Domestic passengers**

in millions

155**Domestic vehicle kilometres**

in millions of km

119**Vehicles**
as a number**2,311****Headcount**

in full-time equivalents

3,261

PostBus App

The whole of Switzerland at the tap of a finger

The smartphone is becoming increasingly important as a travel companion. More than ever with the new PostBus App, which presents timetable connections in a completely new way and enables passengers to purchase public transport tickets for the whole of Switzerland.

When does Karla need to leave work to make sure she catches her train to Bätterkinden on time? "Start from Funkstrasse 100, Wabern in ... five minutes," says the countdown display on her smartphone. This is one of many practical features in the PostBus App, relaunched in July 2017.

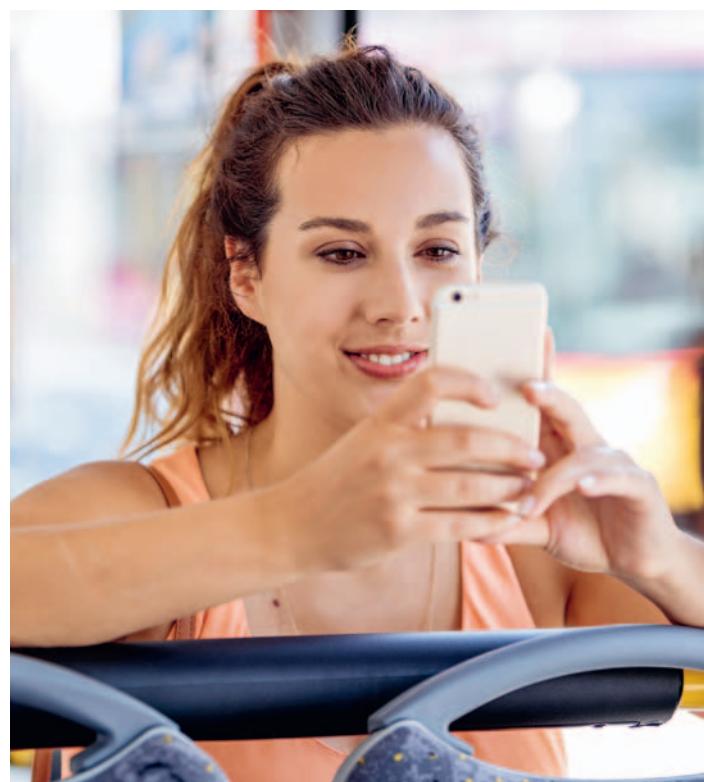
to where she's going. She can also use the universal app to purchase tickets for almost all fare networks, as well as a public transport ticket from Zurich to Berne, or for a boat trip or mountain railway. Customers who use the new PostBus App as a ticket machine can pay for their tickets with a credit card or PostFinance Card.

From villages to cities, conurbations to mountains

Commuter Karla has saved all her frequently chosen travel destinations in the PostBus App, including her office in Wabern and her parents' home in Schnottwil. She can specify up to ten favourites – such as her home, holiday apartment or place of work. When she starts the app, the countdown shows the number of minutes before she needs to set off to get to her specified destinations. When Karla selects one of these destinations, it shows the next possible connections from where she is

Well connected to the last mile

Every day, an average of around 425,000 passengers board a Postbus at one of 11,804 PostBus stops on 897 routes. The PostBus App is a good example of how PostBus is evolving into a fully integrated mobility provider and offers its passengers more than just a journey on public transport, including solutions for combined mobility such as the mobility sharing service PubliRide or the large bike sharing network PubliBike.



SmartShuttle

High acceptance of self-driving vehicles

7,000

trips around Sion have been completed by the SmartShuttles since their introduction in June 2016.

8,200

kilometres have been covered by the SmartShuttles in Sion.

32,000

people from Switzerland and abroad have used the SmartShuttles in Sion.

People in Switzerland have confidence in self-driving bus technology. Many sceptics also set aside their concerns once they have travelled on a SmartShuttle themselves. This is the conclusion of a study. Testing in Sion will be extended until the end of 2018.

Fredy boards a self-driving Postbus for the first time. He's full of curiosity – but, at the same time, also a little edgy and tense. But with every metre he travels on the driverless SmartShuttle in Sion, the tension is reduced. His confidence in the PostBus sensors, camera lenses and software grows from second to second.

Many people feel the same way as Fredy: "Once you've travelled on a self-driving Postbus, you have little or no concern about safety." This is the conclusion of the first Swiss acceptance study on the subject of automated driving, in which market research company GIM Suisse and the University of Applied

Sciences of Western Switzerland in Valais surveyed 400 people. The study was conducted on behalf of Swiss Post.

Greater acceptance than in China and the United States

The study interviewed shuttle passengers, cyclists, car drivers, pedestrians and shop owners. More than half expressed no or very minor concerns about self-driving buses, making the level of acceptance in Switzerland greater than in China (where 87 percent of people have major concerns), the United States (78 percent) or Japan (75 percent).



The self-driving Postbus is particularly suitable for car-free zones, remote regions or company premises.

Cabriolet and double-deckers

A breath of fresh air for the PostBus fleet

They're both yellow, but otherwise the Postbuses acquired since 2017 are very different from the older ones, especially at the top: the first PostBus cabriolet for forty years and the new fleet of double-deckers.

"Topless" in the Alps

A hike helps clear your mind. This fact inspired partners PostBus and the Swiss Hiking Trail Federation to come up with the idea of developing a cabriolet. First presented in July 2017, this eight-metre vehicle with a retractable roof can seat 20 people. It will be used for special trips in Graubünden, and groups will also be able to book its services.

Standing tall in Eastern Switzerland

With their large number of seats, double-deckers are particularly well suited to winding roads that are frequently used. In Eastern Switzerland, PostBus will replace 19 existing double-deckers with a new, 80-seat model produced in the UK by the end of 2018. It was first presented to the public at an open day event in May.



