Driven by fulfilment

Fulfil our duties as a partner of integrity and honesty in our business operation, building remarkable trust and transparency ties.

Driven by evolution.

- 23.3% Female Leadership
- €1.2M Community investment
- 240,879h Hours of training Volume
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62. Place where information is available on the names of the members of governing bodies, the market relations representative, the investor relations office or equivalent structure, their respective duties and contact details

63. Website where the financial statements are available, together with the half-yearly calendar of corporate events

64. Place where the notices to convene for general meetings and all related preparatory and subsequent information are disclosed

65. Place where the records of all resolutions taken in the company’s general meetings, the share capital represented and voting results are available

D. Remuneration

I. Powers to stipulate remuneration

66. Powers to stipulate remuneration for corporate bodies, members of the executive committee and company senior officers

II. Remuneration committee

67. Composition of the remuneration committee, including natural and legal persons engaged to assist said committee and statement on independence of each member and consultant

68. Knowledge and experience of the members of the remuneration committee on matters of remuneration policy

III. Remuneration structure

69. Description of the remuneration policy of the management and supervisory bodies referenced in article 2 of law 28/2009, of 19 June

70. How remuneration is structured in order to align management body members’ interests with the company’s long-term interests, and how it is based on performance assessment and discourages excessive risk taking

71. Reference, if applicable, to the existence of a variable remuneration component and information on any potential impact of the performance assessment thereon

72. Deferral of payment of the variable component of remuneration and deferral period

73. Criteria underlying the awarding of variable remuneration in shares and the holding of these shares by the executive directors; potential agreements regarding these shares, namely hedging or risk transfer agreements, their limits and proportionate value in terms of total annual remuneration

74. Criteria for variable remuneration allocation by way of options and respective deferral period and strike price

75. Main parameters and grounds of any annual bonus scheme and any other non-cash benefits

76. Main characteristics of supplementary pension schemes or early retirement for the directors and date on which they were individually approved by the general meeting

IV. Disclosure of remuneration

77. Annual remuneration earned, in aggregate and individually, by the members of the company’s management body, including fixed and variable remuneration and the various components of the latter

78. Amounts paid, for whatever reason, by other companies in control or group relationship or that are subject to joint control

79. Remuneration paid in the form of profit-sharing and/or bonus payments and the reasons for such these bonuses and/or profit-sharing

80. Compensation paid or owed to former executive directors relating to the termination of their office during the financial year

81. Annual remuneration earned, in aggregate and individually, by members of the company’s oversight body, for the purposes of law 28/2009, of 19 June
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VI. Share award plans or stock option plans

85. The plan and its respective beneficiaries

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90. Transactions that were subject to control during the reference year

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1. Identification of the adopted corporate governance code

2. Analysis of compliance with the adopted corporate governance code
5. Corporate Governance

PART I – Information on shareholder structure, organisation and corporate governance

A. Shareholder structure

I. Capital structure

1. Capital structure

CTT’s share capital is €75,000,000.00, fully paid-up and underwritten, being represented by 150,000,000 ordinary shares (there are no different categories), registered, book entry, with nominal value of €0.50 each, listed for trading on the regulated market managed by Euronext Lisbon Sociedade Gestora de Mercados Regulamentados, S. A. (“Euronext Lisbon”).

Characterisation of the capital structure

A study was conducted at the end of 2018 aimed at characterising CTT’s capital structure, which identified 166 institutional shareholders with 62% of the Company’s capital and 2 industrial investors with a little over 18% of the Company’s capital.

According to this study, the shareholder composition in terms of the profile of the investors was as follows at the end of 2018:

- Institutional (62.0%)
- Retail, other and unidentified (19.7%)
- Industrial (18.2%)

Geographical breakdown

- United States (38.6%)
- Continental Europe (19.8%)
- Spain (14.7%)
- Portugal (11.0%)
- United Kingdom & Ireland (6.9%)
- Germany (6.8%)
- France & rest of the world (2.3%)

[34] The references to points and Parts in this chapter (Part I – Corporate Governance Points 1 to 92, Part II – Assessment of Corporate Governance) refer only to Chapter 5, unless explicitly indicated otherwise.
Finally, the study demonstrated that, at the end of 2018, the 10 largest shareholders of CTT (including institutional and industrial) held 46% of the Company’s capital (compared to 37% at the end of 2017), while the 25 largest held 65% (compared to 54% at the end of 2017).

2. Restrictions to the transfer of shares

CTT shares are not subject to any limitations (whether statutory or legal) regarding their transfer or ownership.

Although CTT’s shares are freely transferrable, their acquisition implies, as of the commercial registration date of Banco CTT (a credit institution fully owned by CTT), compliance with the legal requirements on direct or indirect qualified shareholdings established in the Legal Framework of Credit Institutions and Financial Companies laid down in Decree-Law 298/92, of 31 December, in its current version.

In particular, and pursuant to article 102 of this Legal Framework, anyone intending to hold a qualified holding in CTT and indirectly in Banco CTT (i.e. direct or indirect holding equal to or higher than 10% of the share capital or voting rights or that, for any reason, enables exerting significant influence on the management) should previously inform Banco de Portugal on their project for the purpose of its non-opposition thereto. In turn, acts or facts that give rise to the acquisition of a shareholding of at least 5% of the capital or voting rights of CTT and indirectly in Banco CTT, should be communicated to Banco de Portugal, within 15 days as of its occurrence, pursuant to article 104 of said Legal Framework.

3. Own shares

As at 31 December 2018, and on the present date, CTT held and holds 1 own share, with the nominal value of €0.50, corresponding to 0.000% of the share capital, with all the inherent rights being suspended by force of the provisions in article 324(1)(a) of the Portuguese Companies Code (“PCC”).

The study also included an analysis of CTT’s shareholder composition by investment strategy which demonstrated that, at the end of 2018, institutional investors with a GARP (Growth at A Reasonable Price) and Value type of investment strategy represented 26.7% and 24.7% respectively of the Company’s institutional investment, followed by investors with an Index type of investment strategy which represented 20.2%. Also, at the two-digit level, investors with a Yield strategy represented 12.8% of CTT’s institutional investment, while investors with a Growth strategy stood at 7.8%, as illustrated graphically below:

Institutional shares by investment strategy

GARP (26.7%)  Value (24.7%)  Index (20.2%)  Income (12.8%)  Other (7.9%)  Growth (7.8%)
4. Significant agreements with change of control clauses

As at 31 December 2018, and on the present date, the following contracts of strategic relevance to CTT, with clauses related to changes in control, are in force:

- The agreement for the sale of Cetelem credit products in CTT Retail Network and website concluded on 23 June 2014 with BNP Paribas Personal Finance, S.A., whose scope was extended to Banco CTT on 31 August 2016. This agreement was given an Amendment on 20 December 2018 but remained unchanged as to the possibility of unilateral termination by any of the parties, under certain circumstances, in the event of a change of shareholder control.

- The agreement concluded on 16 July 2013 with Fidelidade – Companhia de Seguros, S.A. for the mediation of insurance, whose scope was extended to Banco CTT on 22 July 2016, with a new agreement having been concluded on this same date for specific brokerage of healthcare insurance also of Fidelidade. The possibility of termination by any of the parties in the event of a change on the counterpart’s shareholder structure was maintained, as well as the possibility of unilateral termination by Fidelidade if CTT should lose control of Banco CTT.

- The agreement entered into with Western Union Payment Services Network EU/EEA Limited (“Western Union”), on 8 October 2007, terminated, with a new agreement having been concluded, on 20 September 2018, with Western Union and Western Union Payment Services Ireland Limited (“WUPSIL”) for the provision of fund transfer services, which establishes the possibility of unilateral termination of the agreement by Western Union in the event of a change of control in the shareholding structure of CTT.

- The 3 agreements entered into on 18 November 2015 between CTT and Banco CTT (a fully-owned CTT company which exercises its on-site activity mainly through CTT Retail Network), that govern the use of resources inherent to the Retail Network and the CTT / Banco CTT partnership in regard to the CTT Channel, the multiple employer regime adopted for labour agreements with the Retail Network employees and the rendering of services between the parties, also remain in force. These agreements provide that either party may take it upon itself to initiate the renegotiation of the business / financial balance of the agreement, in good faith and at arm’s length, should the respective control or group relationship cease to exist or if an event occurs that leads to CTT becoming controlled by a Banco CTT’s competitor.

The aforesaid clauses constitute normal market conditions for this type of contract for the sale/distribution of financial products and partnership agreements (especially for the protection of the parties if control of the counterparty is taken by competitors). They are not intended to have an adverse effect on the free transferability of CTT shares neither are able to do so.

The Company is not a party to any other significant agreements that become effective, are amended or terminated (including the effects thereof) in the event of a change of control in CTT following a takeover bid.

No measures have been adopted, nor is CTT a party to significant agreements that trigger any payments or the bearing of costs by the Company in the event of change of control or changes to the composition of the management body and which are deemed capable of hindering the free transfer of CTT shares and the Shareholders’ free assessment of the performance of members of CTT’s management body.

5. Rules on the renewal or repeal of defensive measures, particularly those limiting the number of votes that may be held or exercised by a single Shareholder, individually or together with others

The Articles of Association set no limits to the number of votes that may be held or exercised by a single Shareholder, individually or jointly with other shareholders.

6. Shareholders’ agreements that are known to the Company and may lead to restrictions on the transfer of securities or voting rights

The Company is not aware of any shareholder agreements regarding CTT, namely on matters of transfer of securities or voting rights.
II. Share and bonds held

7. Qualified Shareholders, Percentage of Share Capital and Votes Attributable thereto, Source and Causes of Attribution

As at 31 December 2018, based on the communications to the Company made up to this date, the structure of the qualified holdings in CTT, calculated under the terms of article 20 of the Portuguese Securities Code, was as follows (notwithstanding changes disclosed to the market up to the date hereof and also identified in the table below):

<table>
<thead>
<tr>
<th>Holders of qualified shareholdings</th>
<th>Number of Shares</th>
<th>% Share Capital</th>
<th>% Voting Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gestmin SGPS, S.A. (1) (2)</td>
<td>18,589,534</td>
<td>12.393%</td>
<td>12.393%</td>
</tr>
<tr>
<td>Manuel Carlos de Melo Champalimaud</td>
<td>284,885</td>
<td>0.190%</td>
<td>0.190%</td>
</tr>
<tr>
<td>Manuel Carlos de Melo Champalimaud (3)</td>
<td>Total</td>
<td>18,874,419</td>
<td>12.583%</td>
</tr>
<tr>
<td>Global Portfolio Investments, S.L. (4)</td>
<td>Total</td>
<td>8,492,745</td>
<td>5.662%</td>
</tr>
<tr>
<td>Indumenta Pueri, S.L. (4)</td>
<td>Total</td>
<td>8,492,745</td>
<td>5.662%</td>
</tr>
<tr>
<td>GreenWood Builders Fund I, LP</td>
<td>7,500,502</td>
<td>5.000%</td>
<td>5.000%</td>
</tr>
<tr>
<td>GreenWood Investors, S.L.</td>
<td>Total</td>
<td>7,500,502</td>
<td>5.000%</td>
</tr>
<tr>
<td>Norges Bank</td>
<td>Total</td>
<td>6,399,190</td>
<td>4.266%</td>
</tr>
<tr>
<td>BlackRock, Inc. (5)</td>
<td>Total</td>
<td>3,881,095</td>
<td>2.587%</td>
</tr>
<tr>
<td>BBVA Asset Management, SA SGiIC (6)</td>
<td>Total</td>
<td>3,495,499</td>
<td>2.330%</td>
</tr>
<tr>
<td>Wellington Management Group LLP (7)</td>
<td>Total</td>
<td>3,105,222</td>
<td>2.070%</td>
</tr>
<tr>
<td>CTT, S.A. (own shares)</td>
<td>Total</td>
<td>1</td>
<td>0.000%</td>
</tr>
<tr>
<td>Remaining shareholders</td>
<td>Total</td>
<td>98,251,327</td>
<td>65.501%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>150,000,000</td>
<td>100.000%</td>
</tr>
</tbody>
</table>

---

(2) Includes 18,465,215 shares held by Gestmin SGPS, S.A. and 124,319 shares held by the members of the Board of Directors of Gestmin.
(3) Qualifying shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud, who has control over Gestmin, and also directly holds 284,885 shares corresponding to 0.190% of the share capital and voting rights of CTT.
(4) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L.
(5) The full chain of companies controlled by BlackRock, Inc., through which the voting rights and/or financial instruments are effectively held, is presented in the annex to the press release on qualifying holdings published on CTT’s website (http://www.ctt.pt/contentAsset/raw-data/b296a0d6-5bed-4601-84c8-448687165e99/ficheiroPdf/BlackRock%2017out2018_PT.pdf?byInode=true) on 17 October 2018. According to the press release on qualifying holdings published on CTT’s website (http://www.ctt.pt/contentAsset/raw-data/509226ca-8056-4378-9c1c-b29444530b3c/ficheiroPdf/BlackRock%2025fev2019_PT.pdf?byInode=true) on 25 February 2019, BlackRock, Inc. slightly decreased its qualifying holding in CTT and now holds 3,815,389 voting rights and/or financial instruments of CTT, corresponding to 2.544% of its share capital and voting rights. On 6 March 2019, a new press release on qualifying holdings was published (http://www.ctt.pt/contentAsset/raw-data/58be3dotf-84de-4987-9410-20af106ed0e2e/ficheiroPdf/BlackRock%2006Mar2019_PT.pdf?byInode=true), and BlackRock, Inc. now holds 3,822,599 voting rights and/or financial instruments of CTT, corresponding to 2.548% of its share capital and voting rights.
(6) BBVA Asset Management, SA SGiIC is directly controlled by Cidessa Uno, S.L. The voting rights are exercised on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI in conformity with points 4 and 10 of the press release published on CTT’s website (http://www.ctt.pt/contentAsset/raw-data/ce21adb5-f151-4598-a11c-6498ab1f13dc5/ficheiroPdf/BBVA%202Part%20Qualif%202018mar2018_PT.pdf?byInode=true) on 26 March 2018.
(7) The full chain of companies controlled by Wellington Management Group LLP, through which the voting rights are held is presented in point 8 of the press release on qualifying holdings published on CTT’s website (http://www.ctt.pt/contentAsset/raw-data/72046d55-41a3-4228-a987-7155360eb74f/ficheiroPdf/Wellington%20Management%20Group%202Part%20Qualif%202017_PT.pdf?byInode=true) on 5 September 2017.
8. Number of shares and bonds held by members of the management and supervisory bodies

The table below includes the members of the Board of Directors and Audit Committee of CTT (who are directors of CTT pursuant to article 248-B of the Securities Code and Regulation (EU) 596/2014 of the European Parliament and Council, of 16 April – “EU Regulation”), presenting the number of shares held by the members of the managing and supervisory bodies according to the communications made to the Company in 2018, as well as their closely related parties, including all their acquisitions, encumbrances or transfers of ownership, as follows:

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>No. of Shares as at 31.12.2017</th>
<th>Date</th>
<th>Acquisition</th>
<th>Encumbrance</th>
<th>Divestment</th>
<th>Price</th>
<th>No. of Shares as at 31.12.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>António Sarmento Gomes Mota</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
<tr>
<td>Francisco José Queiroz de Barros de Lacerda</td>
<td>67,982</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>67,982</td>
</tr>
<tr>
<td>Dionizia Maria Ribeiro Farinha Ferreira</td>
<td>48,828</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>48,828</td>
</tr>
<tr>
<td>Nuno de Carvalho Fernandes Thomaz</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
<tr>
<td>José Manuel Baptista Fino</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
<tr>
<td>Céline Dora Judith Abecassis-Moedas</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
<tr>
<td>António Pedro Ferreira Vaz da Silva</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
<tr>
<td>Francisco Mª da Costa de Sousa de Macedo Simão</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
<tr>
<td>João Afonso Ramalho Sopas Pereira Bento</td>
<td>13,550</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>13,550</td>
</tr>
<tr>
<td>Mª Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
<tr>
<td>Maria Belén Amatriain Corbi</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
<tr>
<td>Rafael Caldeira de Castel-Branco Valverde</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
<tr>
<td>Guy Patrick Guimarães de Goyri Pacheco</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
</tbody>
</table>

(a) Includes the members of the Executive Committee and Audit Committee.

<table>
<thead>
<tr>
<th>Closely Related Parties</th>
<th>No. of Shares as at 31.12.2017</th>
<th>Date</th>
<th>Acquisition</th>
<th>Encumbrance</th>
<th>Divestment</th>
<th>Price</th>
<th>No. of Shares as at 31.12.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gestmin SGPS, S.A.</td>
<td>16,642,862</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>18,465,215</td>
</tr>
</tbody>
</table>

(b) Entity closely related to João Afonso Ramalho Sopas Pereira Bento, of which the non-executive Director of CTT is Vice-Chairman of the Board of Directors and CEO. Gestmin SGPS, S.A. changed its corporate name to Manuel Champalimaud SGPS, S.A. as published in the Lisbon Commercial Registry Office on 28 February 2019.

(c) The details of the transactions are presented in Annex II of this Report, pages 368-373.

