



CTT
Sustainability
Linked Financing
Framework

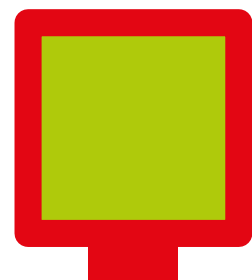


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1. INTRODUCTION

For its impact on Portuguese society, its presence all over the national territory and in Spain, the mission of CTT Group is to connect people and companies, focusing on its clients and their needs and establishing relationships of trust and innovation either directly through CTT and/or any of its subsidiaries, and to be the preferred business services' partner for companies, simplifying their physical and digital presence, promoting e-commerce and supporting their efficiency. CTT Group aims at being recognized as a multi-service postal and financial operator and a worldwide reference in quality, efficiency and value creation, characterised by: an Iberian market referenced postal operation; a leading operational and delivery platform; a comprehensive offer in financial services; the capacity to compete internationally in selected geographies; financial performance at the top of the largest European postal operators; sound and prudent management in compliance with the business model and risk profile of CTT and its subsidiaries; and social and environmental liability. We want to act as being faster, better and greener. Faster, in the portfolio diversification and acceleration of CTT growth levers. Better, in the efficiency levels in comparison with our peers. And greener, due to the continued progress in reducing the carbon footprint, aiming at a leading performance in Portugal and within the sector.

CTT is a public limited liability company fully listed on Euronext Lisbon Stock Exchange since 2013, with 100% of its capital dispersed among institutional and private shareholders. It is amongst the 20 largest Portuguese companies in terms of market capitalization.

By the end of 2021, CTT employed 12,608 people. Also in 2021, CTT's operational income was 848 million euros and the net profit 38.4 million euros. In that same year, CTT transported 484.6 million items of addressed mail, 32.7 million express parcels in Portugal and 41.1 million in Spain. CTT operates a fleet of 4,000 owned vehicles.

Being the incumbent Postal Public Service provider in Portugal, CTT is a powerful multiservice platform meant to meet the needs of citizens and economic agents through a commercial and logistics network of more than 2.4 thousand owned or third-party retail points.

CTT's strategy continues to be focused on the Company's transformation, aimed at the growth of business units such as Express & Parcels, Banco CTT, and Financial Services and Retail while seeking to ensure the sustainability of the Mail business.

A well diversified company, exposed to sustained growth



Additionally, CTT strengthens the value of its proximity to the population and align its strategy with the UN Sustainable Development Goals (SDGs). We identified 8 priority goals among the 17 SDGs set for the 2030 global agenda (SDGs 3, 4, 7, 8, 11, 12, 13 and 16), with a view to achieving balance between the creation of economic value and the preservation of the dignity of human beings.



Good Health and Well-being

Focus on road accident and prevention goals

5,2% fewer labour-related accidents



Quality education

Focus on training goals in response to employee needs

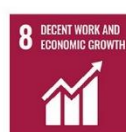
More than 217k hours of training were carried out, 1,6% up on the previous year.



Affordable and clean energy

Focus on renewable energy and energy efficiency goals

100% of the electrical energy consumed is produced through renewable sources.



Decent work and economic growth

Focus on the goals for working conditions and support to SMEs, especially in local trade

CTT plug-ins launched for some of the online sales management tools most commonly used by small retailers.



Sustainable cities and communities

Focus on electric and smooth mobility and carbon neutral offer

57% increase in the number of kilometres travelled in electric vehicles.



Responsible consumption and production

Focus on the eco portfolio and the production of the circular economy

Sale of the ToBeGreen's Christmas decorations, made from disposable mask waste and packed with recycled materials.



Climate Action

Focus on carbon management, in the compliance with international standards and environmental education

Leadership Level and A- rating in the Carbon Disclosure Project 2021.



Peace, Justice and Strong Institutions

Focus on anti-corruption and bribery, governance and ethics, and engagement with stakeholders

Public lawsuits related to corruption filed against the organization or its employees: 0.