The cabriolet is a travelling symbol of the partnership between PostBus and the Swiss Hiking Trail Federation.

Michael Roschi

Managing Director of the Swiss Hiking Trail Federation

A world premiere in Sion

PostBus is working to gather more experience with autonomous buses, and has now started operation of a closed test area in Berne. Operation on public roads in Sion has also been extended until the end of 2018. Since the start of testing in June 2016, the two SmartShuttles in the Valais capital have transported 60,000 passengers over the 1.5-kilometre route. The second test phase is now running on a route that is twice as long and leads to the train station. This is a global first – self-driving buses in a public transport system serving a train station.

Flexible shuttle service

Journeys on demand

In the Canton of Aargau in 2018, PostBus will start testing small shuttle buses that can pick up passengers at any location and take them to a destination of their choice. Bookings will be made using an app. Swiss Post is planning to pool journeys to similar destinations using digital resources. This trial enables PostBus to test the extent to which existing scheduled routes can be supplemented with flexible shuttle services.



The PostBus cabriolet has a retractable roof and features typical of a touring coach. It can be seen on roads throughout Switzerland.

PubliBike

Rental bikes for commuters, impulse cyclists and tourists

Want to rent a bike in just a few taps on your phone? Well, you can! Thanks to PubliBike, a subsidiary of PostBus, bike sharing will in future offer a good alternative to motorized private transport in Berne and Zurich.

2,400

bicycles and e-bikes are available for hire in Berne.

24/7

The **bike stations** are open twenty-four hours a day, seven days a week.

A small group of tourists is visiting Berne. The four Germans have left their car at the park & ride because they're eager to make use of the brand new public bike rental system. A mobile app guides the group to the nearest rental station. They use the app to unlock the e-bike smart locks. Later, they return the bikes to one of the 200 rental stations scattered around the city.

PubliBike makes everyday life easier

Since 2009, PubliBike, a wholly-owned PostBus subsidiary, has been offering a range of bike sharing networks as an integrated service throughout Switzerland. The company manages their operation and handles marketing and customer service. "We cater to the last mile of a public transport journey and make everyday mobility easier for people who live in the city, commuters and tourists," says Bruno Rohner, CEO of PubliBike. PubliBike is

expanding its presence in Berne in May 2018: when the entire fleet is up and running, it will consist of around 2,400 rental bikes at 200 stations, with 2,250 bikes at 150 stations in Zurich. At least half of the bicycles are e-bikes. Prices are attractive, and the bikes can also be rented and opened with the SwissPass.



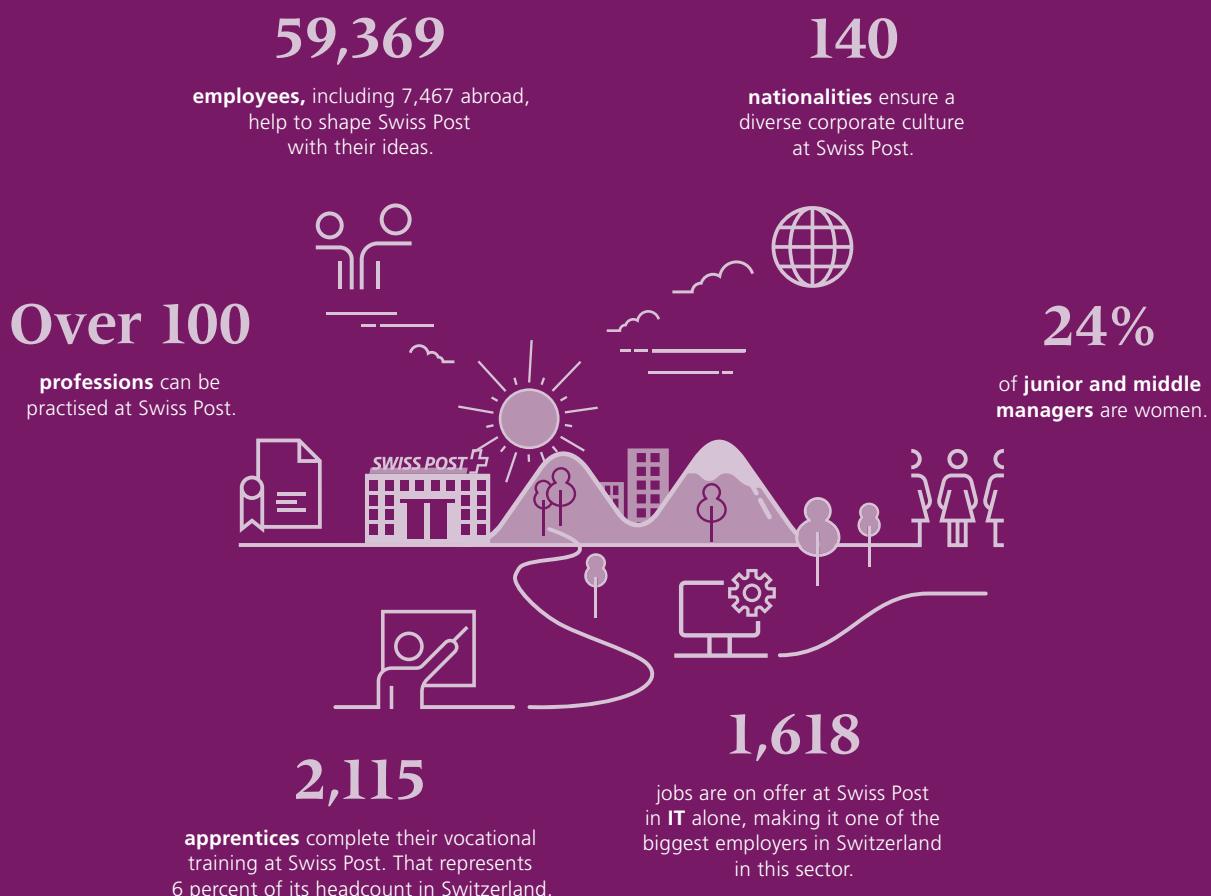
We make everyday mobility easier for city dwellers, commuters and tourists.