<table>
<thead>
<tr>
<th>Statutory Auditor</th>
<th>No. of Shares as at 31.12.2017</th>
<th>Date</th>
<th>Acquisition</th>
<th>Encumbrance</th>
<th>Divestment</th>
<th>Price</th>
<th>No. of Shares as at 31.12.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>KPMG &amp; Associados, SROC, S.A.</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
<tr>
<td>Paulo Alexandre Martins Quintas Paixão</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
<tr>
<td>Vítor Manuel da Cunha Ribeirinho</td>
<td>0</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>0</td>
</tr>
</tbody>
</table>

As at 31 December 2018, the members of the managing and supervisory bodies of CTT did not hold any bonds issued by the Company or any shares or bonds issued by companies in a control or group relationship with CTT, nor did they carry out any transactions relative to those securities during 2018, under the terms and for the purposes of article 447 of the PCC.
9. Special powers of the board of directors, especially with respect to resolutions on share capital increase

The powers attributed to the Board of Directors of CTT are described in point 21 of Part I below. Statutorily, there are no provisions attributing special powers to the Board of Directors regarding capital increases, since this is a matter of the exclusive competence of the General Meeting.

10. Significant commercial relationships between qualified Shareholders and the Company

The significant commercial relations maintained between the Company and its holders of qualifying holdings during the 2018 financial year correspond to transactions with related parties identified in point 92 of Part I below.

B. Corporate bodies and committees

I. General meeting

a) Composition of the Board of the General Meeting

11. Identification, office and term of office (beginning and end) of the members of the Board of the General Meeting

Under the terms of article 10 of the Articles of Association of CTT, the Board of the General Meeting is composed of a Chairman and Vice-Chairman, elected every 3 years at the General Meeting. In 2018, and currently, the composition of the Board of the General Meeting is as follows:

<table>
<thead>
<tr>
<th>Members</th>
<th>Position</th>
<th>Term of Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Júlio de Lemos de Castro Caídas</td>
<td>Chairman</td>
<td>2017/2019</td>
</tr>
<tr>
<td>Francisco Maria Freitas de Moraes Sarmento Ramalho</td>
<td>Vice-Chairman</td>
<td>2017/2019</td>
</tr>
</tbody>
</table>


Pursuant to that same provision, the members of the Board of the General Meeting are assisted by the Secretary of the Company, duties performed in 2018 and currently by Maria da Graça Farinha de Carvalho e Sousa Góis.

b) Exercise of voting rights

12. Restrictions on voting rights

CTT’s Articles of Association do not contain any limitations on voting rights or any systems highlighting equity rights.

Pursuant to articles 7 and 8 of the Articles of Association, the right to vote at the General Meeting is given to shareholders who, on the record date, corresponding to 0 hours (GMT) of the 5th trading day prior to the General Meeting, hold at least 1 share. Under those same provisions, the right to vote can be exercised by representation, correspondence or electronic means and can cover all the matters presented in the call notice. The exercise of the right to vote by any of these methods should be carried out under the terms and within the stipulated periods and through the mechanisms established in detail in the notice to convene in order to encourage shareholder participation (participation and the exercise of voting rights was permitted by any of these methods at the General Meeting held in 2018).
13. Maximum percentage of voting rights that may be exercised by a single Shareholder or by Shareholders related to the former in any of the ways set out in article 20(1) of the Portuguese Securities Code

CTT’s Articles of Association do not contain any percentage limit to voting rights that may be exercised by a single shareholder or by shareholders who are in any of the relations noted in article 20(1) of the Securities Code.

14. Shareholder resolutions for which the Articles of Association require a qualified majority, in addition to those stipulated by law

CTT’s Articles of Association do not require qualified majorities in order to take resolutions beyond those prescribed by law.

II. Management and supervision

c) Composition

15. Adopted governance model

The Company has endorsed an Anglo-Saxon governance model since 2014, the year of CTT’s privatisation.

The corporate bodies include the General Meeting, the Board of Directors which is responsible for the Company’s administration, the Audit Committee and the Statutory Auditor, with the last two being responsible for its supervision.

System of checks and balances

In this regard, the General Meeting has powers to: (i) elect the members of the corporate bodies (including the members of the Board of the General Meeting, the Board of Directors and the Audit Committee as well as the Statutory Auditor, the latter as proposed by the Audit Committee), (ii) assess the annual report of the Board of Directors and the opinion of the Audit Committee, (iii) determine the allocation of profits and (iv) pass resolutions amending the Articles of Association.

In the context of its management duties, the Board of Directors has delegated day-to-day management powers to the Executive Committee (see description in point 21 of Part I below), whose action is supervised by the non-executive Directors, namely by the Corporate Governance, Evaluation and Nominating Committee which, since 20 April 2017 has five non-executive Directors, four of whom are independent (in performing the duties referred to in the same point).

The Audit Committee (composed of independent non-executive Directors), together with the Statutory Auditor, perform the oversight duties provided for in the applicable legal and regulatory provisions. The Audit Committee, in particular, is responsible for promoting and monitoring the independence of the Statutory Auditor and the Company’s internal audit, with a view to contributing to the quality of the financial information and the effectiveness of the internal control, risk management and internal audit systems (see description in point 38 of Part I below).

Furthermore, the Remuneration Committee (composed of members who are independent from the management and elected at the General Meeting) is responsible for stipulating the remunerations of the corporate bodies’ members (see description in point 66 of Part I below).
16. Articles of association rules on procedural and substantive requirements applicable to the appointment and replacement of members of the Board of Directors

Pursuant to articles 9 and 12 of the Articles of Association, the election of the Board of Directors is entrusted to the General Meeting, including its Chairman and Vice-Chairman, by a majority of the votes cast by the shareholders present or represented (or by the most voted proposal in the event of several proposals), and one of the members of the Board of Directors can be elected from among persons proposed in lists submitted by groups of shareholders, provided that none of these groups holds shares representing more than 20% and less than 10% of the share capital.

PCC provisions regarding the replacement of members of the Board of Directors are applicable in the absence of such provisions in the Articles of Association. Under the terms of article 16 of the Articles of Association, it is provided for that the absence of a Director at more than 2 meetings of this body, whether consecutive or interspersed, without a reason accepted by the Board of Directors, shall be deemed definitively absent and shall be replaced pursuant to the PCC.

No other procedural and substantive requirements are stipulated in the Company’s Articles of Association for the purpose of appointment or replacement of members of the Board of Directors.

17. Composition of the Board of Directors and Executive Committee

Pursuant to article 12 of the Articles of Association, the Board of Directors is composed of 5 to 15 members, for a 3-year renewable term of office under the applicable law.

As at 31 December 2018, and on the present date, the Board of Directors was and is composed of the following 13 Directors, of which 5 are part of the Executive Committee:

<table>
<thead>
<tr>
<th>Members</th>
<th>Board of Directors</th>
<th>Executive Committee</th>
<th>Audit Committee</th>
<th>Independence</th>
<th>Date of 1st Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>António Sarmento Gomes Mota</td>
<td>Chairman</td>
<td></td>
<td></td>
<td>Yes</td>
<td>12/11/2013</td>
</tr>
<tr>
<td>Francisco José Queiroz de Barros de Lacerda</td>
<td>Vice-Chairman</td>
<td>Chairman</td>
<td></td>
<td></td>
<td>24/08/2012</td>
</tr>
<tr>
<td>Dionizia Maria Ribeiro Farinha Ferreira</td>
<td>Member</td>
<td>Member</td>
<td></td>
<td></td>
<td>24/08/2012</td>
</tr>
<tr>
<td>Nuno de Carvalho Fernandes Thomaz</td>
<td>Member</td>
<td></td>
<td>Member</td>
<td>Yes</td>
<td>24/03/2014</td>
</tr>
<tr>
<td>José Manuel Baptista Fino</td>
<td>Member</td>
<td></td>
<td></td>
<td>Yes</td>
<td>19/12/2014</td>
</tr>
<tr>
<td>Céline Dora Judith Abecassis-Moedas</td>
<td>Member</td>
<td></td>
<td></td>
<td>Yes</td>
<td>04/08/2016</td>
</tr>
<tr>
<td>António Pedro Ferreira Vaz da Silva</td>
<td>Member</td>
<td>Member</td>
<td></td>
<td></td>
<td>20/04/2017</td>
</tr>
<tr>
<td>Francisco Maria da Costa de Sousa de Macedo Simão</td>
<td>Member</td>
<td>Member</td>
<td></td>
<td></td>
<td>20/04/2017</td>
</tr>
<tr>
<td>João Afonso Ramalho Sopas Pereira Bento</td>
<td>Member</td>
<td></td>
<td></td>
<td></td>
<td>20/04/2017</td>
</tr>
<tr>
<td>Maria Luisa Coutinho Ferreira Leite de Castro Anacoreta Correia</td>
<td>Member</td>
<td></td>
<td>Chairwoman</td>
<td>Yes</td>
<td>20/04/2017</td>
</tr>
<tr>
<td>Maria Belén Amatriain Corbi</td>
<td>Member</td>
<td></td>
<td></td>
<td>Yes</td>
<td>20/04/2017</td>
</tr>
<tr>
<td>Rafael Caldeira de Castel-Branco Valverde</td>
<td>Member</td>
<td></td>
<td></td>
<td>Yes</td>
<td>20/04/2017</td>
</tr>
<tr>
<td>Guy Patrick Guimarães de Goyri Pacheco</td>
<td>Member</td>
<td>Member</td>
<td></td>
<td></td>
<td>19/12/2017</td>
</tr>
</tbody>
</table>

[1] The assessment of independence was conducted in accordance with the criteria defined in point 18.3 of Annex I of CMVM Regulation 4/2013, as well as the provisions in number 5 of article 414 of the PCC for non-executive members of the Audit Committee.

[2] The date of the first appointment to a governing body at CTT is presented here.
18. Distinction between executive and non-executive members of the Board of Directors and, with respect to non-executive members, identification of members deemed independent

As at 31 December 2018 and on the present date, the Board of Directors was and is composed of 5 executive members and 8 non-executive members, including 7 independent members, among whom the Chairman of the Board of Directors, indicated in the table of point 17 of Part I above.

54% of the overall members of the Board of Directors and 87.5% of its non-executive members, in office as at 31 December 2018, are deemed independent pursuant to the criteria set out in point 18.1 of Annex I of CMVM Regulation 4/2013 and, with respect to the members of the Audit Committee, pursuant to article 414(5) of the PCC (as well as to international criteria and practices).

In order to assess the independence of the members of the Board of Directors and of its non-executive members, the criteria referred to in recommendation III.4 of the Corporate Governance Code of the Portuguese Institute of Corporate Governance were also considered.

Therefore, the Company has a number of non-executive and independent members as adequate to its size and to the complexity of the risks inherent to its activity, ensuring an effective capacity to monitor, supervise and assess the activity of the remaining members of the management body, namely taking into account the adopted governance model, the size of the Company, its shareholder structure and free float.

With a view to ensuring coordination and effectiveness in the performance of duties by the non-executive Directors, the Company has adopted, in addition to the mechanisms aimed at making the Executive Committee’s supervision effective (see point 21.2 of Part I below), the following procedures:

19. Professional qualifications and other relevant background for each member of the Board of Directors

See Annex I of this report (pages 346-367) which includes the curricula vitae of CTT’s members of the Board of Directors. As at 31 December 2018, the Board of Directors had the following level of gender, age, independence and professional background diversity:

<table>
<thead>
<tr>
<th>Gender: 31% Female Directors</th>
<th>Age: Average 55 years old</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men (69%)</td>
<td>50–60 years (54%)</td>
</tr>
<tr>
<td>Women (31%)</td>
<td>More than 60 anos (23%)</td>
</tr>
<tr>
<td></td>
<td>Up to 50 years (23%)</td>
</tr>
</tbody>
</table>
Independence:

54% Independent Directors, corresponding to 87.5% of the non-executive Directors

Professional Background:

Balance of skills and relevant experience

- Strategy & Management (100%)
- International (85%)
- Sector / Industry (69%)
- Leadership (54%)
- Finance & Risk (54%)
- Corp. Gov. Social Respons. & Ethics (46%)
- Accounting & Audit (38%)
- Marketing / Commercial & Communication (38%)
- IT & Tecnology (31%)
- Legal & Regulation (31%)
- Human Resources (31%)
20. Customary and significant relationships of a family, professional or commercial nature between members of the Board of Directors and Shareholders with qualified holdings greater than 2% of voting rights

As at 31 December 2018, and on the present date, the non-executive Director João Afonso Ramalho Sopas Pereira Bento performed and still performs duties of Vice-Chairman of the Board of Directors and Chief Executive Officer of Manuel Champalimaud, SGPS, S.A., as well as the positions of Chairman of the Board of Directors of O2 Energia, S.A. and Manager of Manuel Champalimaud Serviços, Unipessoal, Lda. (former Gestmin Serviços, Unipessoal, Lda.), two companies of the Manuel Champalimaud Group (former Gestmin Group, as the names of the Group and of the companies changed already in 2019).

Save as stated in the previous paragraph, CTT received no notice of any other regular significant family, professional or commercial relationships between Board members and qualified Shareholders with more than 2% of voting rights in CTT, either as at 31 December 2018 or the present date.

21. Division of powers among the various Company corporate bodies, committees and/or departments

As at 31 December 2018 and the present date, the powers of CTT's corporate bodies and committees are distributed as follows, as further detailed in the points of Part I indicated below:
21.1. Board of Directors

The Board of Directors is the corporate body responsible for the Company’s management and representation, under the legal terms and the Articles of Association. It is entrusted with all actions and operations relative to the corporate scope that do not fall within the powers of the Company’s other corporate bodies, under article 13 of the Articles of Association and article 5 of the Board Regulation.

Main powers of the board of directors

- Stipulate the strategic guidelines and risk profile of the CTT Group;
- Approve the objectives and main management and risk policies and the general aspects of the business structure of the CTT Group;
- Ensure the effectiveness of the internal control, risk management and internal audit systems of the CTT Group, annually assessing their compliance and approving the necessary adjustments;
- Approve the annual and multi-annual activity, strategic, investment and/or financial plans and the annual budgets of the CTT Group, as well as any amendments that prove necessary;
- Pass resolutions on relocations of registered offices and share capital increases or reductions, mergers, demergers and transformations and amendments to the Articles of Association to be submitted to the Company’s General Meeting;
- Approve the annual, half-yearly and quarterly reports and accounts;
- Pass resolutions on the provision of bonds and personal or asset guarantees, as provided by law;
- Define internal procedures for approval of business deals with related parties of the CTT Group;
- Establish the policies on selection and diversity and the standards of conduct enforced in the CTT Group;
- Present notices to convene the General Meetings of the Company;
- Co-opt Directors of the Company;
- Appoint the Company Secretary and his/her alternate;
- Annually assess the overall performance of the Board of Directors, its internal committees and members.

Role of the independent chairman of the board of directors

- Represent the Board of Directors in and out of court;
- Coordinate the activity of this body, allocating matters to Directors, when advisable for management purposes, and calling and chairing the respective meetings;
- Exercise the casting vote in the context of the Board of Directors’ resolutions;
- Overseeing the correct implementation of Board of Directors’ resolutions;
- Promote communication between the Company and its stakeholders;
- Follow-up and consult the Executive Committee on the performance of the competences delegated thereto;
- Contribute to the effective performance of duties and powers by non-executive Directors and the internal committees of the Board of Directors, ensuring that their work is coordinated and that the necessary mechanisms are in place for them to receive, in a timely fashion, the appropriate information for them to make independent and informed decisions;
- Coordinate the assessment of the Board of Directors’ performance with respect to compliance with the strategic guidelines and risk profile, the plans, budgets and internal control, risk management and internal audit systems of the CTT Group, and the overall performance of the Board of Directors, its internal committees and members.
21.2. Executive Committee

The Board of Directors has delegated the Company’s day-to-day management to the Executive Committee, as set out under article 13 of the Articles of Association and article 6 of the Regulations of the Board of Directors. Matters of relevance for the strategic lines, general policies and structure of the CTT Group are excluded from the aforesaid delegation of powers.

Matters reserved to the board of directors and excluded from the current management powers delegated to the executive committee

- Acquisitions of shareholdings (i) in countries where the Group is not present, (ii) in business units new to the Group, or (iii) of value per operation greater than €20m;
- Investments by the Group not included in the annual budget whose value per operation exceeds €10m and divestments by the Group whose value per operation is greater than €10m;
- Disposals or encumbrances of shareholdings (i) that result in the Group’s exiting a certain country or business unit, or (ii) whose value per operation is greater than €20m;
- Taking on debt, in the form of financing or the issue of securities, in a value per operation greater than €150m or whose maturity exceeds 5 years;
- Any other business or operation that entails liabilities or obligations greater than €50m, per transaction or act, for the Group;
- The matters indicated as main powers in point 21.1 above, except for powers related to the provision of bonds and personal or asset guarantees, as provided for by law.

Role of the CEO

- Ensure that all information on the Executive Committee’s activity and resolutions is provided to the other members of the Board;
- Ensure compliance with the limits to the delegation of powers and the Company’s strategy and proposing to the Board of Directors a list of the management issues that should be specifically entrusted to each Executive Committee’s member;
- Coordinate Executive Committee’s activities, chairing its meetings, overseeing execution of resolutions and distributing among its members the preparation or monitoring of the issues to be analysed or decided by the Executive Committee;
- Exercise casting vote in the context of the Executive Committee’s resolutions.