CTT also endorsed the Ten Principles of the United Nations Global Compact concerning Human Rights, Labour Practices, Environmental Practices and Anti-Corruption, expressing its intention to support and disseminate these principles in its sphere of influence. Also, CTT joined the UN Global Compact initiative “Business Ambition for 1.5°C” and subscribes to the 10 UNGC principles.

We annually report on CTT’s strategic vision and commitment to generate value over time and promote environmental protection and social integration, as well as on our ESG performance, in CTT Integrated Report. The reporting structure and contents comply with the Global Reporting Initiative (GRI) guidelines and are prepared in accordance with GRI Standards.

With regards to its materiality, the report incorporates contributions obtained from the last stakeholder survey conducted in compliance with the guidelines of the Standard AA1000SES, which enabled updating the mapping and identification of the relevant and emerging ESG topics and critical stakeholders of the Company.

Ambitious but well targeted

ESG strategy

and plan: becoming fundamental to underpin business objectives and engage stakeholders



CTT has implemented its policies on Quality, Environment, Occupational Health and Safety, Information Security, Energy and Carbon Management, Climate Change and Responsible Procurement.

As an important recognition of the work that CTT has been developing on matters of carbon management and combat of climate change, we achieved the Leadership A- level in the CDP – Carbon Disclosure Project rating of 2020, the most important international carbon stock market rating. Among 205 participants, there were only four companies in Portugal with this distinction and nine worldwide in the transport and distribution sector.

The strength and credibility of the CTT brand has been reinforced through several significant recognitions over the previous years. In 2021, CTT received: the Corporate Brand Award by the 13th edition of the Marketeer Awards, the prestigious Prince Michael International Road Safety Award, the Honorable Mention in the National Sustainability Award with the project “A Tree for the Forest”, the notable Transformation Award in the Investor Relations and Governance Awards 2021 and the prestigious Equity Champion in the SME category in the Euronext Lisbon Awards 2022.

2. RATIONALE FOR ESTABLISHING A SUSTAINABILITY-LINKED FINANCING FRAMEWORK

CTT's ambition is to be at the forefront of environmental, social and governance practices, by reinforcing its environmental commitment while taking care of the people and local communities.

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

CTT's commitment to sustainability and to the ongoing improvement of its performance is visible throughout the entire organisation and has a continuous impact on its daily operations and business model, reflecting the company's challenges and response to the needs of its stakeholders.

CTT is actively engaged in the search for and implementation of environmental, energy and carbon management initiatives, in line with the organisation's priorities and goals, which are on the radar of the managers and all other employees. Climate change is the most relevant topic for CTT's stakeholders, as per CTT's most recent stakeholder engagement exercise. Some of the recent and most relevant business decisions in the short- and long-term were influenced by considerations on reduction of the carbon footprint and enhancement of energy efficiency.

CTT is one of the current leaders on GHG emission reduction targets. The company started "green mail" in 2010 and currently the Express offer in Portugal is also carbon neutral in its direct emissions. Overall, the carbon neutral offer represents 17.4% of total revenues.

CTT has benchmarked its GHG-related metrics with 11 peers:

- a) Science-based Targets: CTT's current SBT is well-below 2°C aligned; only one of CTT's peers has a 1.5°C target.
- b) Scope 1, 2 and 3 emissions target for 2030: only three of CTT's peers have more ambitious targets (60% reduction by 2030 vs 2017, carbon neutral by 2030 and net-zero by 2030).

CTT recognizes the importance of sustainable development and wants to further align its sustainability commitments within funding activities by setting up Sustainability-Linked Financing Framework.

ESG is one of the key pillars for CTT's internal transformation and long-term sustainable growth strategy.