Bruno Rohner
CEO of PubliBike



Employees

From logistics and IT technicians to parcel carriers: 59,369 employees from 140 nations can pursue careers in over 100 professions at Swiss Post, and develop their skills with the company. HR currently offers a wide range of measures to enable employees to enhance their digital skills and help shape the transformation process. At the same time, the company's own organization and the range of services it offers are being restructured.



Interview

"Looking out for employees and supporting units"

Valérie Schelker has been Head of Human Resources at Swiss Post since April 2017. She works with her team to provide support to employees during the transformation process, and is restructuring Swiss Post's HR.

Interview

with **Valérie Schelker**
Head of Human Resources
and Member of Executive Management

Ms Schelker, the performance promise at Swiss Post HR reads: "We are developing our human resources for the success of Swiss Post – we are Swiss Post." What does that mean in concrete terms?

Our performance promise is based on the Swiss Post vision. It means that we are getting our employees into shape for tackling future challenges, while also working to ensure the systematic development of HR staff. This will enable them to provide the best possible support to Swiss Post, and ICT in particular, during the transformation process.

Our HR strategy allows us to provide the best possible support for Swiss Post's transformation process.

You mentioned the major transformation process that Swiss Post is currently undergoing. How do you see HR's role in that process?

HR acts as a strategic partner within the individual units and Executive Management. We want our services to be efficient and business-oriented across all dimensions of HR's core processes, from recruitment through to the moment an employee departs. We have defined five strategic thrusts designed to achieve this: we want to develop the organization, facilitate employee performance, enhance Swiss Post's appeal as an employer, develop personnel expenses and employment conditions in line with the markets, and improve effectiveness and efficiency. The digitization and transformation processes are key drivers of the current HR strategy.

That sounds like a lot of change. What is your approach to dealing with employees' fears, and how do you support them in this transformation process?

I completely understand that changes can lead to certain insecurities and fears. That is exactly why we are supporting our employees so closely. For example, we have launched an internal job platform to make it easier for staff to search for an internal or external solution. We are also developing their digital skills – one of the ways we do this is by familiarizing them with new digital Swiss Post products.

How are you developing the working environment?

The central focus is on promoting the company's agility and capacity for innovation. However, measures designed to shape the



working environment should also help to further improve cooperation and promote ways of achieving a healthy work-life balance. For example, we are currently piloting "third places" in Swiss Post buildings, where employees with notebook computers use alternative office workplaces away from their actual place of work.

The customer experience is central to Swiss Post's vision. What does this mean for HR?

In terms of employee recruitment, our goal is to ensure that prospective and actual candidates have a positive experience. The candidate experience – how applicants perceive their own recruitment process – is a critical success factor for Swiss Post. It is vital to our credibility as an attractive employer and has a direct impact on the number of applications and their quality. A positive customer experience or even a customer surprise are part of Swiss Post's DNA, including on the labour market.

Have you already initiated projects and measures for the transformation of HR?

There are numerous measures already being implemented. In the current strategy period,

for example, we are establishing a new HR business model that combines business orientation with efficiency improvements. This model harnesses the digitization and standardization of our HR services, while also reinforcing a sense of managerial responsibility. At the same time, we are becoming more agile and market-oriented. We want to support our managers in their work by implementing simpler and more user-friendly processes.

What other new avenues are you exploring?

Swiss Post relies on good employees. And when you're looking for new staff, who knows best who's a good match for Swiss Post? Well, of course it's colleagues who know the job requirements well. That is why we rely on our employees as ambassadors. At the moment, we are also testing video interviews for applicants as part of the recruitment process, which is our way of optimizing it. This creates added value for both sides: applicants have an early opportunity to present themselves to Swiss Post during the initial selection phase, while Swiss Post has a better basis for decision-making and can respond more quickly.

Vocational training

Well trained and highly motivated

Swiss Post fosters young talent and is one of the biggest training companies in Switzerland. In 2017, 734 apprentices successfully completed their basic vocational training and, in doing so, have made the leap into the working world. Around a third of them attained an overall grade of 5.0 or above, with 9.3 percent even achieving a grade of 5.3 or higher. More than 300 of the apprenticeship graduates can continue to be employed by Swiss Post.

This summer, the apprentices started their training in the fields of ICT, logistics, retail, commercial professions and maintenance. Swiss Post offers around 2,000 apprenticeship places in 13 career areas, developing the range on offer according to market requirements and making a targeted investment in ICT specialists. For example, a new apprenticeship to become an ICT specialist will be offered for the first time in the 2018 training year. In addition, the Bachelor's degree with integrated practical training (PiBS) in information technology is also entering its third year.

—  —

We're getting our employees and HR into shape for the future.



Compliance

Creating a common understanding

To emphasize its importance and create a common understanding of compliance, Swiss Post has developed communication measures and trained its employees.

Swiss Post is committed to a modern and effective compliance regime. It operates a compliance management system to prevent breaches of norms and ethics.

To create a consistent understanding of compliance within the Group and to emphasize the importance of the topic, Swiss Post has produced a short film and two web-based training (WBT) modules. The first module provides a 20-minute introduction to the topic and the individual components of Swiss Post's compliance management system, while the second 20-minute module sets out key Swiss

Post compliance issues such as data protection, anti-corruption and public procurement law. Both modules were completed in 2017 by all management staff and selected specialists working in Switzerland. The two WBT courses are also available on the compliance intranet site for anyone who is interested. The intranet site itself was also expanded.