Under the Board of Directors and Executive Committee Regulations, the Company adopts the following mechanisms to better oversee the Executive Committee:

- In order to ensure that all members of the Board of Directors and other corporate bodies and committees are up to date on the status of the Company’s management, the Executive Committee’s agendas and meeting minutes are sent to non-executive Directors;
- At the Board of Directors’ meetings, the Executive Committee presents the summarised information deemed relevant on the activities carried out since the last meeting;
- The Executive Committee is also obliged to provide members of the Board of Directors and all other members of the corporate bodies and committees with any additional or supplementary clarifications and information requested, on the performance of its attributions, duties and competences, in an adequate and timely fashion.
Under its delegated powers, the Executive Committee can entrust one or more of its members to deal with certain matters and subdelegate to one or more of its members the exercise of some of its delegated powers.

As of the date hereof, the powers of the Executive Committee are allocated to its members as follows:

The management structure of Banco CTT and the relationship with CTT executive Directors is as follows:

**Banco CTT**

- **Francisco de Lacerda**
  - Chairman (non-executive)

- **António Pedro Silva**
  - Member of the Board (non-executive)

- **Luis Pereira Coutinho**
  - CEO

- **Guy Pacheco**
  - Member of the Board (non-executive)

- **Pedro Coimbra**
  - CFO

- **João Mello Franco**
  - CCO

- **Luis Amado**
  - COO

---

**Integrated in the Human Resources Department**

**Company Secretary & Legal**

**Strategy & Corporate Development**

**Human Resources Development**

**Brand & Communication**

**Institutional Affairs**

**Audit & Quality**

**Investor Relations**

**Regulation & Competition**

**Finance & Risk**

**Planning & Control**

**Accounting & Treasury**

**Physical Assets & Security**

**Procurement & Logistics**

**Company Secretary & Legal**

**Strategy & Corporate Development**

**Human Resources Development**

**Brand & Communication**

**Institutional Affairs**

**Audit & Quality**

**Investor Relations**

**Regulation & Competition**

**Finance & Risk**

**Planning & Control**

**Accounting & Treasury**

**Physical Assets & Security**

**Procurement & Logistics**

---

**Transversal**

**Business Specific**

**Mail**

**Express & Parcels**

**Postal Financial Services & Retail**
21.3. Committees that support the Executive Committee

The following Executive Committee supporting Committees are maintained:

**Management support committees and their goals**

**Risk Management Committee**

- Composed of the Chief Financial Officer and the heads of Finance & Risk, Strategy & Corporate Development, Operations & Delivery, Retail Marketing, Retail Coordination South & North, Commercial Coordination Small Enterprises, Optimisation & Support, Human Resources (Development and Administration), IT, Accounting & Treasury, and Physical Assets & Security.
- Promote corporate risk management, leveraging the operation of the risk management system at CTT, as best described in subchapter 2.7.1. Description of the risk management process, chapter 2.7. Risk Management of this report, as referred to in paragraph 52 of Part I below.

**Credit Committee**

- Composed of the Chief Financial Officer, who chairs, the executive Directors responsible for the commercial areas and the heads of the following departments: Finance & Risk, Corporate Sales 1 - 5, Retail Marketing, Retail Coordination South & North, Commercial Coordination Small Enterprises, Optimisation & Support, and Marketing E&P. The follow-up and monitoring meetings should be attended by the persons responsible for the departments of Accounting & Treasury, Company Secretary & Legal Services (General Litigation), Customer Support and Mail Marketing.
- Definition and submission to the Executive Committee of customer credit policies. Assessment and review of risk levels and credit limits. Decision on granting/reviewing/suspending credit prior to entering into the respective agreements. Assessment of proposals to enter into payment agreements. Monitoring and evaluation of the results of the implementation of customer credit policy and identification of measures to achieve the defined goals.

**Investment Committee**

- Composed of the Chief Financial Officer, who chairs, the directors proposing eligible projects, the Directors submitting eligible projects and of the heads of the following departments: Strategy & Corporate Development, Planning & Control, and Finance & Risk, who coordinates the Committee.
- Analysis of investments greater than €100,000 or whenever so requested by the Executive Committee with a view to ensuring the Executive Committee’s greater effectiveness in those projects.

**Real Estate Management Committee**

- Composed of the CTT executive Director(s) responsible for Physical Assets & Security, who chair(s), and the Chief Financial Officer, and of the heads of the following departments: Physical Assets & Security, who coordinates, Retail Marketing, Retail Coordination South & North, Commercial Coordination Small Enterprises, Optimisation & Support, Operations & Delivery, and Planning & Control. Depending on the issues on the agenda, the following are also members: the Executive Director responsible for the Retail Coordination South & North and other top managers.
- Strategic planning and management of real estate, real estate investment programming and promotion of optimisation and returns on real estate assets.

**Business Monitoring Committee**

- Composed of the members of CTT Executive Committee (chaired by the CEO) and the heads of the following departments: Planning & Control, who coordinates, Human Resources (Development & Administration), Finance & Risk, Strategy & Corporate Development, Accounting & Treasury, Customer Support, IT, Investor Relations and the heads of the business units of Mail, Express & Parcels and Banco CTT.
- Ensure debate between the Executive Committee and the top managers of relevant business units as regards important matters for the development, planning and accomplishment of the business and respective management control by way of the monthly analysis of results.
Management support committees and their goals

**Information Systems Committee**

Composed of the Executive Committee members of CTT, the head of the IT department and the top managers. This Committee is chaired by the CEO.

Ensure alignment between the IT systems and the client area, acting as an advisory body to the Executive Committee and as a forum for discussing, planning and prioritising projects, as well as monitoring their execution and integration.

**Communication Committee**

Composed of the Executive Committee members of CTT, the CEO of Banco CTT, and the heads of the following departments: Brand & Communication, Strategy & Corporate Development, Mail Marketing, Retail Marketing, Retail Coordination South & North, Commercial Coordination Small Enterprises, Optimisation & Support, and the Marketing & Communication area of Banco CTT. The Committee is chaired by the CEO of CTT and coordinated by the Brand & Communication manager.

Ensure coherence between the communication strategy and businesses, as well as the integrated and articulated management of the different means and various communication initiatives. Define priorities and ensure the alignment of the business reality with the operational communications plan.

**Sustainability Committee**

Composed of the members of the Executive Committee (chaired by the CEO) and by the heads of the following departments: Brand & Communication, who coordinates, Operations & Delivery, Retail Marketing, Retail Coordination South & North, Commercial Coordination Small Enterprises, Optimisation & Support, Physical Assets & Security, Human Resources (Development and Administration), Procurement & Logistics, Audit & Quality, and the head of each of the subsidiaries (when necessary), as well as the head of Sustainability.

Define, monitor and develop a coherent, solid and dynamic sustainability policy which involves all the employees and other stakeholders.

**Process Committee**

Composed of the executive Director responsible for the Change & Procedures and the heads of the following departments: Change & Procedures, Finance & Risk, and Audit & Quality.

Define the plan for mapping processes, ensuring its alignment with CTT’s priorities and strategic guidelines, and ensure the necessary competences and resources for the correct implementation of the roadmap defined for modelling, documenting and maintaining the processes. Supervise the process design and mapping activities.
In addition to the above-mentioned Committees supporting the Executive Committee, the following Committees were created in 2019:

### Business units committees and their goals

#### Mail Executive Committee

Composed of the Executive Director responsible for the Mail business unit, who chairs, the Executive Directors responsible for the Express & Parcels and Retail & Postal Financial Services business units, and the heads of Mail Product Marketing, Operations & Delivery, Clients Marketing, Retail Marketing and Human Resources & Organisation. The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) participate whenever they wish or are invited by the Chairman of the Committee.

Ensure a single business vision, by monitoring the most pertinent issues of each business unit, namely development projects and monitoring of the activity. Discuss and align key points for deliberation at Executive Committee meetings. Prepare monthly reviews for discussion by the Executive Committee.

#### Express & Parcels Executive Committee

Composed of the Executive Director responsible for the Express & Parcels business unit, who chairs, and the Executive Directors in charge of the Mail and the Retail & Financial Services business units, as well the heads of the Marketing E&P, Operations & Delivery, Clients Marketing, Retail Marketing and IT departments, and the Managing Director of Tourline. The CEO and CFO participate whenever they wish or are invited by the Chairman of the Committee.

Ensure a single business vision, by monitoring the most pertinent issues of each business unit, namely development projects and monitoring of the activity. Discuss and align key points for deliberation at Executive Committee meetings. Prepare monthly reviews for discussion by the Executive Committee.

#### Retail & Financial Services Committee

Composed of the Executive Director responsible for the Retail & Postal Financial Services business unit, who chairs, the Executive Director responsible for the Express & Parcels business unit, as well as the Directors of Retail Marketing, Retail Coordination South & North, Clients Marketing and Human Resources & Organisation. The CEO and CFO participate whenever they wish or are invited by the Chairman of the Committee.

Ensure a single business vision, by monitoring the most pertinent issues of each business unit, namely development projects and monitoring of the activity. Discuss and align key points for deliberation at Executive Committee meetings. Prepare monthly reviews for discussion by the Executive Committee.
21.4. Corporate Governance, Evaluation and Nominating Committee

The Corporate Governance, Evaluation and Nominating Committee entrusted with the following main powers pursuant to the Board of Directors Regulation and its Internal Regulation:

Corporate governance and ethics structure and practices

- Assist the Board of Directors in the definition and assessment of CTT’s governance model, principles and practices;
- Collaborate in preparing the annual corporate governance report of the Company;
- Oversee the definition and monitoring of the ethics and conduct standards within the Group;
- Draft recommendations to the Board of Directors concerning corporate governance requirements and good practices, conflicts of interest, incompatibilities, independence and expertise;
- Prepare a report on the operation and effectiveness of the governance model, principles and practices of the Company, as well as on the Company’s level of compliance with the applicable requirements;
- Assess the corporate image of CTT among the shareholders, investors, financial analysts, the market in general and supervisory authorities, and monitor any Portuguese Securities and Exchange Commission’s inspections;
- Support and monitor the Board’s definition of the Company’s social responsibility and sustainability policies and strategies.

Performance assessment and remuneration

- Propose or issue an annual opinion to the Remuneration Committee on the management body remuneration policy and the annual statement to be submitted to the General Meeting for this purpose;
- Monitor and support the annual assessment of the Board’s overall performance, as well as of the Board internal committees and of the Executive Committee’s members, taking into account, in particular, compliance with the Company’s strategic plan, the budget and risk management;
- Propose to the Remuneration Committee the result of the qualitative assessment of executive Directors’ performance to the Remuneration Committee, in the context of the overall assessment model for the purpose of stipulating the variable remuneration to be defined by that Committee;
- Propose or issue an opinion to the Board of Directors and the Remuneration Committee, as applicable, on share award plans, stock options or stock options based on Company share price variations.

Appointments

- Draft and update recommendations on qualifications, knowledge and experience in carrying out corporate duties for selecting members for CTT’s management and supervisory bodies, after hearing the Chairman and, in the case of executive Directors, the CEO;
- Monitor the processes of selecting the group’s top management and corporate bodies’ members of other companies that CTT is entitled to appoint;
- Monitor the drafting, together with the Executive Committee, of succession plans;
- Propose to the Board of Directors the termination of office of Executive Committee’s members, following an assessment and consultation with the CEO;
- Issue opinions relative to the performance, by members of the Executive Committee, of executive duties in companies which are not part of the Group.
21.5. Ethics Committee

The mission of the Ethics Committee, in the context of the Internal Regulations and the Regulations on Procedures of Communication of Irregularities, is to monitor the application and evolution of the Group’s Code of Conduct, as well as the handling of irregularities, observing the legislative changes related to these matters and always in articulation with the governing bodies, committees and structures of the Group.

This Committee is responsible for:

Group’s code of conduct

Promoting disclosure, implementation and compliance with the Group’s Code of Conduct, while stipulating communication plans and channels for all levels of hierarchy, as well as carrying out preventive training for its disclosure and compliance, while supporting the Board of Directors, Executive Committee and Corporate Governance, Evaluation and Nominating Committee in carrying out its respective duties.

Code of good conduct for preventing and combating harassment

Promoting disclosure, implementation and compliance with the Code of Best Conduct for preventing and combating harassment in the workplace by all those who work there, including the members of the corporate bodies and top management in their relationship with superiors, fellow workers and subordinates.

Whistleblowing system

Participating in handling whistleblowing received within the Group, together with the Audit Committee and the Audit and Quality Department, pursuant to the mentioned Regulations, while supporting the Audit Committee, in any case, in carrying out its duties as regards the whistleblowing system.


The Committee for the Monitoring of the Implementation of the Operational Transformation Plan, composed of the Chairman of the Board of Directors, António Sarmento Gomes Mota, who chairs, and the non-executive Directors, João Afonso Ramalho Sopas Pereira Bento, Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia and Rafael Caldeira de Castel-Branco Valverde, is an ad hoc committee created to monitor the implementation of this plan, thus improving the information given to the Board of Directors and continued supervisory activity by all the non-executive members of the Board of Directors.

The Committee for the Monitoring of the Implementation of the Operational Transformation Plan is responsible for the following duties and powers:

Duties and powers of advisory nature

Monitoring of the Executive Committee’s implementation of the Operational Transformation Plan;

Appraisal of the reports and updated information of the Executive Committee concerning the implementation of the Operational Transformation Plan;

Appraisal of the status of the implementation of key aspects of the Operational Transformation Plan and the evolution of the key financial and business indicators of CTT vs. the objectives of this Plan and their discussion with the members of the Executive Committee and/or with the senior staff of CTT’s strategic and operational areas, in articulation with the Executive Committee;

Preparation, whenever deemed convenient or when requested by the Board of Directors, of reports on the implementation of the Operational Transformation Plan.
During the 2018 financial year, this Committee held 22 meetings to monitor the execution of the various initiatives of the Operational Transformation Plan and the development of other issues within its duties.

**Prevention of conflicts of interest**

Pursuant to the Regulations of the Board of Directors and corporate committees available at “CTT and Investor”, “The Company”, “Corporate Governance”, “Articles of Association & Regulations”, on CTT’s website (www.ctt.pt), the Company adopts mechanisms to prevent the existence of conflicts of interest between the members and the Company, under the following terms:

**Mechanisms to prevent conflicts of interest**

The members of the corporate bodies and committees cannot participate in, interfere in or vote on resolutions about issues in which they have, on their own account or for a third party, an interest in conflict with that of the Company.

All the other members should be informed (via their Chairman if the conflict does not involve this person) with sufficient time in advance of the facts that could constitute or give rise to a conflict of interest, without prejudice to the duty to provide information and clarifications that may be requested from them.

**d) Operation**

**22. Existence and place where the Board of Directors and Executive Committee’s internal regulations are available for consultation**

The full text of the Board of Directors’ and Executive Committee’s internal Regulations are available at “CTT & Investors”, “The Company”, “Corporate Governance”, “Articles of Association & Regulations”, on CTT’s website (www.ctt.pt).

**23. Number of Board of Directors’ meetings and attendance by each member**

The Board of Directors held 18 meetings in 2018, (see “CTT and Investors”, “The Company”, “Corporate Governance”, “Articles of Association & Regulations”, on CTT’s website (www.ctt.pt) with the following attendance by its members:

<table>
<thead>
<tr>
<th>Members</th>
<th>Percentage attendance (%)</th>
<th>Attendance</th>
<th>Representation</th>
<th>Absences</th>
</tr>
</thead>
<tbody>
<tr>
<td>António Sarmento Gomes Mota</td>
<td>100%</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Francisco José Queiroz de Barros de Lacerda</td>
<td>100%</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Dionizia Maria Ribeiro Farinha Ferreira</td>
<td>100%</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Nuno de Carvalho Fernandes Thomaz</td>
<td>100%</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>José Manuel Baptista Fino</td>
<td>94%</td>
<td>17</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Céline Dora Judith Abecassiss-Moedas</td>
<td>100%</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>António Pedro Ferreira Vaz da Silva</td>
<td>100%</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Francisco Maria da Costa de Sousa de Macedo Simão</td>
<td>100%</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>João Afonso Ramalho Sopas Pereira Bento</td>
<td>94%</td>
<td>17</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Maria Luís Coutinho Ferreira Leite de Castro Anacoreta Correia</td>
<td>100%</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Maria Belén Amatranai Corbi</td>
<td>94%</td>
<td>17</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Rafael Caldeira de Castel-Branco Valverde</td>
<td>67%</td>
<td>12</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Guy Patrick Guimarães de Goyri Pacheco</td>
<td>100%</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

(1) Percentage in relation to attendance.
24. Corporate bodies with powers to carry out the performance assessment of executive Directors

Pursuant to article 9 of CTT’s Articles of Association, the Remuneration Committee is responsible for stipulating remuneration of corporate body members and, consequently, defining the management body’s remuneration policy and principles and the overall assessment model for the variable remuneration of the executive Directors, under the terms described in points 66 and following of Part I below.

In turn, pursuant to its Regulation, the Corporate Governance, Evaluation and Nominating Committee is responsible for supporting the Remuneration Committee and the Board of Directors in assessing management body members, as described in point 21 of Part I above and in points 70 and 71 of Part I below.