Sustainability (ESG):

CTT has the vision of being at the forefront of environmental commitment,
taking care of the people and local community

~100%

Green vehicles in internal
last-mile fleet by 2030,
50% by 2025

75%

of procurement purchases
to local players by 2025



**Gender
parity**

In the top and mid-
management by 2025

50%

Mid-management
employees' incentives linked
with ESG goals by 2025

By establishing this Sustainability-linked Financing Framework (the 'Framework'), CTT aims to communicate to investors and all their stakeholders about its long-term sustainability strategy.

3. SUSTAINABILITY-LINKED FINANCING FRAMEWORK


This Framework has been established in accordance with the Sustainability-Linked Bond Principles 2020 (“SLBP 2020”) as administered by ICMA and the Sustainability-Linked Loan Principles 2021 (“SLLP”), published by the LMA in connection with sustainability-linked loans and their five core components:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Characteristics of the Sustainability-Linked Financing Instrument
4. Reporting
5. Verification

3.1 Selection of Key Performance Indicators (KPIs)

The KPIs selected are considered as core, relevant, and material to our business and they have strategic significance to its current and future operations:

KPI 1. Absolute scope 1, 2 and 3 carbon emissions

KPI	United Nations Sustainable Development Goals (SDGs)	EU Environmental Objective
<p>CTT’s targets to reduce carbon emissions and the promotion of sustainability in the transport and distribution sector, as well as innovative solutions, contribute to this goal</p>	 <p>Take urgent action to combat climate change and its impacts</p>	<p>Climate change mitigation, as defined in the EU Taxonomy Regulation</p>

Definition and Methodology

CTT commits to reduce absolute carbon emissions by 30% (scopes 1, 2 and 3) from 2013 to 2025 and received the SBTi approval for this absolute science-based emissions reduction target in 2017, by the Science Based Targets initiative.

- Scope 1 includes the CO₂ emissions from fuel consumption by the own fleet and the CO₂ from stationary combustion in buildings.
- Scope 2 emissions include CO₂ emissions from electricity and heating consumption in buildings.
- Scope 3 emissions include CO₂ emissions from outsourced transportation and distribution of mail, parcels and express items, and employee commuting.

The methodology to set this target was put in place, initially, by IPC - International Post Corporation, for the SBT target-setting process for the postal sector. Afterwards, CTT adopted this target as its own and submitted for SBTi Steering Committee approval, benefiting from IPC scenario analysis (in which CTT participated). Sector-specific emission reduction pathways have been constructed based on the IPCC decarbonisation pathway and the International Energy Agency's (IEA) ETP 2-degree scenario (2DS) data (IEA, 2014). The science-based 2°C pathway development was targeted for 2020 and 2025, and the time horizon considered was 2025 (the target year).

Emissions calculations details are as follows:

Scope 1 - Fuel consumption by the own fleet: value estimated based on the emission factors published by the Portuguese Environment Agency (APA) and the Global Warming Potential Values - IPCC Fifth Assessment Report (AR5), by converting pollutant emissions to CO₂, based on emission factors for CH₄ and N₂O.

Scope 1 - Stationary combustion in buildings: value estimated based on Portuguese Decree-law 6476-H/2021 and the WRI GHG Emission Factors Compilation, by converting pollutant emissions to CO₂, based on emission factors for CH₄ and N₂O.

Scope 2 - Electricity: value for market-based approach is zero as CTT acquires electricity solely from renewable sources. For the location-based approach, the value is estimated based on Portuguese Decree-Law 6476-H/2021 and <https://www.statista.com/statistics/1190075/carbon-intensity-outlook-of-spain>.

Scope 2 - Heating consumption in buildings: value estimated based on Portuguese Decree-law 4343/2019

web site: <https://www.sce.pt/relatorio-dgeg-factor-energiaprimaria-da-rede-da-climaespaco-v0/>.

Scope 3 - Outsourced transportation and distribution of mail, parcels and express items: value estimated based on the WRI methodology of the Greenhouse Gas Protocol tool for mobile consumption, version 2.6, using the conversion factors indicated in the "Compilation of emission factors used in the cross-sector tools" for the various fuels used by fleet type, applied to the respective consumptions.