The film is intended for all employees working in Switzerland and explains what compliance is, what the main compliance issues are for Swiss Post and who employees can contact if they have any questions.

Diversity

Swiss Post fosters a culture of diversity.

Sabine Rial-Ramseier
Diversity Management Specialist

Mixed teams, well connected

New lifestyles and work practices, changes in social values and changing requirements among customers, business partners and employees make managing diversity an important strategic factor for Swiss Post. The company wants to harness the potential of this diversity – for instance, by systematically creating a balanced mixture of teams in daily working life. "This is our approach to promoting a learning culture, motivation and open-mindedness," says Sabine Rial-Ramseier, Diversity Management Specialist. "Our understanding of customers' concerns also grows when women and men from different cultures and generations with diverse talents and personalities work together."

Networks for internal dialogue

Swiss Post also promotes dialogue among like-minded people across different units and hierarchical levels with internal networks offering information, activities and events. MOVE, for example, addresses women and men with a personal commitment to striking a healthy balance between work, family and leisure. MOSAICO promotes a lively linguistic and cultural diversity and enables staff to brush up on their oral language skills in pairs on a regular basis, or to converse in various languages at lunchtime table talks. To encourage an environment in which everyone can be open in the workplace about their sexual orientation or trans identity, the RAINBOW network breaks down reservations and promotes acceptance.

Swiss Post wants to harness the potential that this diversity has to offer. Because by creating a balanced mixture of teams, it gains competitive advantages as an employer and on the market.

Responsibility

Swiss Post develops new products and services in line with customer requirements for a resource-friendly and circular economy.

It is committed to sustainable and responsible procurement and works within its corporate citizenship framework for the common good. Thanks to its energy-efficient fleet and promotion of renewable energies, it continuously reduces its greenhouse gas emissions.

more than 19%
is the **CO₂ efficiency improvement** over 2010 achieved by Swiss Post by the end of 2017.

436,550 t
of **CO₂ emissions** were generated by Swiss Post in 2017.

2,954 million
is the number of times the “**pro clima – Shipment**” service was used for letters, parcels and other services.



48,300 **parcels** were shipped free of charge by Swiss Post as part of the 2 × Christmas campaign.

around 45% of all **Swiss Post vehicles** use alternative drive technologies.

2017–2020 corporate responsibility strategy

We're acting now for tomorrow

Swiss Post continues to focus on climate protection and is expanding its social commitment. The 2017–2020 corporate responsibility strategy focuses on four areas of action: climate and energy, circular economy, responsible procurement and corporate citizenship.



Climate and energy

Our ambition

Swiss Post's climate goal is in line with the objective of stabilizing global warming to well below 2 degrees Celsius by 2100.

Goals and strategic thrusts

- Improve CO₂ efficiency by at least 25 percent by 2020 (base year 2010)
- Promote renewable energy and increase its share
- Use the best available technologies and expand climate-friendly products

Examples

- Electricity is 100 percent renewable and from Switzerland
- The electricity and environmental added value from 12 new photovoltaic systems is used by Swiss Post itself
- In its own buildings in Switzerland, Swiss Post does not use fossil fuels
- 45 percent of the efficient vehicle fleet uses alternative drive systems
- For addressed domestic letters and PromoPost, Swiss Post assumes the "pro clima" surcharges for offsetting CO₂ emissions and also invests them in a Swiss Post climate protection project

Circular economy

Our ambition

With our products and skills, we support a resource-friendly and circular economy.

Goals and strategic thrusts

- Tap into new logistics potential and create additional social benefits
- Support circular product use with innovative logistics services

Examples

- Swiss Post uses old batteries from electric scooters as energy storage units in buildings with solar systems
- Swiss Post collects used Nespresso coffee capsules from customers' homes for recycling
- Swiss Post collects and recycles old Swiss Post clothing in cooperation with the Swiss Red Cross
- Thanks to its many access points, including the home delivery service, items rented from the Sharely platform can be sent with Swiss Post

Procurement

Our ambition

In terms of sustainability, we want to become one of the leading procurement organizations in the postal industry.

Goals and strategic thrusts

- Integrate sustainability criteria into service tenders, create a risk evaluation for strategic suppliers
- Integrate the circular economy and carbon-neutral approach consistently into procurement practice

Examples

- Suppliers undergo an independent sustainability assessment to provide transparency and create the basis for a collaborative path to a more sustainable supply chain
- Swiss Post procures recyclable products (e.g. furniture)
- All suppliers must sign the Code of Ethics and Social Responsibility, which requires compliance with social standards and environmental principles
- Swiss Post integrates sustainable criteria into its procurement processes



Corporate citizenship

Our ambition

We are committed to the common good and make corporate resources available for charitable, social or environmental purposes.

Goals and strategic thrusts

- Contribute to solving social or environmental challenges and create added value for society
- Encourage employees to publicize and support Swiss Post's commitment to corporate citizenship

Examples

- 2 x Christmas is a cooperative, charitable fundraising campaign for the needy at home and abroad. Swiss Post transports the parcels free of charge to the SRC logistics center, where they are sorted by Swiss Post staff and volunteers
- Promotion of culture through Swiss Post's own art collection. Swiss Post supports young Swiss artists
- As the main partner of the Swiss Hiking Trail Federation, Swiss Post facilitates volunteer assignments for employees



Corporate responsibility charter

Our self-perception

Swiss Post is aware of its special corporate responsibility as one of the largest employers and the market leader in postal services, payment transactions and road-based public passenger transport in Switzerland.

We regard the concept of corporate responsibility (CR) as a fundamental ethical attitude based on our core values: "reliable", "value-enhancing" and "sustainable". Sustainability means ensuring an appropriate balance between economic success, environmental action and social responsibility, while taking account of the needs of current and future generations.