The Audit Committee is responsible, pursuant to its Regulations, for the annual assessment, in articulation with the Board of Directors, of the internal operation of the Board of Directors and its committees, as well as for relations between the Company’s bodies and committees, and may attend the Executive Committee meetings whenever this appears appropriate or legally due.

25. Predetermined criteria for assessing the performance of the executive Directors

For this issue points 66 and following of Part I below present details on the remuneration policy and principles for the management body, including a description of the criteria, objectives and limits of the variable remuneration of the executive Directors, in particular in point 71 of Part I below which details the applicable performance evaluation criteria.

26. Availability of each member of the Board of Directors, offices held simultaneously in other companies, in and outside the group, and other relevant activities carried out by members of the Board of Directors

Offices held simultaneously in other companies, in and outside the Group, and other activities carried out by the Company’s Directors are detailed in Annex I of this report (pages 346-367).

The performance of executive duties by the executive Directors in entities that were not part of the CTT Group is subject to the issue of an opinion by the Corporate Governance, Evaluation and Nominating Committee, pursuant to the Regulations of this Committee (see point 27 of Part I below).

As supplementary information, we highlight that:

- The **executive Directors** have shown themselves to be completely available regarding their duties in 2018, as shown by their 100% attendance at the 18 Board of Directors’ meetings and at the 53 Executive Committee’s meetings, as well as by their exercise of executive duties exclusively within the Group;

- The **Non-executive Directors** have also shown a high degree of availability in 2018, as shown by their **average attendance of 97%** at the 18 Board of Directors’ meetings, 17 Audit Committee’s meetings and 6 Corporate Governance, Evaluation and Nominating Committee’s meetings.
e) Committees within the management body

27. Committees created within the Board of Directors and place where their internal regulations are available for consultation

See points 21 and 22 of Part I above on committees created within the Board of Directors. Concerning the Audit Committee, please also see point 38 of Part I below. The aforesaid committees have adopted internal regulations whose full texts are available at “CTT & Investors”, “The Company”, “Corporate Governance”, “Articles of Association & Regulations” on CTT’s website (www.ctt.pt).

28. Composition of the Executive Committee

As at 31 December 2018, and on today’s date, the Executive Committee was and is composed of the following 5 members:

<table>
<thead>
<tr>
<th>Members</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Francisco José Queiroz de Barros de Lacerda</td>
<td>Chairman</td>
</tr>
<tr>
<td>Dionizia Maria Ribeiro Farinha Ferreira</td>
<td>Member</td>
</tr>
<tr>
<td>António Pedro Ferreira Vaz da Silva</td>
<td>Member</td>
</tr>
<tr>
<td>Francisco Maria da Costa de Sousa de Macedo Simão</td>
<td>Member</td>
</tr>
<tr>
<td>Guy Patrick Guimarães de Govi Pacheco</td>
<td>Member</td>
</tr>
</tbody>
</table>

29. Powers of each committee created and overview of the activities carried out in the exercise of those powers

See point 21 of Part I above on the powers of the committees created within the Board of Directors and of the Executive Committee.

29.1 Executive Committee

During 2018, the Executive Committee held 53 meetings (see “CTT and Investors”, “The Company”, “Corporate Governance”, “Corporate Bodies”, on CTT’s website (www.ctt.pt) having passed resolutions on various matters within its powers, namely the following:

<table>
<thead>
<tr>
<th>Month</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>Increase of the share capital of Banco CTT of €25m, underwritten and fully paid-up in cash, on 7 March, with the share capital amounting to €156.4m after the increase.</td>
</tr>
<tr>
<td>April</td>
<td>Updating of prices taking effect from 2 April. The updating corresponded to an annual average variation of the basket of letter, editorial mail and parcel services of 4.5%, not including the prices of the reserved services.</td>
</tr>
<tr>
<td>May</td>
<td>Signing of a real estate sale promissory agreement relative to a building owned by the company at Rua da Palma, in Lisbon, on 15 May.</td>
</tr>
<tr>
<td>June</td>
<td>Signing of a Review Agreement for CTT's 2015 Company Agreement, effective from 1 January 2018. The parties agreed to a salary increase of between 1.1% and 1.3% in basic monthly salaries up to €2,790.40, with the guarantee of a minimum increase of €12.00; an identical increase was applied in subsidiary companies. Signing of an agreement for the incorporation of a company with Sonae – SGPS, S.A., on 14 June, with a view to exploring a business opportunity in the electronic commerce sector.</td>
</tr>
<tr>
<td>August</td>
<td>Incorporation of the company MKTPlace – Comércio Eletrónico, S.A., on 9 August, in the context of the joint-venture concluded between CTT and Sonae – SGPS, S.A.</td>
</tr>
<tr>
<td>December</td>
<td>Completion of the sale of the property located in Rua da Palma, in Lisbon.</td>
</tr>
</tbody>
</table>
29.2 Corporate Governance, Evaluation and Nominating Committee

As at 31 December 2018, and on the present date, the Board of Directors was and is composed of the following non-executive Directors, of which 4 are independent:

<table>
<thead>
<tr>
<th>Members</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>António Sarmento Gomes Mota</td>
<td>Chairman</td>
</tr>
<tr>
<td>José Manuel Baptista Fino</td>
<td>Member</td>
</tr>
<tr>
<td>Céline Dora Judith Abecassis-­Moedas</td>
<td>Member</td>
</tr>
<tr>
<td>João Afonso Ramalho Sopas Pereira Bento</td>
<td>Member</td>
</tr>
<tr>
<td>Rafael Caldeira de Castel-Branco Valverde</td>
<td>Member</td>
</tr>
</tbody>
</table>

This Committee held 6 meetings in 2018, with the following attendance by its members:

<table>
<thead>
<tr>
<th>Members</th>
<th>Percentage attendance(1)</th>
<th>Attendance</th>
<th>Representation</th>
<th>Absences</th>
</tr>
</thead>
<tbody>
<tr>
<td>António Sarmento Gomes Mota (Presidente)</td>
<td>100%</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>José Manuel Baptista Fino</td>
<td>83%</td>
<td>5</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Céline Dora Judith Abecassis-Moedas</td>
<td>100%</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>João Afonso Ramalho Sopas Pereira Bento</td>
<td>100%</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Rafael Caldeira de Castel-Branco Valverde</td>
<td>100%</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

(1) Percentage in relation to attendance.

During this financial year, this Committee carried out the following main activities:

- Defining the models for assessing independence and the absence of incompatibilities and assessing compliance with independence requirements by non-executive Directors that are not part of the Audit Committee for the purposes of the 2018 Annual Corporate Governance Report;
- Monitoring and supporting the processes of annual assessment of the overall performance of the Board of Directors, qualitative assessment of the Executive Committee and its members, and self-assessment of the Committee, relative to the activity carried out in 2017, with subsequent information to the Remuneration Committee on the result of the qualitative assessment of the performance of the members of the Executive Committee, and approval of the standard questionnaires to be used for the purpose;
- Drafting the Report on the functioning and effectiveness of the Company’s corporate governance model, principles and practices, and the annual assessment of the overall performance of the Board of Directors relative to 2017;
- Appraisal of the opinion on the Remuneration Committee’s annual statement on the remuneration policy of the corporate bodies for the term of office 2017/2019;
- Assessing initiatives carried out by CTT under its sustainability and social responsibility policies;
- Appraisal of the amendments of the Regulations of the Ethics Committee, arising from Law 83/2017, of 18 August, which sets out measures to combat money laundering and terrorist financing, proposed by the Ethics Committee;
- Appraisal of proposed changes of the Regulations of the Corporate Governance, Evaluation and Nominating Committee and the Regulations on Appraisal and Control of Transactions with Related Parties and Prevention of Situations of Conflict of Interests, aimed at ensuring compliance with recommendations provided for in the IPCG Code.
29.3 Ethics Committee

As at 31 December 2018, and on the present date, this Committee was and is composed of the following 3 members:

<table>
<thead>
<tr>
<th>Members</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuno de Carvalho Fernandes Thomaz (1)</td>
<td>Chairman</td>
</tr>
<tr>
<td>Julieta Aurora Barracho Gomes Jorge Cainço (2)</td>
<td>Member</td>
</tr>
<tr>
<td>António Augusto Labrincha Correia Marques (3)</td>
<td>Member</td>
</tr>
</tbody>
</table>

(1) In the capacity of independent non-executive Director and member of the Audit Committee.
(2) In the capacity of Head of Audit & Quality.
(3) In the capacity of Head of Human Resources (Development and Administration).

During 2018, this Committee held 6 meetings and carried out the following main activities:
- Adjustment of the Internal Regulations of the Ethics Committee and the Regulations of Procedures of Communication of Irregularities, and the internal practice, to the entry into force of the new legislation on Prevention of Money Laundering and Terrorist Financing, Prevention and Combat of Harassment at Work, and Personal Data Protection;
- Training of the structures of the CTT Group and subsidiaries, both in person and through e-learning, on good practices to be developed under the legislation referred to in the previous paragraph;
- Disclosure by the different means available (portal, website, intranet, magazine) of the ethical and social responsibility values in force at the CTT Group and subsidiaries, as well as the monitoring of the degree of accomplishment of the training on ethical values and standards of conduct in all CTT’s structures and in the subsidiaries.

III. Oversight

f) Composition

30. Supervisory body for the adopted model

The supervision of the Company’s activity is entrusted to the Audit Committee and Statutory Auditor. For further details on this topic, see point 15 of Part I above.

31. Composition of the Audit Committee, minimum and maximum number of members and term of office set out in the Articles of Association, number of permanent members, date of first appointment and date of termination of office for each member

Pursuant to article 19 of CTT’s Articles of Association, the Audit Committee is composed of 3 Directors, 1 of whom will be its Chairman. All are elected at the General Meeting (for a renewable term of office of 3 years), together with all the other Directors, where the proposed lists for the composition of the Board of Directors should detail the members that are intended to be part of the Audit Committee and indicate its Chairman.

As at 31 December 2018, and on the present date, the Audit Committee was and is composed of the following non-executive Directors, who meet the applicable requirements on incompatibilities, independence and expertise, possessing the academic qualifications that are legally required and appropriate to the performance of their duties and with at least 1 of its members having knowledge of accounting, in compliance with article 423-B of the PCC, article 3 of Law 148/2015, of 9 September, and article 19 of the Articles of Association.
32. Members of the Audit Committee deemed independent, under article 414(5) of the PCC

See point 31 of Part I above.

33. Professional qualifications and other relevant curricular data for each of the members of the supervisory body

On this issue, see Annex I of this report (pages 346–367) which provides the curricula of the members of the supervisory body of CTT.

g) Operation

34. Existence and place where the supervisory body’s internal regulations are available for consultation

The full text of the Audit Committee’s Internal Regulation is available for consultation at “CTT and Investors”, “The Company”, “Corporate Governance”, “Articles of Association and Regulations”, on CTT’s website (www.ctt.pt).

35. Number of Audit Committee’s meetings and attendance by each member

The Audit Committee held 17 meetings in 2018 (see “CTT and Investors”, “The Company”, “Corporate Governance”, “Corporate Bodies”, on CTT’s website (www.ctt.pt) with the following attendance by its members:

<table>
<thead>
<tr>
<th>Members</th>
<th>Percentage attendance</th>
<th>Attendance</th>
<th>Representation</th>
<th>Absences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chairwoman)</td>
<td>100%</td>
<td>17</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Nuno de Carvalho Fernandes Thomaz</td>
<td>100%</td>
<td>17</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Maria Belén Amatriain Corbi</td>
<td>100%</td>
<td>17</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

(1) Percentage in relation to attendance.
During 2018, the Audit Committee carried out the following main activities:

- Overseeing the quality and integrity of the financial information in CTT’s financial statements;
- Supervising internal audit, internal control and risk management systems, namely: (i) monitoring the activities of the Audit & Quality Department with respect to internal audit and compliance, (ii) appraisal of the proposed Policy on Prevention of Money Laundering and Terrorist Financing, (iii) appraisal of the risk governance model of CTT and Banco CTT and analysis of the main risks and respective mitigation plans, (iv) appraisal of the Internal Regulations on Risk Management of the CTT Group (except Banco CTT), (v) appraisal of the budget for 2019 and the plan for 2019/2021 of CTT, and (vi) promotion of the discussion of topics such as Cybersecurity in the CTT Group, Personal Data Protection, the Law on Combat of Money Laundering and Terrorist Financing and the Legal System for Central Registration of Effective Beneficiary, as well as the role of the Board of Directors in Digital Transformation;
- Supervising the Statutory Auditor’s performance of duties, including in particular: (i) approval of the proposal at the General Meeting of Shareholders of CTT for nomination of KPMG as the Statutory Auditor for the term of office 2018/2020; (ii) the appraisal of the statutory audit report on the accounts and additional report for 2017; (iii) appraising the engagement of statutory auditor services and the prior authorisation of the engagement of non audit services provided by the Statutory Auditor in the financial year 2018 and assessment of the Executive Committee Reports on contract awards to the Statutory Auditor and respective fees; (iv) annual assessment of the statutory auditor’s performance, including independence; (v) appraisal of the limited review report on the half-yearly 2018 accounts and, in general, monitoring the preparatory work for the 2018 statutory auditor report; (vi) analysis of and discussion with the Statutory Auditor on accounting policies, main audit issues and results of its audit works and assessment of the general environment of internal control, and (vii) appraisal of Transparency Reports of the Statutory Auditor of 2016 and 2017;
- Assessing the CMVM Public Consultation no. 8/2018 aimed at reviewing the legal framework on audit supervision established by Law 148/2015, of 9 September, and this Committee’s position towards CMVM regarding the limited review of interim accounts;
- Appraising compliance with the requirements for incompatibilities, independence and specialisation by its members;
- Assessing the Ethics Committee’s reports on Whistleblowing and Breaches of the Code of Conduct and the Executive Committee’s Reports on Related Party Transactions;
- Assessing the adequacy of Audit Committee Internal Regulation and of the Audit Committee’s self-assessment and the Statutory Auditor’s assessment;
- Discussing the new structure of the CTT Management Report.

36. Availability of each member of the Audit Committee, indicating offices held simultaneously in other companies, in and outside the group, and other relevant activities carried out by members of the Audit Committee

Offices held simultaneously in other companies, in and outside the CTT Group, and other activities carried out by the Company’s Audit Committee’s members are detailed in their curricula vitae included in Annex I of this report (pages 346-367). On this matter, see also point 26 of Part I above.

h) Powers and duties

37. Procedures and criteria applicable to the intervention of the supervisory body on the engagement of additional services from the external auditor

When engaging non-audit services, CTT and Banco CTT, as an entity of public interest held entirely by CTT, observe the rules in the respective Regulation on the Provision of Services by the Statutory Auditor, according to which CTT’s Audit Committee and Banco CTT’s Audit Committee are responsible for assessing the requests for engaging the Statutory Auditor for non-audit services by CTT, by its parent company or by the entities under its control (as applicable).
with its engagement being subject to the prior authorisation of these bodies. The referenced oversight bodies take into account therein, mainly the following aspects:

- Whether the services are prohibited and whether the provision of the services will affect the Statutory Auditor’s independence;
- Whether the engagement of this service from the Statutory Auditor does not exceed the maximum limits of fees legally applicable to non-audit services;
- The Statutory Auditor’s experience and knowledge of the Company.

### 38. Other supervisory body duties

The Audit Committee, as a supervisory body, has the following main powers established by law, the Company’s Articles of Association and its Regulation:

#### Oversight of financial information quality and integrity

To assess whether the adopted accounting policies and procedures and valuation criteria are consistent with generally accepted accounting principles and whether they are suitable to the correct presentation and valuation of the Company’s assets, liabilities and results;

To supervise compliance with and correct application of accounting principles and standards;

To issue an opinion on the annual management report, including the non-financial statement, the accounts for the year and the proposals presented by the Company’s management;

To oversee the preparation and disclosure of financial information;

To certify whether the Company’s Annual Corporate Governance Report includes all required matters.

#### Supervision of the internal audit, internal control and risk management systems

To supervise the effectiveness and adequacy of the internal audit, internal control and risk management systems, by annually assessing these systems and proposing, to the Executive Committee, measures aimed at improving their functioning as proven necessary;

To annually assess the internal controls relative to (i) the process of preparation and disclosure of financial information, (ii) accounting and audit matters, and (iii) matters on prevention of money laundering and terrorist financing;

To issue an opinion on the work plans and resources of the Company’s Audit & Quality Department, including the compliance services, and that of other internal control services of the Company, as applicable, and assess their independence;

To monitor internal audit matters, together with the Board of Directors and Executive Committee, analysing reports from the Audit & Quality Department, including the compliance services, and that of other internal control services of the Company, as applicable;

To discuss the content of the internal control report with the Executive Committee and Statutory Auditor;

To define and implementing, together with the Board of Directors, and oversee the procedures for handling irregularities;

To assess, in articulation with the Board of Directors and Executive Committee, the risk policy and the strategic lines of the Company, (i) periodically monitoring the work and resources allocated to the management and risk function, (ii) monitoring and issuing an opinion on the strategic lines and the profile and objectives on matters of risk-taking, the measures of mitigation, the monitoring procedures and integrated risk assessment methodologies, (iii) promoting an annual assessment of the degree of compliance and performance of the risk management policy and system, and the creation of periodic controls to assess whether the risks effectively incurred by the Company are consistent with the risk profile and objectives assumed on risk-taking matters, and (iv) promoting an annual assessment of compliance with the Company’s strategic plan and the budget;

To annually assess, in articulation with the Board of Directors and Executive, the internal functioning of the Board of Directors and its committees, as well as the relations between the Company’s bodies and committees;
**Supervision of the internal audit, internal control and risk management systems**

- To issue a prior and binding opinion, directed at the Board of Directors, on internal procedure on approval of significant transactions with related parties to be subject to prior approval of the Board of Directors and/or favourable prior opinion of the Audit Committee;
- To issue favourable opinions on transactions with members of the Board of Directors and transactions with related parties considered significant, under the established legal and regulatory terms and the procedure referred to in the previous paragraph;
- To monitor and supervise the mechanisms implemented for purposes of approval, control and disclosure of transactions with related parties.