Scope 3 - Employee commuting: value estimated based on statistical data published by the Portuguese Statistics Institute (INE) and on the WRI methodology of the Greenhouse Gas Protocol tool for mobile consumption, version 2.6, using the conversion factors indicated in the "Compilation of emission factors used in the cross-sector tools" for the various fuels used by fleet type, applied to the respective consumptions.

Rationale and Materiality

The target covered 74% of total emissions in all CTT selected scopes (1+2+3) in the base year.

Emissions covered by target (metric tons of CO₂e) and emissions covered by target as % of total base year emissions:

2013	Metric tons of CO ₂ e	%
Scope 1 (tCO ₂ e)	14,129.4	97
Scope 2 (tCO ₂ e)	5,951.7	96
Scope 3 (tCO ₂ e)	40,638.6	66
Total	60,719.7	74

3.2 Calibration of Sustainability Performance Targets (SPTs)

SPT 1 – Reduce absolute scope 1, 2 and 3 emissions 30% by 2025 vs 2013 base year.

Rationale and Ambition:

Climate change impacts the company's costs, revenues and reputation. It takes a very important role in defining our strategy.

The importance of this theme comes from the commitment to adapt to climate change and from potential financial advantages, more than an answer to legal and regulatory requirements.

Regarding carbon and energy management, we adopted the principles established in our Policy on Energy and Carbon Management and Climate Change.

We subscribed and actively participated in several carbon management programs, both national and international. Our energy management strategy is based on the commitment that the increase in the average global temperature does not reach the 2 degrees Celsius, meeting the challenge set out by the Climate Convention.

CTT is committed to the sectoral absolute target and has already improved its carbon management and achieved significant emissions reductions since 2008. In 2017, SBTi approved our new carbon emissions targets. These targets are to ensure that the increase in the average global temperature does not reach the 2 degrees Celsius. Our commitment is to reduce absolute scope 1, 2 and 3 emissions 30% by 2025. CTT is on track to achieve this absolute target. To continue reducing the overall carbon footprint and achieving an additional carbon emissions reduction of 10%, and also to bridge this absolute target with the recently announced 2030 net-zero goal, we will need to accelerate the last-mile electrification process.

Aiming to reinforce its carbon reduction efforts, CTT recently committed to achieving net-zero emissions by 2030. CTT's 2030 decarbonisation plan encompasses a significant further reduction in CTT overall scope 1+2+3 carbon emissions until 2030. After all the efforts to reduce our carbon footprint, the remaining carbon emissions will then be compensated to achieve the net-zero target. CTT intends to submit the new net zero target for SBTi approval. During this process, target adjustments might be needed to ensure that it aligns with the latest climate science and with the Paris Agreement's goal of limiting global warming to 1.5°C. Meanwhile, efforts are being made and dedicated investment is being put in place to continue reducing CTT's overall carbon footprint and achieve both the 2025 SBTi target and the 2030 net-zero goal.

Baseline

2013: 60,720 tons of CO₂e

Target Observation Dates

31st December 2025

Historical Data

CTT has already achieved a significant reduction in overall CO₂ emissions since the baseline year (68% achieved by the end of 2021, representing 20% of the 30% targeted). Breaking down the data by scope, in 2021 CTT achieved a 65.7% reduction on scope 1 and 2 carbon emissions comparing to 2013 (65% in 2020). This metric for scope 3 shows a decrease in reduction (25% in 2020 versus 20% in 2021).

Emissions covered by target (metric tons of CO₂e):

	2013 (baseline)	2019	2020	2021
Scope 1 (tCO ₂ e)	14,129.4	16,199.6	15,561.0	15,637.2
Scope 2 (tCO ₂ e)	5,951.7	190.1	165.8	9.0
Scope 3 (tCO ₂ e)	40,638.6	29,349.1	29,821.3	32,671.1
Total	60,719.7	45,738.8	45,548.1	48,317.3

The target covers CTT Group except CTT Express Spain due to past issues regarding data quality limitations and comprehensiveness.