"The Confederation: exemplary in energy" group

More efficient by a quarter

Despite some strong growth, Swiss Post reduced its energy consumption by a total of 7 percent (base year 2006). Energy efficiency was increased by 27 percent. This is confirmed by the latest calculations of "The Confederation: exemplary in energy" group, which in addition to Swiss Post also includes the Federal Administration, the ETH sector, Swisscom, Swiss Federal Railways (SBB), Skyguide and Genève Aéroport. The collective measures undertaken by these stakeholders focus on buildings and renewable energy, mobility, data centers and green IT. Among the measures implemented by Swiss Post were renewing its transport fleet with more energy-efficient railway wagons and removing its last petrol scooter from service. In addition, the tube lighting in the letter centers is also being replaced by LED lights.

FWF and EcoVadis

Commitment award

Trousers, jackets, blouses – each year, Swiss Post has around 200,000 items of clothing manufactured for its uniformed employees. As a member of the Fair Wear Foundation (FWF), Swiss Post has undertaken to comply with comprehensive social standards in the manufacture of its clothing. In 2017, Swiss Post was awarded "Leader" status by the foundation for the fourth time in a row.

In addition, Swiss Post has also been certified "Gold" by EcoVadis for its exemplary environmental and social practices – an exceptional result within the logistics sector. EcoVadis is an internationally recognized, independent ratings agency working in the field of corporate sustainability.



100 %

is the share of electricity from **renewable** energy used by Swiss Post.



Redistribution of CO₂ levy

Every year, Swiss Post receives funds from the redistribution of the CO₂ levy on fuels. Since 2010, it has used these funds for climate protection as part of its "pro clima – We're acting now" sustainability programme. In 2017, more than 2 million francs were invested in electric and hybrid buses, electric vans, bio-gas, biodiesel, replacement of fossil-fuel heaters, LED lighting, awareness-raising, tyre tests and many other measures.

Photovoltaic systems

Solar electricity for the company's own use

With its eleven photovoltaic systems, Swiss Post fed around 6 gigawatt hours of solar electricity into the grid in 2017. By the beginning of 2020, it will bring 12 more systems on stream and use the electricity produced for its own requirements.

Swiss Post is expanding its commitment to renewable energy: in addition to the 11 photovoltaic systems already in place at the letter and parcel centers, Swiss Post has been planning and creating 12 others since 2017. Solar electricity from these will be used to cover the company's own requirements. This second "wave" of photovoltaic systems for internal use should be completed by 2020. The surplus is fed into the public grid.

Second-wave systems in Aigle, Mägenwil and Neuchâtel are already in operation. In Neuchâtel, an innovative energy storage unit was installed, which is charged with the surplus generated by the system. The energy storage unit is fitted with used Swiss Post scooter batteries, giving them a second lease of life. The unit can be used to recharge vehicles overnight or cover off-peak power requirements. This system has been in operation since March.



Swiss Post generates solar electricity for its own use in its photovoltaic systems. The surplus is fed into the public grid.

Energy education for schools

"Each cell counts"

As part of its "pro clima – We're acting now" sustainability programme, Swiss Post is participating as a partner in the energy education project "Each cell counts" (JZZ), run by the climate protection organization myblueplanet. It supports schools throughout Switzerland in building a solar power system on their roof. The locally produced electricity is consumed directly in the building, so there is no detour through the grid required: a cost-effective solution. The schools also integrate

campaign-based educational input concerning energy, climate protection and sustainability into their curriculum, with JZZ making proposals for excursions, project weeks and campaign days such as Black Out Day – a school day without electricity – or Construction Site Day, where students actively get to grips with making their own solar power system a reality.

The JZZ project also involves local people and organizes joint events with schools and municipalities. Swiss Post employees can also get involved by volunteering for JZZ and helping to install the solar panels.



Q&A

Marco Imboden

Head of Communication and Sustainability Technical Committee, Member of Extended Executive Management

Why is Swiss Post committed to climate protection?

We take our corporate responsibility in this area seriously: for the environment, for society and for long-term business success. With this in mind, we must reduce our CO₂ emissions even further, with the goal of reaching zero by 2050. Our Group goal with respect to CO₂ efficiency is therefore geared to the long term and in line with stabilizing global warming at well below 2°C.

What are the biggest challenges?

One ongoing challenge is the procurement of vehicles with alternative drives that meet our operational requirements.

Why is Swiss Post only now using the solar electricity it generates?

Until now, we have been feeding our solar electricity into the grid.

With the new Energy Act, it makes sense to use the electricity we produce ourselves.

We can use it for our scooter fleet, for example, which is already fully electrified.

Electromobility

The right drive on their rounds

A parcel carrier starts and stops the engine of his delivery van around 100 times a day. This means that the clutch, gearbox and starter have to be serviced and replaced regularly. With electric vehicles, it's different: they are particularly well suited to short distances with many starts and stops. Quiet and envi-

ronmentally friendly, these vehicles have an output of 109 horsepower and a maximum speed of 120 kilometres per hour. Recharging the batteries – with 100 percent eco-electricity – takes seven hours. Swiss Post is testing the vehicles' suitability with regard to their range, driving comfort and the reaction from customers. The goal is to also increase the use of energy-efficient alternative drives for parcel deliveries in order to further reduce CO₂ emissions.



Employee mobility

Employee mobility increasingly sustainable

Whether for business or private use – Swiss Post offers its employees a wide range of options for environmentally-friendly travel. This includes charging stations for electric vehicles at its major locations, promotional discounts on the purchase of e-bikes and a large number of possibilities for charging batteries at workplaces throughout Switzerland.

Employees can also hire bicycles from PubliBike free of charge and are offered access to carvelo2go's eCargo bikes at a discounted rate. For business trips, e-bikes and pool vehicles with alternative drives are available.