**Overseeing the statutory auditor**

- To select the Statutory Auditor, after appraisal of qualifications and independence for the performance of duties, and proposing its nomination and issuing an opinion to the Executive Committee on the terms of the contract for provision of services in conformity with the terms detailed in the specific procedure that has been approved on the topic by the Audit Committee;
- To annually assess the work conducted by the Statutory Auditor and its adequacy to perform the duties, and proposing its dismissal to the General Meeting and termination of the contract for provision of services of the Statutory Auditor to the Board of Directors, when on the grounds of fair cause;
- To verify, monitor, oversee and assess the Statutory Auditor’s independence as prescribed by law and assess the annual confirmation of its independence vis-à-vis the Company (including the Statutory Auditor’s own independence and that of his/her partners and other senior officers/managers, as prescribed by law);
- To verify the adequacy of and give prior consent, in a substantiated manner, to the Statutory Auditor’s providing non-audit services to CTT and to the entities under its control, as well as assess the Statutory Auditor’s annual statement therein related, in conformity with the terms detailed in the specific procedure that has been approved on the topic by the Audit Committee;
- To discuss threats to its independence with the Statutory Auditor and the safeguards implemented to mitigate them;
- To propose the Statutory Auditor’s remuneration to the competent bodies;
- To permanently monitor the activity and contractual ties with the Statutory Auditor, in particular as regards financial information and the effectiveness of internal control mechanisms, namely by (i) procuring the latter is endowed with the conditions necessary to carry out its activity, (ii) being the Statutory Auditor’s main liaison within the Company, and (iii) receiving the content of all its reports (never after any other body or committee), and being aware of the exchange of correspondence with the Statutory Auditor relative to the Company and the companies in controlling or group relations with the Company;
- To monitor and oversee the annual individual and consolidated statutory audit, namely its execution, and assess the content of the annual statutory audit reports and audit reports with the Statutory Auditor, namely as regards any possible reservations presented thereby, in order to make recommendations to the Board of Directors and Executive Committee;
- To assess the Statutory Auditor’s additional report, which namely sets out the results/issues deemed fundamental to the statutory audit that has been carried out (including debating with the Statutory Auditor those fundamental results/issues);
- To include, in the Audit Committee’s annual report on its activities, information about the results of the legal review of accounts and the way that it contributed to the integrity of the process of preparation and disclosure of financial information, as well as the role of the Audit Committee in this process;
- To monitor the situation of the works involved in the legal review of accounts least on a quarterly basis in order to supervise the integrity and quality of the quarterly and six-monthly financial information.

In turn, the **Statutory Auditor** is responsible for reviewing the Company’s accounts, as prescribed by law and in the Regulation on the Provision of Services by the Statutory Auditor mentioned above.

The official review of accounts and audit duties performed by the Statutory Auditor, which include, among others, the verification that the corporate bodies’ remuneration policies and systems approved by the Remuneration Committee are applied, the effectiveness and operation of internal control mechanisms and reporting of any deficiencies to the Audit Committee, are conducted by the entity referred to in points 39 and following of Part I below of this report.
IV. Statutory auditor

39. Statutory auditor and audit partner who represents it
At the Annual General Meeting held on 18 April 2018, KPMG & Associados, SROC, S.A. ("KPMG"), statutory auditor number 189, represented by the partner Paulo Alexandre Martins Quintas Paixão (statutory auditor number 1427), was re-elected as the Company’s Statutory Auditor for the term of office 2018/2020. At this same General Meeting, Vítor Manuel da Cunha Ribeirinho (statutory auditor number 1081) was elected Alternate Statutory Auditor.

40. Number of consecutive years the Statutory Auditor has carried out duties for the Company and/or the Group
KPMG has been CTT’s Statutory Auditor since 5 May 2014. It was elected on that date to complete the 2012/2014 term of office, was re-elected on 5 May 2015 (for the 2015/2017 term of office) and on 18 April 2018 (three-year period 2018/2020).

41. Description of additional services rendered to the Company by the Statutory Auditor
See points 46 and 47 below on the services rendered by the Statutory Auditor to the Company in 2018.

V. External auditor

42. External auditor and the audit partner who represents it in carrying out those duties, and its CMVM registration number
In line with Law 148/2015, of 9 September, in its current wording, and the amendments therefrom on the Portuguese Securities Code, in 2018 and on the present date, the CTT’s Auditor is KPMG, registered with the CMVM under no. 20161489, represented by the partner Paulo Alexandre Martins Quintas Paixão.

43. Number of consecutive years the external auditor and the audit partner who represents it therefore have carried out those duties for the Company and/or the Group
KPMG has been the Statutory Auditor / (external) Auditor since 2014, and was represented by its partner Maria Cristina Santos Ferreira until 1 May 2017 and, since then, by its partner Paulo Alexandre Martins Quintas Paixão. In 2012 and 2013, KPMG was the Company’s independent auditor.

44. Rotation policy and frequency of rotation of the external auditor and respective partner who represents it in carrying out those duties
Law 140/2015, of 7 September ("Chartered Accountants Regime"), sets out mandatory rules on the rotation of the Statutory Auditor and the partner involved, which apply to CTT as a “public interest company”. These rules are reflected in the Regulation for the Provision of Services by the Statutory Auditor approved by the Company.

In this regard, considering that KPMG (i) was engaged as the independent auditor in 2012 and 2013 and as Statutory Auditor / (external) Auditor as of 2014, and that (ii) the partner in charge was replaced taking effect on 1 May 2017, as indicated in point 43 of Part I above, the Company is in compliance with the legal rotation period of the Statutory Auditor and respective audit partner defined in the Chartered Accountants Regime.

45. Corporate body responsible for assessing the External Auditor and frequency of such assessment
See point 38 of Part I above on the Audit Committee’s powers as regards the Statutory Auditor / Auditor’s annual assessment. In exercising its powers, the Audit Committee verified the Statutory Auditor’s independence and positively assessed its work during the 2018 financial year.

46. Non-audit work carried out by the external auditor for the Company and/or companies within a control relationship, internal procedures for the approval of such services and the reasons for their engagement
In 2018, KPMG was engaged by CTT and the entities under its control or companies in a control relationship with CTT for the following non-audit services (considering the understanding expressed by the CMVM on 17 April 2017 in its update to “Frequently-asked questions about the entry into force of the new Chartered Accountants Regime and the Statutory Audit Supervision Regime”) hereinafter “Non-Audit Services Engaged in 2018”:
- Limited review of the consolidated financial statements of CTT and the individual financial statements of Banco CTT for the six-month period ending 30 June 2018, together with the issuance of a limited review report on CTT’s consolidated financial statements;
- Checking the quantitative and qualitative information included in the CTT Sustainability Report of 2018, together with the issuance of an independent limited quality assurance report;
- Issue of the 2018 report by the Statutory Auditor on the assessment of the process of quantification of the impairment of the credit portfolio of Banco CTT;

The Regulation on the Provision of Services by Statutory Auditors includes procedures for the engagement of non-audit services by CTT and the entities under its control, subjecting them to the prior authorization of the CTT Audit Committee and the Audit Committee of Banco CTT (as a public interest entity wholly owned by CTT), as indicated in point 37 of Part I above, which were followed for the Non-Audit Services Engaged in 2018.

Accordingly, the authorisation for engaging these Non-Audit Services Engaged in 2018: (a) was based in particular on analysis and confirmation (i) that the services in question are not included in the list of prohibited services and do not constitute a threat to the independence and objectivity of KPMG within the context of auditing work, and do not generate any personal interest situation, and (ii) that the engagement of such services does not exceed the annual amount recommended for the engagement of additional services from the Statutory Auditor in each financial year; and (b) was grounded on KPMG’s knowledge of the Company and the entities it controls, thus assuring possession of the relevant information for the provision of such services (in particular given the nature of the vast majority of the Non-Audit Services Engaged in 2018) and its experience in carrying out similar work.

Besides the Non-Audit Services Engaged in 2018, non-audit services engaged in 2017 were partially provided by KPMG in 2018 (issue of opinion to Banco de Portugal on the internal control system 2017/2018 of Banco CTT), with the total amount of these services being reflected under “Accounted Services” in the table shown in point 47 below.

The information in the above-mentioned table shows that the Non-Audit Services Engaged in 2018 represent 15.2% of the total value of the services engaged from the Statutory Auditor, with the total non-audit services provided in 2018 representing 20.6% of all the services provided by the Statutory Auditor and entities in its network/group.
### 47. Annual remuneration paid by the Company and/or legal entities within a control or group relationship to the auditor and other natural or legal persons, specifying the percentage relating to each type of service

The table below indicates the amounts corresponding to the fees of KPMG and entities in its network/group in 2018:

<table>
<thead>
<tr>
<th></th>
<th>Engaged Services 1</th>
<th>Accounted Services 2</th>
<th>Paid Services 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (€)   %</td>
<td>Amount (€)    %</td>
<td>Amount (€)    %</td>
</tr>
<tr>
<td>CTT</td>
<td>402,887   43.8%</td>
<td>379,580        41.2%</td>
<td>309,099       33.6%</td>
</tr>
<tr>
<td>Statutory Audit</td>
<td>298,337   32.4%</td>
<td>288,853        31.4%</td>
<td>272,199       29.6%</td>
</tr>
<tr>
<td>Quality Assurance Services</td>
<td>36,900   4.0%</td>
<td>35,727         3.9%</td>
<td>36,900         4.0%</td>
</tr>
<tr>
<td>Tax Consultancy Services</td>
<td>0        0.0%</td>
<td>0              0.0%</td>
<td>0              0.0%</td>
</tr>
<tr>
<td>Other Services</td>
<td>67,650   7.3%</td>
<td>55,000         6.0%</td>
<td>0              0.0%</td>
</tr>
<tr>
<td>Other Companies within CTT Group</td>
<td>517,994  56.2%</td>
<td>529,539        57.5%</td>
<td>450,881       49.0%</td>
</tr>
<tr>
<td>Amount of Statutory Audit Services</td>
<td>482,939 52.4%</td>
<td>432,941        47.0%</td>
<td>377,696       41.0%</td>
</tr>
<tr>
<td>Amount of Quality Assurance Services</td>
<td>35,055 3.8%</td>
<td>96,597         10.5%</td>
<td>73,185        7.9%</td>
</tr>
<tr>
<td>Amount of Tax Consultancy Services</td>
<td>0 0.0%</td>
<td>0              0.0%</td>
<td>0              0.0%</td>
</tr>
<tr>
<td>Amount of Non-Audit Services</td>
<td>0   0.0%</td>
<td>0              0.0%</td>
<td>0              0.0%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>920,880  100%</td>
<td>909,118        99%</td>
<td>759,980       83%</td>
</tr>
<tr>
<td>Total Audit Services</td>
<td>781,275  84.8%</td>
<td>721,794        79.4%</td>
<td>649,895       85.5%</td>
</tr>
<tr>
<td>Total Non-Audit Services</td>
<td>139,605 15.2%</td>
<td>187,324        20.6%</td>
<td>110,085       14.5%</td>
</tr>
</tbody>
</table>

1 Includes VAT at the applicable legal rate.
2 Includes invoiced amounts and specialised amounts of the financial year.
3 See point 46 above regarding engaged and accounted services. The services paid refer to services engaged in 2018 and in previous years with payment conditions met in 2018.

The table above was prepared based on the classification arising from the CMVM’s understanding, as mentioned in point 46 of Part I above.
C. Internal organisation

I. Articles of association

48. Provisions applicable to the amendment of the Company’s Articles of Association

The General Meeting is responsible for passing resolutions on any amendment to the Articles of Association. CTT’s Articles of Association do not contain special provisions for the amendment thereof. The general rules provided for in the PCC apply thereto, i.e. such resolution must be passed by a General Meeting:

- In which, on the first call, Shareholders holding shares corresponding to at least one third of the Company’s share capital are present or represented; and
- By a two-thirds majority of votes cast, either on the first or second call, unless, on the second call, Shareholders holding shares corresponding to at least half of the Company’s share capital are present or represented, in which case the resolution may be taken by simple majority of votes cast.

II. Reporting irregularities (whistleblowing)

49. Mechanisms and policy adopted by the Company for the reporting of irregularities (whistleblowing)

Pursuant to the Regulation on the Whistleblowing System that sets out the internal procedures for the reception, retention and handling of irregularity communications, in line with best practices in this area, CTT’s Audit Committee is responsible for receiving irregularity communications presented by the Company’s Shareholders, employees and others, in order to ensure the necessary independence of these procedures.

Reception

Irregularity communications must be addressed, in writing, to CTT’s Audit Committee, through any of the following mechanisms and must include the information stated in the Regulation on the Whistleblowing System:

- E-mail: irregularidades@ctt.pt
- Address: Remessa Livre 8335, Loja de Cabo Ruivo, 1804-001 Lisbon.

Investigation

Once an irregularity communication has been received and recorded, the Audit Committee forwards it to the Ethics Committee, which will carry out actions to verify the existence of sufficient grounds for an investigation. Once the investigation has come to a close, the Ethics Committee will propose to the Audit Committee the appropriate measures be adopted or the closing of the procedure.

Given its powers and composition referenced in points 21.5 and 29.3 of Part I above (in particular, its being chaired by a member of the Audit Committee and having as its member the Head of Audit & Quality who functionally reports to CTT’s supervisory body), the Ethics Committee supports an effective investigation and the preparation of the Audit Committee’s decision in a manner independent from the Board of Directors.
Decision

Although the investigation is led by the Ethics Committee, it is the Audit Committee that receives and records communications, as well as makes the final decision on whether those are closed or other measures adopted, under the terms of the referenced Regulation on the Whistleblowing System.

The Audit Committee’s resolutions under these procedures are subject to the general safeguards regarding conflicts of interest set out in its Internal Regulation and which are relevant should a reported irregularity entail one of its members. According to this Regulation, members of this body cannot vote or participate in resolutions on matters in which they have a conflicting interest.

Within these procedures and as detailed in the referenced Regulation, the following rights are granted to anyone presenting a complaint:

- Confidential handling of irregularity communications;
- Confidential, secure handling and safeguarding of the records and the information;
- Right to information, access and correction of personal data; and
- Prohibition on CTT from retaliating against any whistleblower under this mechanism.

During 2018, no occurrence of any irregularity was communicated to the Audit Committee.

III. Internal control and risk management

50. Persons/corporate bodies responsible for internal audit and the internal control system

Based on the best applicable practices and the Company’s specific characteristics, the Board of Directors is the corporate body responsible for ensuring the effectiveness of the internal control, risk management and internal audit systems, encouraging a culture of control throughout the organization. For this purpose, it has established:

- Processes for the monitoring and continuous improvement of the Internal Control System, underpinned by the assessment and mitigation of critical risks, ensured by Internal Audit (Operational Risks) and Risk Management (Strategic Risks), in close coordination with the corporate and business areas;
- Internal information and reporting mechanisms, allowing the organisation’s performance to be monitored, observed and improved at all levels;
- Processes for identifying and responding to risks in order to pursue the Company’s strategic objectives, as defined by the Board of Directors;
- An internal control system intended to guarantee efficient and sustainable execution of business and operations, protection of resources and assets and compliance with the applicable policies, plans, procedures and regulations.
The Audit Committee, as CTT’s supervisory body, is responsible for the supervision of (i) the quality and integrity of the financial information, (ii) the effectiveness of the internal audit, internal control and risk management systems and (iii) the independence of the Statutory Auditor, monitoring the activity of the statutory auditor and external audit as detailed in point 38 of Part I above.

The internal audit function (3rd line of defence) is ensured by the Audit & Quality Department, which is responsible for the independent assessment of the appropriateness and effectiveness of CTT’s and other Group companies’ internal control systems, through the continuous monitoring of major risks and timely reporting to the Management and Supervisory Bodies of action plans to mitigate the identified risks, whose implementation is systematically monitored through follow-up actions.

Therefore, (i) the Board of Directors is responsible for stipulating the Company’s strategic goals and risk limits and for creating systems for their control, in order to ensure that risks incurred are consistent with those objectives, and (ii) the Audit Committee is responsible for assessing the operation of internal control and risk management systems, which was carried out in 2018 as described in this chapter and in points 51 to 55 of Part I below and subchapters 2.7.1. Description of the risk management process and 2.7.2. Identification of risks (risk matrix) and CTT response of chapter 2.7. Risk Management of this report.