CTT carried out a materiality analysis of the scope 3 categories, considering external references and internal data. CTT has concluded that material scope 3 categories are Category 4: Upstream transportation and distribution, Category 7: Employee commuting and Category 9: Downstream transportation and distribution.

Furthermore, aligned with CTT’s materiality analysis, according to information provided by IPC – International Post Corporation (the most representative postal association in our industry, to which CTT belongs), within the SBTi assessment and validation process of the sector science-based targets, outsourced transport contributes to the majority of emissions in scope 3 of the postal sector (in which CTT is included). Data collected by IPC demonstrates that over 99% of scope 3 in the postal sector comes from the following sources: subcontracted road transport; subcontracted air transport; driver-owned vehicles; business travel; and employee commuting. While data on business travel is collected, the volumes are insignificant.

IPC is a CEO-driven organization: the IPC Board consists of CEOs representing the IPC member companies, who meet twice a year to exchange best practices and discuss strategy. The IPC Sustainability department developed the CO₂ reduction target in collaboration with all participating members of IPC’s program, as well as the consultancy Ecofys. The target was endorsed by the IPC Board. IPC recommends that its member postal operators submit their individual targets to the Science-Based Targets initiative for official quality checks, which CTT did.

Emissions covered by target as % of total year emissions:

	2013 (baseline)	2019	2020	2021
Scope 1 (tCO ₂ e)	97	98	98	98
Scope 2 (tCO ₂ e)	96	100	100	100
Scope 3 (tCO ₂ e)	66	68	67	65
Total	74	76	76	73

Strategy to reach the target

CTT’s footprint related to road transportation amounts to about 70% of the overall emissions, including subcontracted road activity. This means that the fleet’s consumption takes unique relevance and is where we will concentrate our efforts and attention in the upcoming years, regarding carbon management. The path entails a strong electrification effort, as a key factor for decarbonization.

The largest share of the carbon reductions needed should come from more efficient transport, e.g., vehicle technology improvements, fuel and modal shift including the transition to lower emission technology related to alternative and electric fleets, and route optimization. Some of this will also be autonomous efficiency improvements of outsourced transport.

The second largest share of the carbon reductions should come from i) energy consumption reduction through various energy efficiency and facility modernization measures such as improvements in lighting (better management / suitability to the operations involved, reduced power, deactivation of lights, motion sensor readjustment and replacement of conventional lamps with LED lamps) and air conditioning (adjustment in operating hours and reduction of ventilator speed), ii) investment in PV plants to generate on-site electricity, iii) purchasing grid electricity exclusively generated from renewable sources.

Since 2015, CTT acquires 100% of electricity from renewable origin through the Guarantees of Origin mechanism. In 2021, sources were a mix of solar, wind and hydro. This significantly reduced our annual scope 2 emissions. It also contributed to reduce the company's global carbon footprint and to reach the targets regarding the reduction of carbon absolute and specific emissions.

Risks to the achievement of the target

ESG (environmental, social and governance) performance is increasingly an essential factor for the sustainable development and success of companies these days.

Current and emerging regulation is always factored into CTT climate-related risk and opportunities assessment. For instance, several European cities have already announced that they will ban the circulation of diesel cars from 2025 onwards. Soon they will begin to ban the entry of this type of vehicle and only allow the circulation of less pollutant models. Also, the EU has set targets for reducing fleet-wide CO₂ emissions applying from 2020, 2025 and 2030 and a mechanism to incentivise the uptake of zero- and low-emission vehicles. Portugal and Spain have committed to reducing their GHG emissions so that the balance between emissions and removals from the atmosphere will be zero by 2050. Transportation and Energy are two of the four priority areas of intervention within the roadmap on alternative, low-carbon development paths, until 2050.