Swiss Post promotes sustainable mobility for its employees.

Swiss Post's commitment to hiking

Because hiking trails connect



Our employees are also pitching in: as volunteers maintaining the trails.

Sandra Gysi
Head of Live Communication
at Swiss Post

What could be better than exploring Switzerland on foot? Swiss Post is now the main partner of the Swiss Hiking Trail Federation. Swiss Post employees can volunteer for assignments to help maintain its trails.

Hiking is the number one sport among people in Switzerland. More than 65,000 kilometres of signposted hiking trails open up Switzerland and connect people across language barriers, mountains and valleys.

Swiss Post's commitment as the main partner of the Swiss Hiking Trail Federation allows it to support the implementation of projects that help to encourage hiking as a sport. For families in particular, but also for other target groups, there is a wide range of hiking tips, campaign ideas and hiking events. Swiss Post offers its employees the opportunity to use work assignments to get personally and actively involved in the upkeep of the hiking

trails: ideal for anyone who wants to spend a day doing something completely different in the great outdoors. The volunteers carry out simple maintenance work on hiking trails in safe open country, repairing steps or footbridges, restoring drains or reinforcing sections of trail with gravel. They are given professional guidance and supervision by specialists. This work enables employees to make a valuable contribution to maintaining a safe and well maintained network of hiking trails.

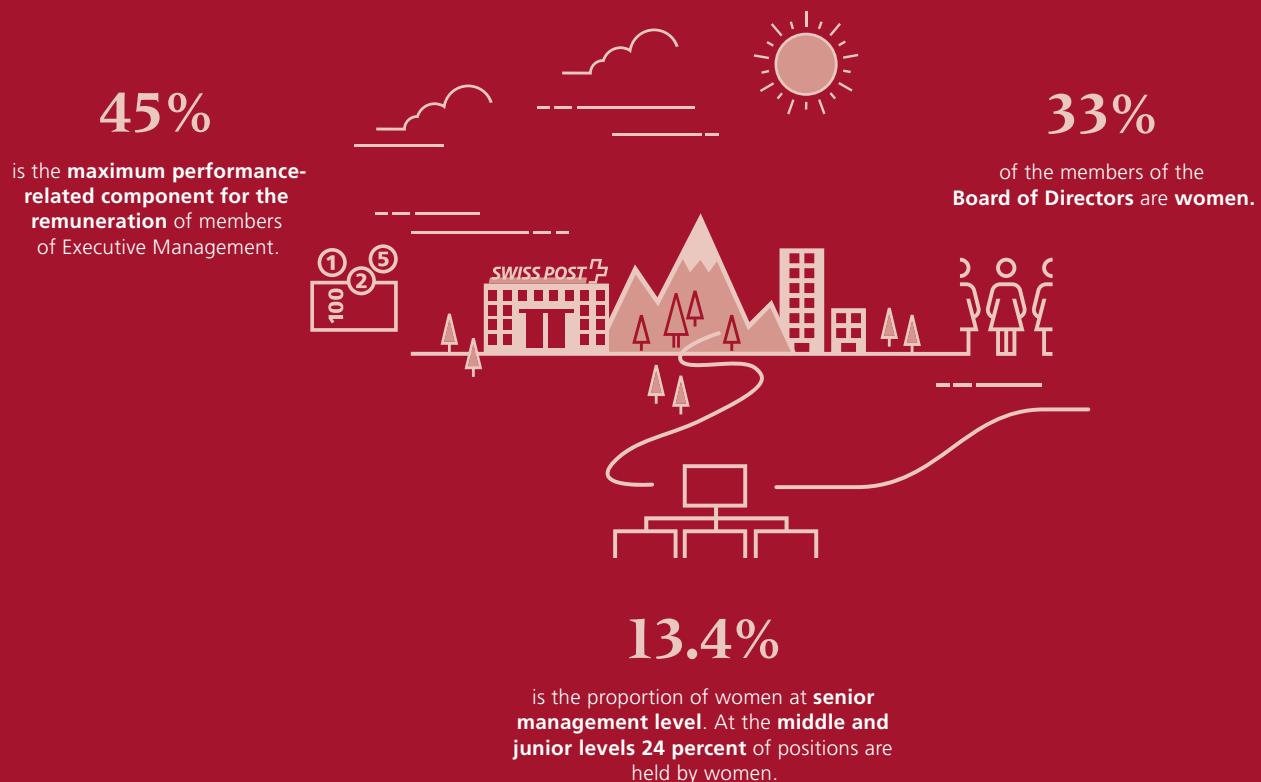


Hiking is popular with families and is the number one sport among people in Switzerland.



Corporate governance

Swiss Post attaches great importance to corporate governance. For years, it has based its actions on the Swiss Code of Best Practice for Corporate Governance drawn up by economiesuisse. Corporate risk, scope of responsibility and the Ordinance on Executive Pay are taken into account by the Board of Directors when determining the remuneration due to members of Executive Management. For details on corporate governance, see pages 61 to 74 of the Financial Report.



Remuneration policy

Determination of remuneration

Corporate risk, scope of responsibility and the Ordinance on Executive Pay are taken into account by the Board of Directors when determining the remuneration due to members of Executive Management. The Board of Directors has regulated the remuneration and fringe benefits for its members in the BoD remuneration regulations.

Remuneration for members of Executive Management is comprised of a fixed base salary and a variable performance-related component.

Remuneration for members of Executive Management is comprised of a fixed base salary and a variable performance-related component. This may be a maximum of 45 percent of the gross annual base salary (a maximum of 55 percent in the case of the CEO; from 1 January 2018 a maximum of 50 percent). At Group level, the variable component is calculated from economic value added (28 percent) and Group customer satisfaction (12 percent). At Group unit level, a distinction is made between qualitative benchmarks (20 percent) and financial key figures (20 percent) such as EBIT. For PostFinance Ltd, return on equity is used instead of EBIT. If all the goals are achieved, the maximum variable component will be paid. Exceeding the goals will not lead to a higher payout.