51. Hierarchical/operational dependence on other Company bodies

The Audit and Quality Department reports hierarchically to the Executive Committee (through the CEO) and functionally to the Audit Committee.

In compliance with the Articles of Association and the Audit Committee Regulation, the Audit Committee has the following responsibilities:

- Ongoing monitoring, assessment and oversight of internal accounting and auditing procedures, as well as the effectiveness and suitability of the risk management, internal control and internal auditing systems.
- Stating its opinion on the work plans and resources allocated to the Audit & Quality Department and compliance services, and supervising its activities;
- Monitoring internal audit, together with the Executive Committee, assessing the reports from the Audit & Quality Department and from the compliance services;
- Supervising the risk policy and system, monitoring the implemented procedures, and the integrated risk assessment methodologies, proposing to the Executive Committee measures intended to improve the operation of the financial information internal control systems, of the risk management system and of internal audit;
- Debating the content of the internal control report with the Executive Committee and Statutory Auditor.

52. Other functional areas with risk control powers

See subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk Management.

53. Identification and description of the main risks (economic, financial and legal) to which the Company is exposed in exercising its activity

See subchapter 2.7.2. Identification of risks (risk matrix) and CTT response of chapter 2.7. Risk Management.

54. Description of the process for identifying, assessing, monitoring, controlling and managing risk

See subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk Management.

55. Main elements of the internal control and risk management systems implemented in the Company regarding the disclosure of financial information

The disclosure of financial information is monitored by both the management and Supervisory Bodies and by the Business Units and Corporate Departments. The financial reporting documents and other financial information are prepared by the Planning & Control and Investor Relations Departments, based on information provided by the Accounting & Treasury Department and the Business Units.

All the financial reporting documents are approved by the Board of Directors and reviewed by the Audit Committee and the Statutory Auditor.

In particular, the Audit Committee is responsible for supervising the adoption of the principles and policies...
regarding the identification and management of the main financial and operational risks associated with CTT’s activity, namely by monitoring the activities of the Audit & Quality Department and the Finance & Risk Department.

The Audit Committee is also responsible for overseeing the independence of the Statutory Auditor and the preparation and disclosure of the Company’s financial information. In this context, this body:

- Holds meetings to monitor these processes with members of the Executive Committee, the Statutory Auditor and with the Heads of Accounting & Treasury, Planning & Control and Finance & Risk;
- Assesses the Audit & Quality Department’s reports (specifically with respect to internal audit and internal control of the financial report), in order to make any proposals to the Executive Committee;
- Monitors internal audit, together with the Executive Committee, namely with respect to the procedures related to financial reporting, detection of risks, irregularities and conflicts of interest, and the safeguarding of assets;
- Monitors the main vulnerabilities identified by the Company and the mitigation plans.

The work carried out by the Audit Committee during 2018 sought, above all, to supervise the suitability of the preparation and disclosure of financial information and ensure that the internal and external auditors were able to perform their duties with independence and impartiality.

In turn, to issue the legal certification of accounts and the audit report, the Statutory Auditor assesses the internal control mechanisms of the main business processes of the Group companies with an impact on financial reporting.

IV. Investor support

56. Department responsible for investor relations, its composition, duties, information provided by the department and contact details
See chapter 10, Investor Support.

57. Market relations representative
See chapter 10, Investor Support.

58. Proportion and waiting time limit for information requests made in the year or pending from previous years
See chapter 10, Investor Support.

V. Website

59. Address
See chapter 11, Website.

60. Place where information is available about the name, public company status, registered office and other identifying details
See chapter 11, Website.

61. Place where the Articles of Association and the Internal Regulations of the corporate bodies and/or committees may be found
See chapter 11, Website.

62. Place where information is available on the names of the members of governing bodies, the market relations representative, the investor relations office or equivalent structure, their respective duties and contact details
See chapter 11, Website.

63. Website where the financial statements are available, together with the half-yearly calendar of corporate events
See chapter 11, Website.
64. Place where the notices to convene for General Meetings and all related preparatory and subsequent information are disclosed
See chapter 11. Website.

65. Place where the records of all resolutions taken in the Company’s General Meetings, the share capital represented and voting results are available
See chapter 11. Website.

D. Remuneration

I. Powers to stipulate remuneration

66. Powers to stipulate remuneration for corporate bodies, members of the Executive Committee and Company senior officers

As per article 9 of the Company’s Articles of Association, the General Meeting has the power to stipulate remuneration for corporate body members. It may appoint a Remuneration Committee for this purpose.

As the Board of Directors of CTT considers that the Company’s directors, under articles 248-B of the Securities Code and 3 of the EU Regulation, correspond only to the members of the management and supervisory bodies of CTT, the Remuneration Committee is responsible for stipulating their remuneration.

As further detailed in point 21.4 of Part I above, the Corporate Governance, Evaluation and Nominating Committee has consultation powers on assessment and remuneration matters and supports the Remuneration Committee in stipulating remuneration.

The attribution of these consultation powers is in line with best practices (namely of the financial sector) in that the body which defines the remuneration should be supported by a committee within the Board of Directors, which contributes with its independence, knowledge and experience in the definition of a remuneration policy suited to the particularities of the sector and the Company, especially with detailed knowledge on its strategic and risk profile.

II. Remuneration committee

67. Composition of the Remuneration Committee, including natural and legal persons engaged to assist said committee and statement on independence of each member and consultant

As at 31 December 2018, and at the present date, the composition of the Remuneration Committee was and is as follows:

<table>
<thead>
<tr>
<th>Members</th>
<th>Position</th>
<th>Date of 1st appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>João Luís Ramalho de Carvalho Talone</td>
<td>Chairman</td>
<td>24/03/2014</td>
</tr>
<tr>
<td>Rui Manuel Meireles dos Anjos Alpalhão</td>
<td>Member</td>
<td>24/03/2014</td>
</tr>
<tr>
<td>Manuel Fernando Macedo Alves Monteiro</td>
<td>Member</td>
<td>28/04/2016</td>
</tr>
</tbody>
</table>

1) Members re-elected at the General Meeting held on 20/04/2017 for the term of office 2017/2019.
All members of the Remuneration Committee are independent from the CTT Board of Directors, since none of them (i) is part of any corporate body of the Company nor of any company within a control or group relationship with CTT and / or (ii) has any family relationship (e.g., through his spouse, relatives and/or kin in a direct line up to the third degree inclusive) with any Board member.

In 2018, CTT’s Remuneration Committee maintained Mercer’s support, for the exercise of its functions, as a consultant specialised in remuneration and human resources matters, and the Remuneration Committee considered, in the context of the engagement process, the experience accumulated by Mercer in the definition of the remuneration policy for the previous term of office, as well as the rigour and professionalism with which it always carried out the work requested of it.

In 2018, Mercer provided other services to the Company, which obtained authorisation from the Remuneration Committee for contracting such services. In order to ensure the necessary conditions of independence in the provision of services by Mercer to the Remuneration Committee, the Company has adopted procedures to ensure the necessary objectivity and impartiality of the consultants who collaborate with the Remuneration Committee through, in particular, the segregation of the teams assigned to the different services and “Chinese walls”.

68. Knowledge and experience of the members of the Remuneration Committee on matters of remuneration policy

The curricula vitae of the members of the Remuneration Committee are presented in Annex I of this report (pages 346-367), as shown therein, all the members of this Committee have appropriate knowledge to analyse and decide on the matters within their power, in view of their training and extensive professional experience, namely via:

- The performance of executive and non-executive management duties in various sectors, in Portugal and abroad, and of oversight duties, in both cases in companies of a significant size and with shares admitted to trading, as well as the performance of functions in several national and international entities in the area of capital markets;
- Expertise and experience in general in the areas of corporate governance, remuneration policy, human resources, financial and risk.

III. Remuneration structure

69. Description of the remuneration policy of the management and supervisory bodies referenced in article 2 of Law 28/2009, of 19 June

The remuneration policy of the governing bodies for the term of office 2017/2019 was defined and implemented by the Remuneration Committee in 2017, based on an extensive reflection on:

- The experience obtained in 2014/2016 with the implementation of the remuneration policy for that term of office, marked by CTT’s transition from a state-owned company to an exclusively private-held company dispersed on the market;
- The benchmark studies carried out with the assistance of specialised consultants, both in terms of recommendations on corporate governance and market comparables; and
- The business goals defined for this term, as part of the Company’s ongoing diversification strategy in 4 business segments.
In 2018, in order to give greater relevance to the quantitative criteria in relation to the qualitative criteria for attribution of the amount of AVR ("Annual Variable Remuneration"), as detailed in point 71 of Part I below, the Remuneration Committee decided to amend the remuneration policy of the corporate bodies for the term of office 2017/2019. The remuneration policy continues to be based on the following main principles already present in the previous term of office:

- Operate as an instrument of the talent management policy;
- Compensate work, stimulate performance, reward outcomes, in view of individual performance and merit;
- Contribute to attract, develop and retain competent professionals, seeking to be competitive in relation to Portuguese market practices by companies of similar complexity;
- Promote the alignment of interests with the values and culture of CTT, with the business strategy, with the Company's shareholders and, in general, with all the other stakeholders;
- Contribute to the creation of value, especially in the medium and long-term, following sustained management practices.

In turn, the benchmarking analysis conducted during this term of office was based on a peer group composed of 20 companies selected according to non-cumulative criteria: sector, regulated/non-regulated market and stability of cash-flow, thus covering the remuneration practices applied:

- By 8 European companies of the sector (Bpost, Deutsche Post DHL, La Poste, Poste Italiane, Poste NL, Post Nord, Royal Mail and TNT);
- By the 12 most significant companies in Portugal at that date, including large Portuguese companies and PSI-20 companies (BPI, Brisa, EDP, EDP Renováveis, Galp, Jerónimo Martins, Millennium BCP, NOS, Navigator, REN, Semapa and Sonae);
- Specifically in the case of the benefits detailed in 75 and 76 below, a different peer group was considered, focused on the top positions of Portuguese companies; and
- Specifically with respect to the members of the Board of the General Meeting, a different peer group was also considered, composed of Portuguese companies, including those listed in the PSI-20.

The approved policy also represents an evolution with a view to continuous alignment with best governance practices, defining various mechanisms aimed at:

- Promoting the effective supervisory capacity of the non-executive Directors and appraisal of the performance of the executive management according to the objectives defined in the Company's annual budgets and in the long-term business plans, approved by the Board of Directors;
- Fostering the alignment of management interests considering the particularities of the activity developed by CTT in its 4 business segments, with different challenges and maturity levels (with possible changes to this policy by the Remuneration Committee in view of relevant changes to the activity, structure and/or size of the Company and the regulatory developments); and
- Contributing to the sustainability of the Company and its results, and the creation of value for the shareholders, considering the evolution of the risk profile and the long-term strategic goals of CTT.
In view of the above, the remuneration of the executive Directors includes a fixed component and a variable component, the latter consisting of a portion intended to compensate performance in the short-term and another intended to compensate long-term performance.

The fixed remuneration component for this term of office was stipulated taking into account the following cumulative criteria: market median and competitiveness; sustainability of CTT’s performance; and the nature and complexity of the duties (reason for which the CEO, CFO and remaining executive Directors’ remuneration is different), particularly for the required skills and responsibilities of such duties within the context of the 4 business segments in which CTT operates (including Banco CTT, a regulated company wholly owned by CTT).

This component includes the annual basic remuneration paid 14 times per year and the annual meals allowance (which can be reviewed annually by the Remuneration Committee), as well as the benefits detailed in points 75 and 76 below.

In turn, the variable remuneration (“VR”) of the executive Directors is composed of:

- An annual component (“Annual Variable Remuneration” or “AVR”), conditional on the predefined quantitative and qualitative objectives being achieved in each financial year; it is paid in cash in the month after the approval of the accounts by the Annual General Meeting following each financial year; and
- A long-term component (“Long-Term Variable Remuneration” or “LTVR”), conditional on the Total Shareholder Return (“TSR”) for CTT shares by comparison with the average-weighted TSR of a peer group, as well as the results of the annual qualitative assessment through the term of office (up to 31 December 2019), as well as the investment and lock-up of part of the AVR in CTT shares, being paid in cash in 2 deferred tranches (one in 2020 and the other in 2021).

Both the annual variable remuneration and the long-term variable remuneration are subject to minimum and maximum limits, namely in relation to the base remuneration, to different accomplishment levels and to diverse conditions of attribution, assessment of performance and adjustment, as explained below.

Non-executive Directors exclusively earn an annual fixed remuneration, paid 14 times per year.

For this term of office, its amount was defined cumulatively considering the following criteria: the market median; the level of commitment in terms of time and estimated number of meetings (with a differentiated additional remuneration being attributed to the non-executive Directors in committees); and the level of complexity and responsibility of each position determining a valuation of the performance of duties in the Audit Committee (in view of the duties of this supervisory body) and in the Corporate Governance, Evaluation and Nominating Committee (also with responsibilities in terms of the subsidiaries) and the positions of chairing committees and the Board of Directors (in particular the role of Chairman described in 211 above, whether in the leadership of the Board or before the Company’s stakeholders with a dispersed capital structure).

To summarise, the remuneration policy approved for this term of office is based on the following pillars in line with best national and international practices.
<table>
<thead>
<tr>
<th>Compensation mix</th>
<th>Appropriate balance between fixed and variable remuneration;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriate balance between short and long-term remuneration.</td>
<td></td>
</tr>
<tr>
<td>Performance measures</td>
<td>Appropriate balance between individual and collective goals;</td>
</tr>
<tr>
<td>Appropriate balance between financial and non-financial goals;</td>
<td></td>
</tr>
<tr>
<td>Performance measures that consider the Company’s strategy and risk profile and establish suitable KPI and targets for the strategic plan of the CTT Group in the short and medium/long-term, based on market practices in this regard.</td>
<td></td>
</tr>
<tr>
<td>Alignment of interests</td>
<td>Definition of a minimum performance level to achieve the variable remuneration;</td>
</tr>
<tr>
<td>Definition of the maximum performance level from which there is no additional payment of variable remuneration (caps);</td>
<td></td>
</tr>
<tr>
<td>Equal levels of accomplishment for all members of the Executive Committee contributing to team cohesion;</td>
<td></td>
</tr>
<tr>
<td>Deferral via the criteria of access to long-term variable remuneration and its payment on 2 tranches, as well as via the connection between long-term variable remuneration and annual variable remuneration;</td>
<td></td>
</tr>
<tr>
<td>Conditions for granting LTVR, including investment and lock-up of part of the AVR in Company shares;</td>
<td></td>
</tr>
<tr>
<td>Establishment of adjustment mechanisms to determine the reduction or reversal of the attribution and/or payment of variable remuneration (malus/clawback provisions).</td>
<td></td>
</tr>
<tr>
<td>Transparency</td>
<td>Independent Remuneration Committee, assisted by specialised consultants and by a specialised and independent internal Board committee;</td>
</tr>
<tr>
<td>Detailed disclosure of information to the shareholders whenever requested;</td>
<td></td>
</tr>
<tr>
<td>Alignment with the peer group and strategic goals of the Company;</td>
<td></td>
</tr>
<tr>
<td>Consolidation of the overall remuneration in terms of CTT, without earning remuneration for positions held in other companies of the Group;</td>
<td></td>
</tr>
<tr>
<td>Presence of the Chairman or, in his absence, another member of the Remuneration Committee, at the Annual General Meeting and in any others, if the agenda includes an issue related to the remuneration of members of the Company’s bodies and committees, or if this presence has been requested by the shareholders.</td>
<td></td>
</tr>
</tbody>
</table>

These principles and structural elements of the remuneration policy of the members of the management and supervisory bodies of CTT are detailed in the following points of this report and are also included in the statement on the remuneration policy to be submitted by the Remuneration Committee for approval at the Annual General Meeting to be held on 23 April of the current year, which will be previously be subject to the favourable opinion of the Corporate Governance, Evaluation and Nominating Committee.

In the annual statement to be submitted by the Remuneration Committee for approval by the Annual General Meeting, the due information is disclosed pursuant to Law 28/2009, of 19 June, as well as (i) information about the criteria for determination of remuneration and the rules in force on matters of termination of duties, (ii) total remuneration detailed by the different components including the proportion relative to fixed remuneration and variable remuneration, as well as (iii) information on the inexistence of deviations from the procedures of application of the approved remuneration policy.

As disclosed to the market in due course as part of the Company’s Operational Transformation Plan and within the context of the adjustments to the Human Resources policy therein, all the members of the Board of Directors waived part of their fixed remuneration for 2018 and the executive Directors also waived the AVR for the financial years 2017 and 2018 (see points 77 and 79 below).
70. How remuneration is structured in order to align management body members’ interests with the Company’s long‑term interests, and how it is based on performance assessment and discourages excessive risk taking

70.1. Setting limits of the annual basic remuneration, the AVR and the LTVR, and discouraging excessive risk taking

The value of fixed remuneration is defined according to the criteria indicated in point 69 above, focused on alignment with market practices and on differentiation according to dedication and the level of complexity and responsibility of the positions held. This component should discourage excessive risk‑taking, in view of the strategic goals and challenges of the 4 business segments in which the Company operates.