Therefore, CTT assumes a solid position in each of the ESG dimensions, this being one of the fundamental pillars of the current internal transformation process. In terms of ambition, CTT is committed to aligning its strategy with the Paris Agreement's goal of limiting global warming to 1.5°C, to continuing to promote a positive social impact in local communities, to becoming a reference employer in Portugal and to launching a series of ESG incentives within the organisation.

3.3 Characteristics of the Sustainability-Linked Financing Instrument

This section of the Framework applies to CTT's Sustainability-Linked financing instruments and will be used for general corporate purposes.

The failure by CTT to satisfy the chosen SPT(s) as of the relevant Sustainability Performance Target Observation Date will trigger a step-up margin or margin adjustment or a premium payment, as applicable, resulting in an increase in the interest rate applicable to interest periods following such reference date. Certain Sustainability-Linked financing instruments might include also step-down margin provisions applicable in case the relevant SPTs are timely reached by CTT.

The relevant KPI, SPT, step-up margin or margin adjustment, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of any Sustainability Linked Bond or the Facility Agreement of any Sustainability Linked Loan).

CTT will confirm whether the performance of the KPIs meet the relevant SPT following the relevant target observation date.

For the avoidance of doubt, no more than one step-up margin or margin adjustment, as applicable, can be applied over the life of a given Sustainability-Linked financing instrument.

The relevant documentation might provide that the SPTs may be subject to recalculation based on specific circumstances, such as changes in the calculation methodology or major events having a material impact on the CTT's structure.

3.4 Reporting

Adequate information about the progress made on the KPIs, and the achievement or not of the SPTs set out in this Framework and in any Sustainability-Linked financing instruments specific documentation will be provided on an annual basis until the SPT target date of all outstanding Sustainability-Linked financing instruments issued under this Framework.

The reporting will be included in CTT's Integrated Annual Report, the Climate Change questionnaire of the Carbon Disclosure Project or a similar report. CTT will publish this report and keep it readily available and accessible on its website (<https://www.ctt.pt/grupo-ctt>).

The reporting will include the following information:

- The performance of the KPIs
- Target status in reporting year
- Information about recalculations, if any, of the levels of CO₂e emissions during the base-year
- Any other relevant information enabling investors to monitor the progress of the SPT
- A verification assurance report by an independent external auditor relative to the KPIs outlining the performance against the SPTs

CTT sustainability performance report is aligned with the GRI (Global Reporting Initiative) standards and verified by a third party.

3.5 Verification

CTT's Sustainability Linked Financing Framework has been reviewed by S&P Global Ratings who provided a second-party opinion on the alignment of the Framework and the associated documentation with the Sustainability Linked Financing Principles, including an assessment of the relevance, robustness and reliability of selected KPIs, the rationale and level of ambition of the proposed SPT, the relevance and reliability of selected benchmarks and baselines, and the credibility of the strategy outlined to achieve them, based on scenario analyses, where relevant.

All KPIs will be reported by CTT on an annual basis as part of our annual report/sustainability report, which is verified by external auditors and available on CTT's website.

Greenhouse Gas Emissions and Climate change is considered the most material topic for CTT stakeholders, meaning that the energy and carbon KPIs, as well CTT performance against carbon targets, are subject to external verification on an annual basis. The external auditors provide a Limited Assurance verification certificate for the CTT annual sustainability report, confirming whether the performance of the KPIs meet the relevant SPT.

This certificate is disclosed and published on CTT's website.

4. RECALCULATION POLICY

CTT will adjust the baseline(s) to account for significant changes, including the following:

- Structural changes that significantly impact our base year and may trigger the adjustment of the baseline include acquisitions, divestitures or mergers;
- Methodology changes that significantly impact our base year and may trigger the adjustment of the baseline include updated emission factors, improved data access or updated calculation methods or protocols;
- In case of a data error or if a number of cumulative errors that occur together are significant.

For clarification, any recalculation of the relevant baselines will be reported to Science Base Targets initiative as per the applicable recommendations.



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