A penalty system may also be applied for calculating the variable salary component at Group and unit levels depending on the degree of target achievement. The maximum penalty represents half the maximum variable component.

All three performance levels are taken into account (Group, Group unit and individual performance) to determine whether the threshold for the variable component has been reached. The variable component is only paid on reaching this value. There is a penalty area below the threshold for the variable salary. If a penalty applies, the variable salary component is reduced accordingly. One third of the variable salary component that is actually awarded is booked to a special account for variable remuneration. One third of the balance of this account is paid out from the third year. The

remaining two thirds of the variable salary component are paid out directly. If, as a result of the penalty system, a negative variable salary component is awarded, this negative amount is booked to the account for variable remuneration and the account balance is reduced accordingly.

Members of Executive Management also receive a first-class GA travelcard, a company car, a mobile phone, a tablet computer and a monthly expense account. Swiss Post also pays the insurance premiums for a risk insurance policy. Individual bonuses may be paid to reward special personal contributions.

Neither the members of Executive Management nor persons closely linked to them received any additional fees, remuneration, guarantees, advances, credits, loans or benefits in kind during the financial year.

Both the base salary and the performance component are insured for members of Executive Management up to a maximum of 338,400 francs in the Swiss Post pension fund (defined contribution plan); higher income is covered by a management insurance scheme (defined contribution plan). The employer contributes disproportionately to the contributions for employee benefits. Employment contracts are based on the Swiss Code of Obligations. Since 1 July 2010, the notice period for members of Executive Management has been six months. For members appointed before that date, the previous notice period of twelve months applies. No agreements exist regarding possible severance payments.

Remuneration to Board of Directors and Executive Management

In 2017, the nine members of the Board of Directors received remuneration (fees and fringe benefits) totalling 1,035,270 francs. The fringe benefits totalling 250,270 francs are shown in the total remuneration. In 2017, the Chairman of the Board's fee totalled 225,000 francs. The fringe benefits amounted to 28,470 francs.

The paid members of Executive Management and the CEO received remuneration totalling 5,303,013 francs in 2017. The fringe benefits totalling 321,702 francs are shown in the total remuneration. The performance-related component effectively payable to members of Executive Management in 2018, which is based on attainment of targets in 2016 and 2017, together with the deferred payments, amounts to 1,557,561 francs. Definitive calculation and payment of the performance-related component for the Head of PostBus will not be approved until the investigations into the subsidy law breaches in the regional passenger transport segment have been completed.

The base salary of the CEO totalled 610,000 francs. The additional calculated performance-related component amounts to 310,161 francs, of which 103,940 francs are from the account for variable remuneration. Definitive calculation and payment of the performance-related component for the CEO will not be approved until the investigations into the subsidy law breaches in the regional passenger transport segment have been completed.

Remuneration		2017
CHF		
Chairman of the Board of Directors (1)		
Fees		225,000
Fringe benefits		
Expenses and representation allowances		22,500
First-class GA travocard		5,970
Total remuneration		253,470
Other members of the Board of Directors (8)		
Fees		560,000
Fringe benefits		
Expenses and representation allowances		75,400
Additional fringe benefits		146,400
Total remuneration		781,800
Entire Board of Directors (9)		
Fees		785,000
Fringe benefits		250,270
Total remuneration		1,035,270
CEO		
Fixed base salary		610,000
Performance-related component (payable 2018) ¹		
Variable salary component		206,221
Outpayment from account for variable remuneration		103,940
Fringe benefits		
Expenses and representation allowances		30,000
Additional fringe benefits ²		20,264
Additional payments ³		–
Total remuneration		970,425
Other members of Executive Management (8)⁴		
Fixed base salary		2,813,750
Performance-related component (payable 2018) ⁵		
Variable salary component		830,002
Outpayment from account for variable remuneration		417,398
Fringe benefits		
Expenses and representation allowances		132,800
Additional fringe benefits ²		138,638
Additional payments ³		–
Total remuneration		4,332,588
All members of Executive Management (9)⁶		
Fixed base salary and performance-related component		4,981,311
Fringe benefits		321,702
Total remuneration		5,303,013

¹ Definitive calculation and payment of the entire performance-related component for the CEO (payable in 2018), consisting of the variable salary component and payment from the account for variable remuneration, will not be approved until the investigations into the subsidy law breaches in the regional passenger transport segment have been completed.

² Additional fringe benefits include: first-class GA travocard, company car, mobile phone, tablet computer and premiums for risk insurance policies.

³ No agreements exist regarding possible severance payments.

⁴ Seven active members and one member who stepped down in 2017.

⁵ Definitive calculation and payment of the entire performance-related component for the Head of PostBus (payable in 2018), consisting of the variable salary component and payment from the account for variable remuneration, will not be approved until the investigations into the subsidy law breaches in the regional passenger transport segment have been completed.

⁶ Including the one member who stepped down in 2017. Due to this change in personnel, the total remuneration is not directly comparable with the prior year.