CTT’s non‑executive Directors receive exclusively fixed remuneration.

In turn, the variable remuneration of the executive Directors is subject to maximum caps defined in the remuneration policy, namely by reference to the annual basic remuneration, also consisting of a discouragement to excessive risk‑taking, as follows:

- The AVR’s target is 55% of the annual base remuneration for each executive Director. Therefore, in a scenario in which 100% of the AVR goals are attained, each executive Director will be entitled to a cash AVR of 55% of his/her annual base remuneration.
- If the goals attained surpass this target, the maximum AVR each executive Director may receive is 85% of his/her annual base remuneration.
- The LTVR target is 120% of the annual base remuneration for each executive Director. Therefore, in a scenario in which 100% of the LTVR goals are attained, each executive Director will be entitled to a cash LVTR of 120% of his/her annual base remuneration.
- If the goals attained surpass this target, the maximum LVTR each executive Director may receive is 180% of his/her annual base remuneration.
- If the minimum achievement thresholds detailed in point 71 below is not attained, there will be no VR.

Further, in order to discourage excessive risk‑taking, and as better detailed in point 70.2 below, if the maximum VR goals are attained, the annual fixed remuneration component will represent an average 41% of the total annual remuneration for the executive Directors. The remaining 59% will be attributed as a variable (annualised) component. If the target of the VR goals is met, the annual fixed remuneration will represent an average 51% and the variable annualised component will represent an average 49% of the total annual remuneration.

Finally, and pursuant to article 23 of the Articles of Association, the variable remuneration of the executive Directors may consist of a percentage of the consolidated profits. In this case, the overall percentage of profits allocated to the variable remuneration cannot exceed, in each year, the amount corresponding to 5% of the consolidated profit for the year.

70.2. Performance assessment criteria, balance between remuneration components and resulting alignment of interests

The award and amount of the VR are conditional on compliance with pre‑set goals measured using performance assessment criteria, as described in section 71 below. This component will vary according to the degree of achievement of:
Moreover, both the AVR and the LTVR are conditional on the minimum performance achievement thresholds and gradual goals described in section 71 below.

Thus, these performance assessment criteria, achievement goals and thresholds seek to establish a remuneration policy that fosters the alignment of the interests of the Board members with CTT’s interests and long-term performance.

The chart below shows the fixed and variable (annualised) remuneration weight in comparison to the total annual remuneration awarded, on average, to the Executive Committee members for achieving on the target and maximum achievement of the VR goals. In overall terms, there is a balance between the fixed annual remuneration and the total variable annualised remuneration which also fosters the above-mentioned alignment of interests.

Overall, there is a balance between the annual fixed remuneration and the annualised total variable remuneration. The weight of the variable component in relation to the total fixed remuneration is in line with the best market practices of a universe of national and European reference companies (entities of the postal sector), incorporated in the benchmarking exercise.
In sum, the effective attribution of this remuneration mix depends on a performance assessment according to the criteria and goals described in point 71 below and contributed to the alignment of interests of the directors with those of the Company, as follows:

- **The fixed component** serves as a reference for the allocation of the VR, is subject to limits, can be reviewed annually by the Remuneration Committee thus providing an adequate balance both remuneration components;
- **The AVR and the LT VR** depend on the assessment of pre-determined and gradual quantitative and qualitative performance criteria with an assessment period that matches the financial year and the term of office, respectively;
- **The LT VR** is also dependent on the investment and lock-up of a minimum of 25% of the AVR in Company shares and is paid, in a long-term perspective, in two tranches (until 2021), thus constituting an additional incentive to keep the Company’s performance positive beyond the term of office.

Moreover, in terms of the remuneration policy, the executive Directors cannot conclude contracts or other instruments, either with the Company or with third parties, whose effect is mitigating the risk inherent to the variability of the variable remuneration.

Lastly, notwithstanding the waiver by the executive Directors of part of the fixed remuneration and of the AVR for this term of office (in line with the Company’s Operational Transformation Plan and as detailed in points 77 and 79 below), a remuneration mix based on the performance assessment is maintained, in line with the criteria and goals and with the AVR and LT VR assessment process described in point 71 below, which will contribute to the alignment of the Directors’ interests with the Company.

71. Reference, if applicable, to the existence of a variable remuneration component and information on any potential impact of the performance assessment thereon

As noted in point 69 of Part I above, the Remuneration Committee decided to change the remuneration policy, giving greater relevance to the quantitative criteria in relation to the qualitative criteria for attribution of the amount of AVR, since the qualitative component will only give rise to the attribution and payment of AVR if the assessment of the quantitative goals leads to the attribution and payment of any AVR.

The value of the AVR earned by the executive Directors is 70% of the assessment of the following criteria and quantitative goals, established by the Remuneration Committee based on the business plan and budget of the CTT Group and on the benchmarking carried out:

- The amount of the annual recurring EBITDA margin of each CTT business unit: (i) mail; (ii) express & parcels; (iii) financial services, and (iv) Banco CTT (30%);
- The consolidated growth percentage of the recurring EBITDA of CTT (as defined by CTT’s Audit Committee) vis-a-vis the previous calendar year (25%);
- The ROI growth percentage (ratio between the consolidated recurring EBITDA and invested capital), in comparison to the previous calendar year (25%);
- An annual TSR for the Company’s shares equal to or greater than 0 and its comparison to the weighted average TSR for a peer group (20%). This peer group consists of 2 subgroups with: (i) 60% weight to the TSR for the PSI-20 index and (ii) 40% weight to the (simple average) TSR for a set of relevant sector peers (Austrian Post, Bpost, PostNL and Royal Mail, notwithstanding changes defined by the Remuneration Committee due to relevant corporate restructurings.

The awarding of AVR in terms of these goals is also dependent on the observance of (i) a weighted average of these goals above 80% and (ii) a recurring EBITDA that complies with at least 85% of the established goal.
When these conditions are met, the recorded performance in terms of the quantitative criteria and goals is remunerated in a graduated way, according to the degree of accomplishment and parameters defined by the Remuneration Committee, in particular:

- If the recorded performance meets the set goal in less than 80% (90% in the case of the TSR goal), no AVR will be awarded for that quantitative target, nor will it be awarded if the qualitative individual targets are met;
- If the recorded performance is between 80% and 90% of the set goal (between 90% and 95% in the case of the TSR goal), that amount will be between 24.75% and 33% of the annual base remuneration of each executive Director;
- If the recorded performance is between 90% and 130% of the set goal (between 95% and 110% in the case of the TSR goal), that amount will be between 33% and 85% of the annual base remuneration of each executive Director;
- If the recorded performance meets the set goal by more than 130% (over 110% in the case of the TSR goal), that amount will correspond to 85% of the annual base remuneration of each executive Director.

30% of the granted AVR amount is derived from the assessment of individual qualitative goals set and assessed by the Corporate Governance, Evaluation and Nominating Committee based on the parameters set by the Remuneration Committee and with a view to fostering the Company’s values and sustainability, functioning and efficient relationship with CTT’s various corporate bodies and committees and the relationship with its stakeholders. However, pursuant to the change introduced in 2018, this component will only impact the attribution and calculation of the annual variable remuneration when the assessment of the quantitative goals of CTT leads to the attribution and payment of the annual variable remuneration. According to these parameters, the recorded performance in terms of these goals is remunerated in a graduated way, as follows:

- The annual variable remuneration on this account is based on a percentage of the annual basic remuneration between 55% and a maximum of 85%, according to the degree of accomplishment. There is only entitlement to this if the general performance recorded corresponds to an assessment of at least the target 3 (on a scale of accomplishment of 1 to 5); and
- The annual qualitative assessment of the CEO cannot exceed, by more than one level, the annual average assessment of all the other members of the Executive Committee.

In this context, the Corporate Governance, Evaluation and Nominating Committee defined an assessment model in which the relevant criteria are the composition, image and activity of the Executive Committee, as well as its relationship with the various corporate bodies and stakeholders (including aspects such as sustainability and environment, organisational culture, corporate reputation and relationship with Shareholders, employees, regulators and customers), as well as each member’s individual contribution to the Executive Committee’s performance.

In turn, the attribution of long-term variable remuneration to the executive Directors is subject to the following conditions of attribution:

- A minimum of 90% of the TSR performance of CTT shares by comparison with the average weighted TSR of the peer group shares (the same as applicable for the AVR) during the assessment period (between 1 January 2017 and 31 December 2019);
- The sum of the overall annual qualitative AVR assessments of the executive Director for 2017, 2018 and 2019 is equal to or greater than 9; and
- The investment in CTT shares of a minimum of 25% of the AVR amount received by each Director and a post-term lock-up period in 2021.
Once these conditions have been met, the calculation of the amount of LTVR to be awarded is based on the comparison of recorded TSR performance for Company shares and the weighted-average TSR for the peer group made up of the subgroups identified above for the AVR, as well as the sum of the annual overall qualitative AVR assessment, gradually in line with the degree of achievement and the parameters established by the Remuneration Committee, in particular:

- If the TSR for the Company’s shares is less than 90% of the weighted TSR for the peer group’s shares, no LTVR will be awarded;
- If the TSR for the Company’s shares is between 90% and 94.9% of the average weighted TSR for the peer group’s shares, each executive member is awarded an amount of between 25% and 88% of his/her annual base remuneration;
- If the TSR for the Company’s shares is between 95% and 119% of the average weighted TSR for the peer group’s shares, each executive Director is awarded an amount of between 95% to 174% of his/her annual base remuneration;
- If the TSR for the Company’s shares is equal to or greater than 120% of the average weighted TSR for the peer group’s shares, each executive Director is awarded 180% of his/her annual base remuneration;
- If the TSR for the Company’s shares is less than 0, the amount of LTVR to be paid is subject to a weighting factor of 0.8;
- In addition, if the sum of the annual overall qualitative AVR assessments is less than 9, an adjustment factor of 0 is applied, and an adjustment factor of 1 is applied if it is between 9 and 15.

As better illustrated in the following graph:

**Performance vs. Payment**

<table>
<thead>
<tr>
<th>Levels of achievement (in % of the target)</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
<th>110%</th>
<th>115%</th>
<th>120%</th>
<th>180%</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTVR Payment 3 years (in % of the ABR)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**72. Deferral of payment of the variable component of remuneration and deferral period**

The attribution and calculation of the long-term variable remuneration is based on long-term performance, as both the Company’s TSR compared to the peer group and the outcome of the individual qualitative assessments are appraised throughout the entire duration of the term of office (from 1 January 2017 to 31 December 2019).

Moreover, the LTVR is awarded on the condition that the executive Director remains in the Company throughout that period (without prejudice to the provisions below in this point 72), as well as
the investment of part of the annual variable remuneration in shares and its retention/lock-up to the date of payment of the LTVR in 2 tranches.

Considering that, under the Company's Operational Transformation Plan, the executive Directors waived their annual variable remuneration attributable in 2017 and 2018 (points 77 and 79 below), the precedent condition is not met for the acquisition of the right over the entire value calculated at the end of the period of assessment of the long-term variable remuneration, specifically the investment in shares representing the Company’s capital of a minimum of 25% of the amounts received each year as annual variable remuneration. Thus, the amount attributable as long-term variable remuneration will be impacted by the amount of 1/3, for each year in which there was no attribution of annual variable remuneration, as if the precedent condition had not been met.

Through these mechanisms, a period of deferral of part of the AVR and the LTVR up to 2021 is established under the following terms:

- The LTVR is awarded subject to, inter alia, the investment of a minimum of 25% of the AVR amount received each year in CTT shares and a lock-up period (free of encumbrances) until the day after the approval of the 2020 accounts by the General Meeting (“Lock-up Period”); therefore, at least 25% of the AVR received is subject to this deferral period/mechanism (in 2021).
- Furthermore, the Remuneration Committee conducts an annual appraisal and confirms the fulfilment of the LTVR access conditions and the amount to be granted in this respect in the 4 months after the AVR payment date in 2020 (granting).
- The calculated LTVR is paid (vesting) as follows: (a) 60% of the calculated amount, in the month after fulfilment of the LTVR access conditions (in 2020) and (b) the remaining 40%, one year after that date (in 2021), thus creating a deferral period/mechanism for the LTVR in 2 tranches.

The payment of the variable remuneration relative to an assessment period in which termination of duties occurs shall not be due (continued performance), except in situations of termination by mutual agreement, retirement, death, invalidity or other case of early termination of office for reasons not imputable to the director (namely in the event of change of control of the Company), in which case the Remuneration Committee will define a pro-rata attribution. If a director leaves for any motive, with the exception of dismissal on fair grounds or any other situation which leads to the application of an adjustment mechanism (as described below), after the assessment period, but before the payment of the variable remuneration, its entire payment will take place to the extent corresponding to that period.

The AVR and the LTVR are also subject to the following adjustment mechanisms, which are enforced during the deferral period, i.e. up to the second date of payment of the LTVR in 2021:

- The reduction of the VR when the award and/or payment of the same is not yet an acquired right (malus provision) and reversal by way of retention and/or return of the VR when payment already constitutes an acquired right (clawback provision);
- Applicable to all or part of the VR (attributable, attributed and/or paid);
- In the following situations, which the Remuneration Committee is responsible for ascertaining after consulting inter alia the Corporate Governance, Evaluation and Nominating Committee: the Director participated directly and decisively in or his actions were the cause of significant losses; a serious or fraudulent breach of the Code of Conduct or internal rules with a significant negative impact, or situations which constitute just cause for dismissal; and/or misstatements and/or material errors or omissions in the financial statements to which the Director’s objective conduct was a decisive contributing factor.
Thus, a significant component of the VR is conditional on the Company’s positive performance during the deferral period as follows:

- Positive performance until the end of the term of office for the purposes of LTVR is measured by comparing the recorded performance of the TSR for Company shares with the weighted-average TSR for a peer group. This assessment is strengthened further by the requirement for a minimum individual qualitative AVR assessment as a condition for awarding the LTVR, by providing that the sum of the overall annual qualitative assessments of each executive Director must be greater than or equal to 9; and
- The incentive to maintain the positive performance of 2019 up to the second date of payment of the LTVR in 2021 arises from the Lock-up Period applicable to the shares of a value corresponding to at least 25% of the annual variable remuneration received.

These rules thus seek to align the interests of the management team in a long term perspective with the interests of the Company, the shareholders and all other stakeholders, whose pursuit, in view of the particularities of the Company and sector, is considered to arise from the combination of the performance assessment criteria applicable throughout the 3 years of the term of office (both the Company’s TSR and the individual qualitative assessment described above) and the Lock-up Period applicable to the shares acquired through the annual variable remuneration received.

73. Criteria underlying the awarding of variable remuneration in shares and the holding of these shares by the executive Directors; potential agreements regarding these shares, namely hedging or risk transfer agreements, their limits and proportionate value in terms of total annual remuneration

Not applicable. See point 71 above.

74. Criteria for variable remuneration allocation by way of options and respective deferral period and strike price

Not applicable. See point 71 above.

75. Main parameters and grounds of any annual bonus scheme and any other non-cash benefits

The Company has not adopted any system of annual bonuses or other non-cash benefits, without prejudice to the following paragraph.

Supplementing the provisions in point 76 below, the executive Directors earn the following non-cash supplementary benefits, of fixed nature: entitlement to use a vehicle (including fuel and tolls), life and personal accident insurance (including during travel) and access to the healthcare system (IDS – Instituto de Obras Sociais) under the same terms as the Company employees. The Chairman of the Board of Directors is also entitled to use a vehicle (including fuel and tolls).

76. Main characteristics of supplementary pension schemes or early retirement for the directors and date on which they were individually approved by the General Meeting

Without prejudice to the following paragraph, the Company’s remuneration policy does not consider the attribution of supplementary pensions or the attribution of any compensation in the event of the early retirement of its directors.

The monthly fixed remuneration of the executive Directors includes an amount defined by the Remuneration Committee according to the benchmarking, intended for allocation to a defined contribution pension plan or retirement saving plan (or other retirement saving instruments), specifically chosen by each executive Director.
IV. Disclosure of remuneration

77. Annual remuneration earned, in aggregate and individually, by the members of the Company’s management body, including fixed and variable remuneration and the various components of the latter

The table below indicates the gross remuneration paid in 2018 by the Company to the members of the Board of Directors and Audit Committee:

<table>
<thead>
<tr>
<th>Member</th>
<th>Position</th>
<th>Fixed Remuneration(1)(2)</th>
<th>AVR 2017(3)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Francisco José Queiroz de Barros de Lacerda</td>
<td>Chief Executive Officer (CEO)</td>
<td>497,072.34 €</td>
<td>0.00 €</td>
<td>497,072.34 €</td>
</tr>
<tr>
<td>Dionizia Maria Ribeiro Farinha Ferreira</td>
<td>Executive Director</td>
<td>376,198.34 €</td>
<td>0.00 €</td>
<td>376,198.34 €</td>
</tr>
<tr>
<td>António Pedro Ferreira Vaz da Silva</td>
<td>Executive Director</td>
<td>376,162.30 €</td>
<td>0.00 €</td>
<td>376,162.30 €</td>
</tr>
<tr>
<td>Francisco Maria da Costa de Sousa de Macedo Simão</td>
<td>Executive Director</td>
<td>376,144.28 €</td>
<td>0.00 €</td>
<td>376,144.28 €</td>
</tr>
<tr>
<td>Guy Patrick Guimarães de Goyri Pacheco</td>
<td>Executive Director and Chief Financial Officer (CFO)</td>
<td>416,413.96 €</td>
<td>0.00 €</td>
<td>416,413.96 €</td>
</tr>
<tr>
<td><strong>Total remuneration of the Executive Committee members</strong></td>
<td></td>
<td><strong>2,041,991.22 €</strong></td>
<td><strong>0.00 €</strong></td>
<td><strong>2,041,991.22 €</strong></td>
</tr>
</tbody>
</table>

(1) Amount of the fixed remuneration of the executive Directors. This value includes (i) the annual basic remuneration (“ABR”), (ii) the annual meals allowance (9.01 euros per business day of each month, 12 times a year), and (iii) the fixed amount paid annually related to the retirement savings plan corresponding to 10% of the annual basic remuneration. The annual basic remuneration paid in 2018 includes a 25% reduction relative to the annual basic remuneration defined in the remuneration policy approved for the term of office 2017/2019 for the CEO, and a 15% reduction for all the other executive Directors.