Board of Directors

as at 31 December 2017





Left to right:
Nadja Lang, Adriano P. Vassalli,
Andreas Schläpfer, Philippe Milliet,
Urs Schwaller, Marco Durrer,
Myriam Meyer, Susanne Blank,
Kerstin Büchel (General Secretary),
Michel Gobet

Executive Management

as at 31 December 2017





Left to right:
Hansruedi König, Daniel Landolf,
Ulrich Hurni, Dieter Bambauer,
Susanne Ruoff, Alex Glanzmann,
Thomas Baur, Jörg Vollmer,
Valérie Schelker

 Reporting

Annual reporting structure

The Swiss Post annual reporting documents for 2017 consist of:

- Swiss Post Annual Report
- Swiss Post Financial Report (management report, corporate governance, annual financial statements for the Group, Swiss Post Ltd and PostFinance Ltd)
- PostFinance Ltd Annual Report
- Annual Report key figures
- GRI report (in accordance with the Global Reporting Initiative guidelines)

Electronic versions of these documents are available at www.swisspost.ch/annualreport. The Swiss Post Ltd Annual Report and Financial Report and the PostFinance Ltd Annual Report are also available in printed form. The GRI report is available at www.swisspost.ch/gri-report-2017.

Languages

The Swiss Post Annual Report and Financial Report are available in English, German, French and Italian. The German version is authoritative.

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Publisher and point of contact

Swiss Post Ltd
Wankdorfallee 4
P.O. Box
3030 Berne
Switzerland

Tel. +41 58 338 11 11
Media relations +41 58 338 13 07
www.swisspost.ch

Concept and project management

Muriel Baeriswyl, Swiss Post Communication, Berne
Dr Andreas Sturm, Sturm Consulting, Riehen

Text

Swiss Post Finance, Berne
Dr Carole Rentsch, Swiss Post Strategy, Berne
Sandra Schindler, Mareike Fischer, Tobias Habegger,
Klarkom AG, Berne

Diagrams

Swiss Post Finance, Berne
Dr Andreas Sturm, Sturm Consulting, Riehen

Photographs

Marc Wetli, Zurich and various sources

Design and typesetting

Ilona Troxler, Walter Stähli and Franck Schirmer,
phorbis Communications AG, Basel
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Five-year overview of key figures

		2013	2014	2015	2016	2017
Result						
Operating income	CHF million	8,575	8,371	8,224	8,188	7,987 ¹
Generated in competition	% of operating income	85.6	85.7	85.1	85.8	85.6
Generated abroad and crossborder	% of operating income	13.2	14.6	14.0	13.7	14.4
Operating profit	CHF million	911	803	823	704	630 ¹
Generated in competition	% of operating profit	95.5	85.5	87.0	93.5	84.8
Generated abroad and crossborder	% of operating profit	5.2	9.0	6.9	9.1	13.0
Group profit	CHF million	626	638	645	558	420 ¹
Equity	CHF million	5,637	5,010	4,385	4,881	6,613
Value generation						
Economic value added	CHF million	125	207	169	122	9 ¹
Added value generated	CHF million	5,328	5,220	5,193	5,145	5,054 ¹
to employees	CHF million	4,131	4,108	4,074	4,034	3,989
to creditors	CHF million	93	57	69	64	67
to public sector	CHF million	94	79	94	118	74 ¹
to owner	CHF million	180	200	200	200	200
to company	CHF million	830	776	756	729	724
Jobs						
Headcount (excluding trainees)	Full-time equivalents	44,105	44,681	44,131	43,485	42,316
Trainees in Switzerland	Persons	2,024	2,035	2,077	2,118	2,115
Jobs in peripheral regions	Persons	19,494	19,106	18,633	18,176	17,640
Turnover rate (voluntary departures)	As % of average headcount	3.6	4.1	3.8	4.0	4.8
Notice given by employer for economic reasons	Persons	180	168	78	84	161
Employment conditions and remuneration						
Employment in accordance with Swiss Post CEC	Full-time equivalents as %	62.8	61.1	61.5	53.8	53.2
Swiss Post CEC minimum salary	CHF per annum	45,047	47,620	47,620	47,620	47,620
Average salary for employees	CHF per annum	82,695	83,039	83,472	82,231	83,178
Average remuneration paid to members of Executive Management	CHF per annum	499,281	477,719	591,574	588,377	559,044
Salary bandwidth ²	Factor	6.0	5.8	7.1	7.2	6.7
Health management						
Occupational accidents	Number per 100 FTEs	6.6	5.9	6.1	5.9	6.5
Days lost to illness and accidents	Days per employee	11.6	11.8	12.4	12.5	12.9
Diversity						
Women	% of employees	48.5	48.7	48.4	48.1	47.5
Nationalities represented	Number	144	142	142	143	140
Women on Board of Directors	%	22.2	33.3	33.3	33.3	33.3
Women in Executive Management	%	12.5	12.5	12.1	11.1	20.5
Women in senior management roles	%	9.3	11.0	12.3	12.3	13.4
Women in middle and lower management roles	%	23.7	23.6	23.4	24.2	23.9
Demographics						
Average age of workforce	Years	44.8	45.1	45.3	45.6	46.0
Resource consumption						
Energy consumption	GWh	1,461	1,456	1,458	1,491	1,453
Energy consumption within Swiss Post	GWh	891	894	890	905	887
Renewable share	%	19.1	20.3	20.0	19.3	19.6
Energy consumption outside Swiss Post	GWh	570	561	568	586	567
Carbon footprint (scope 1 – 3)⁴						
Carbon footprint	t CO ₂ equivalent	449,174	442,202	440,728	446,151	436,550
CO ₂ efficiency increase since 2010 ³	%	10.1	12.1	13.7	16.5	19.2

¹ Normalized figure. See the section "One-off item in 2017" on page 35 of the Financial Report.

² Factor = average remuneration paid to Members of Executive Management vs. average employee salary.

³ The rise in CO₂ efficiency is measured as the change in CO₂ equivalents per core service in the year under review compared with the base year. Each core service is defined by unit (consignment, transaction, passenger kilometre, kilometre, full-time equivalent etc.).

⁴ The prior-year figures for CO₂ have been adjusted based on updated emission factors.

Swiss Post Ltd
Wankdorffallee 4
P.O. Box
3030 Berne
Switzerland

Tel. +41 58 338 11 11
www.swisspost.ch