(2) The amount of the fixed remuneration attributed to the Executive Director (CFO) Guy Patrick Guimarães de Goyri Pacheco in 2018, includes the remuneration attributed in 2017 corresponding to the days that elapsed between his co-optation on 19 December and 31 December of that year.

(3) The executive Directors waived their annual variable remuneration for 2017 and 2018, and for this reason and regardless of the result of the assessment conducted relative to 2017, no annual variable remuneration was paid in 2018.
### Member Position Amounts (4)

**Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia**
- Non-executive Director and Chairwoman of the Audit Committee
- Amount: 76,500.06 €

**Nuno de Carvalho Fernandes Thomaz**
- Non-executive Director and Member of the Audit Committee
- Amount: 63,749.98 €

**Maria Belén Amatriain Corbi**
- Non-executive Director and Member of the Audit Committee
- Amount: 63,749.98 €

**Total remuneration of the Audit Committee**
- Amount: 204,000.02 €

**António Sarmento Gomes Mota**
- Chairman of the Board of Directors and of the Corporate Governance, Evaluation and Nominating Committee
- Amount: 262,500.00 €

**José Manuel Baptista Fino**
- Non-executive Director and Member of the Corporate Governance, Evaluation and Nominating Committee
- Amount: 55,250.02 €

**Céline Dora Judith Abecassis-Moedas**
- Non-executive Director and Member of the Corporate Governance, Evaluation and Nominating Committee
- Amount: 55,250.02 €

**João Afonso Ramalho Sopas Pereira Bento**
- Non-executive Director and Member of the Corporate Governance, Evaluation and Nominating Committee
- Amount: 55,250.02 €

**Rafael Caldeira de Castel-Branco Valverde**
- Non-executive Director and Member of the Corporate Governance, Evaluation and Nominating Committee
- Amount: 55,250.02 €

**Total remuneration of the Non-executive Directors**
- (does not include the remuneration of the Audit Committee members)
- Amount: 483,500.08 €

**Total remuneration of the Non-executive members of the Board of Directors**
- Amount: 687,500.10 €

**Total remuneration of the Board of Directors and of the Audit Committee members**
- Amount: 2,729,491.32 €

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(4) Fixed remuneration of the non-executive Directors who have no variable remuneration. The annual basic remuneration paid in 2018 includes a 25% reduction relative to the annual basic remuneration defined in the remuneration policy approved for the term of office 2017/2019 for the Chairman of the Board of Directors, and a 15% reduction for all the other directors.

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As indicated in the table above, and without prejudice to the remuneration policy in force in the term of office in force described in points 69 and following above, as a result of the **Operational Transformation Plan** approved and disclosed in December 2017 and including a series of adjustments related to CTT’s policy on Human Resources:

- During 2018, the Chairman of the Board of Directors and the Chairman of the Executive Committee waived the amount corresponding to 25% of their annual basic remuneration for all the effects established in the remuneration policy;
- During 2018, all the other members of the Board of Directors and Executive Committee waived the amount corresponding to 15% of their annual basic remuneration for all the effects established in the remuneration policy;
- The executive Directors also waived their annual variable remuneration relative to 2017 and 2018, regardless of the results of the performance assessment process to be conducted pursuant to the remuneration policy approved by the Remuneration Committee, described in points 69 and following above; and
- With respect to the long-term variable remuneration attributable to the executive Directors due to their performance in 2017/2019, CTT recorded staff costs of 50,880 euros as at 31 December 2018, with this long term remuneration component being paid in cash by the Company, at the end of the term of office, if the respective assumptions are met for attribution and payment under the terms described in points 69 and following above (this amount was defined by an actuarial study carried out by an independent entity).

There was no deviation from the procedures of application of the approved remuneration policy, described in point 69 above, as illustrated in the remuneration table above which indicates the annual amount of remuneration earned, as a whole and individually, by the members of the Company’s management body, including fixed and variable remuneration, as well as indication of the different components giving rise to the fixed remuneration.
78. Amounts paid, for whatever reason, by other companies in control or group relationship or that are subject to joint control

During the 2018 financial year, the companies in a controlling or group relations with the Company did not pay the members of the Board of Directors any remunerations or amounts for any reason.

79. Remuneration paid in the form of profit-sharing and/or bonus payments and the reasons for such these bonuses and/or profit-sharing

During the 2018 financial year, the members of the Board of Directors were not paid any amounts in the form of profit-sharing or bonuses.

80. Compensation paid or owed to former executive Directors relating to the termination of their office during the financial year

During the 2018 financial year, no compensation was paid or is owed to former executive Directors relative to their termination of office during the financial year.

81. Annual remuneration earned, in aggregate and individually, by members of the Company’s oversight body, for the purposes of Law 28/2009, of 19 June

See point 77 of Part I above with respect to the members of the Audit Committee.

82. Remuneration of the Chairman of the Board of the General Meeting during the reference year

During the 2018 financial year, the remuneration earned by the Chairman and Vice-Chairman of the Board of the General Meeting was, respectively, ten thousand and four thousand euros.

83. Contractual limits for compensation payable upon dismissal without just cause of a director and their connection with the variable remuneration component

The members of CTT’s corporate bodies did not enter into any remuneration or compensation agreements with the Company. The remuneration policy approved by CTT’s Remuneration Committee for the term of office 2017/2019 establishes that in the event of the termination of duties of members of the Board of Directors, the legally stipulated rules for compensation will be applicable, without prejudice to the provisions in point 72 above by reference to the variable remuneration.

84. Agreements between the Company and members of the management body and senior officers, under article 248-B(3) of the Portuguese Securities Code providing for compensation in the event of resignation, dismissal without just cause or termination of employment following a change of control in the Company

During the 2018 financial year, there were no agreements between the Company and the members of the Board of Directors or the Audit Committee which provided for compensation in the case of resignation, dismissal without just cause or termination of employment following a change of control in the Company, notwithstanding point 72 of Part I above.
On this issue, it should be noted that CTT’s Board of Directors considers that the Company’s directors, in acceptance of article 248-B of the Portuguese Securities Code and of the EU Regulation, correspond only to the members of the management and supervisory bodies of CTT.

VI. Share award plans or stock option plans

85. The plan and its respective beneficiaries

As better defined in point 71 above, the remuneration policy approved by the Remuneration Committee for the term of office 2017/2019 does not foresee the attribution of any shares to executive Directors as remuneration. Furthermore, the Company does not have in force, on the present date, any type of plan for stock options.

86. Characteristics of the plan (awarding conditions, share lock-up clauses, share price and strike price criteria, exercise period for the options, characteristics of the shares or options to be awarded, incentives to purchase shares and/or exercise options)

As noted in point 85 of Part I above.

87. Stock options for Company employees and staff

As noted in point 85 of Part I above.

88. Control mechanisms provided for in any employee-share ownership scheme in as much as voting rights are not directly exercised by those employees

No system of employee participation in equity was in force in 2018 or exists in CTT.

E. Transactions with related parties

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company to control related party transactions

Since 2014, the Company has been implementing procedures aimed at ensuring strict compliance with the legal and accounting rules and current best practices concerning transactions with related parties and the pursuit of CTT’s interests in this regard, in particular through the Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest.

To this end, “Related Parties” are considered to be:

- Any Shareholder with at least 2% of CTT’s share capital, whether directly or indirectly, pursuant to article 20 of the Portuguese Securities Code;
- Members of CTT’s management and supervisory bodies and any officers who, although not members of these corporate bodies are so classified under the referenced Regulation, or any third party related thereto through any significant commercial or personal interest;
- Subsidiaries, associated companies and jointly controlled entities (joint ventures) of CTT.
According to that Regulation, “Transactions with Related Parties” (i.e., all onerous or gratuitous legal transactions or a transfer of resources, services or obligations between, on the one hand, CTT and/or subsidiaries and, on the other hand, a related-party) shall adhere to the following principles:

- They can only take place based on motives clearly within the scope of CTT business interests;
- They must be entered into at arm’s length, pursuant to the legislation in force and in line with the best corporate governance practices, in order to ensure transparency and the full protection of CTT’s interests;
- They must always be put in writing, specifying their respective terms and conditions;
- Loans to “Related Parties” are expressly prohibited, except to subsidiaries, associated companies or jointly controlled entities (joint-ventures);
- They should be clearly and accurately disclosed in the notes to the Company’s financial statements, with sufficient detail to identify the “Related Party” and the main conditions regarding the transactions.

See point 91 of Part I below on the prior and subsequent mechanisms for the Audit Committee to control transactions with related parties.

90. Transactions that were subject to control during the reference year

During the 2018 financial year, the law firm Uría Menéndez – Proença de Carvalho was engaged to provide legal advisory services to Banco CTT in the context of the partnership relations to be established with Netinvoice, S.A. for the constitution of a web platform for credit transactions and the attribution of a financial contribution to COTEC Portugal – Associação Empresarial para a Inovação (Portuguese Association for Innovation) in the context of the “Portugal Platform i4.0: Qualify SME for the 4.0 Industry” project relative to its 2-year duration. These are considered transactions with related parties and have been subject to prior review of the supervisory body of the Company pursuant to the procedures described in the Regulation for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest referred to in points 89 and 91 of Part I of this chapter.

This engagement configures a transaction with a related party, having been subject to prior control by the Company’s supervisory body under the procedures described in the Regulations on Assessment of Transactions with Related Parties and Prevention of Conflicts of Interest mentioned in points 89 and 91 of Part I of this chapter.

Additionally, the following transactions with subsidiaries of the CTT Group were subject to control by the aforesaid body: subsequent control in relation to (i) transactions that corresponded almost entirely to the provision of services, in the context of the postal activities; and (ii) the addenda entered into between CTT and Banco CTT in respect to the agreements governing the use of resources inherent to the Retail Network and the CTT / Banco CTT partnership regarding CTT channel and the provision of services between CTT and Banco CTT, in the context of the financial activities.

For further details on Transactions with Related Parties, see Note 50 – Related Parties to the consolidated and individual financial statements in chapter 7 of this report (see page 305).
91. *Procedures and criteria applicable to the oversight body’s intervention in the prior assessment of business transactions to be carried out between the Company and qualified shareholders*

According to the Regulation for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interests, “Significant Transactions with Related Parties” are submitted by the Executive Committee to the prior opinion of the Audit Committee, under the following terms:

- Transactions of an amount exceeding 1,000,000 euros relative to a single transaction or to a set of transactions carried out in each financial year qualify for this purpose, except for transactions carried out between CTT and directly or indirectly fully-owned subsidiaries of CTT;

- In this context, the Audit Committee analyses, in particular, the terms and conditions, scope and opportunity of the transaction, the interest of the related party, any limitations that may be imposed on CTT as a result of the transaction, the implemented pre-contractual procedures, the mechanisms adopted to resolve or prevent potential conflicts of interest and evidence that the operation will be carried out at arm’s length;

- Also subject to the prior opinion of the Audit Committee are transactions to be entered into, on the one hand, by management body members of CTT and/or subsidiaries (directly or through a third party) and, on the other hand, by CTT and/or subsidiaries, under the terms and for the purposes set out in articles 397 and 423-H of the PCC and the procedure set out in the Regulation for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest.

II. *Transaction information*

92. *Place in the financial reporting documents where information on business transactions with related parties pursuant to IAS 24 is available*

All other “Transactions with Related Parties” are communicated to the Audit Committee for subsequent review, namely in the context of the annual activity report, by the last day of July or January, according to whether the transaction occurred in the 1st or 2nd semester of the year.

The relevant transactions with related parties are described in Note 50 to the consolidated and individual financial statements in chapter 7 (see page 305) of this report and were carried out at arm’s length.
PART II – Assessment of Corporate Governance

1. Identification of the adopted corporate governance code

In conformity with the provisions in number 1 of article 2 of CMVM Regulation 4/2013, CTT has adopted the Corporate Governance Code of the Portuguese Institute of Corporate Governance, in the version published in 2018, (“IPCG Code”) which can be consulted at www.cgov.pt.

2. Analysis of compliance with the adopted corporate governance code

<table>
<thead>
<tr>
<th>Recommendations of the IPCG code</th>
<th>Adoption</th>
<th>Points of chapter 5 - Corporate Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. General provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General principle</td>
<td>Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.</td>
<td></td>
</tr>
<tr>
<td>I.1. Company's relationship with investors and disclosure</td>
<td>Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.</td>
<td></td>
</tr>
<tr>
<td>Principle I.1.1.</td>
<td>The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.</td>
<td></td>
</tr>
<tr>
<td>Adopted</td>
<td>56 to 63 (see also chapters 10. Investor support and 11. Website, pages 340 to 343 of this report)</td>
<td></td>
</tr>
<tr>
<td>I.2. Diversity in the composition and functioning of the company's governing bodies</td>
<td>Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.</td>
<td></td>
</tr>
<tr>
<td>Principle I.2.A.</td>
<td>Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.</td>
<td></td>
</tr>
<tr>
<td>Principle I.2.B.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recommendations of the IPCG code</td>
<td>Adoption</td>
<td>Points of chapter 5 - Corporate Governance</td>
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<tr>
<td><strong>I.2.1.</strong> Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.</td>
<td>Adopted</td>
<td>16, 19, 26 and 33</td>
</tr>
<tr>
<td><strong>I.2.2.</strong> The company’s managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members — and detailed minutes of the meetings of each of these bodies should be carried out.</td>
<td>Adopted</td>
<td>21, 22, 23, 27, 29, 34 and 35</td>
</tr>
<tr>
<td><strong>I.2.3.</strong> The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company’s website.</td>
<td>Adopted</td>
<td>22, 34 and 61 (see also for point 61 chapter 11. Website, page 342 of this report)</td>
</tr>
<tr>
<td><strong>I.2.4.</strong> The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company’s website.</td>
<td>Adopted</td>
<td>23, 28, 29, 35, 62 and 67 (see also for point 62 chapter 11. Website, page 342 of this report)</td>
</tr>
<tr>
<td><strong>I.2.5.</strong> The company’s internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.</td>
<td>Adopted</td>
<td>21, 35 and 49</td>
</tr>
</tbody>
</table>

**I.3. Relationships between the company bodies**

**Principle**
Members of the company’s boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.

| **I.3.1.** | Adopted | 18 and 21.2 |
| **The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company’s collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.** |

| **I.3.2.** | Adopted | 18 and 21.2 |
| **Each of the company’s boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.** |

**I.4. Conflicts of interest**

**Principle**
The existence of current or potential conflicts of interest, between members of the company’s boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.

| **I.4.1.** | Adopted | 21 |
| **The duty should be imposed, to the members of the company’s boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company’s interest.** |

| **I.4.2.** | Adopted | 21 |
| **Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.** |
Recommendations of the IPCG code

I.5. Related party transactions

**Principle**
Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.

**I.5.1.** The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.

Adopted 38, 89 and 91

**I.5.2.** The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.

Adopted 91

II. Shareholders and general meetings

**Principle II.A.** As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.

**Principle II.B.** The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself.

**Principle II.C.** The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.

**II.1.** The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.

Adopted 12

**II.2.** The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.

Adopted 14

**II.3.** The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.

Adopted 12

**II.4.** The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.

Not adopted -

**II.5.** The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.

n.a. 5 and 13

**II.6.** The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.

Adopted 4

III. Non-executive management, monitoring and supervision

**Principle III.A.** The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.

**Principle III.B.** The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.

**Principle III.C.** The supervisory body should carry out a permanent oversight of the company’s managing body, also in a preventive perspective, following the company’s activity and, in particular, the decisions of fundamental importance.
<table>
<thead>
<tr>
<th>Recommendations of the IPCG code</th>
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</tr>
</thead>
<tbody>
<tr>
<td>III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions, and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.</td>
<td>n.a.</td>
<td>17 and 18</td>
</tr>
<tr>
<td>III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.</td>
<td>Adopted</td>
<td>17 and 18</td>
</tr>
<tr>
<td>III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.</td>
<td>Adopted</td>
<td>17 and 18</td>
</tr>
<tr>
<td>III.4. Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i. having carried out functions in any of the company’s bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship with the company in the last three years; iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director’s duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings; or vi. having been a qualified holder or representative of a shareholder of qualifying holding.</td>
<td>Adopted*</td>
<td>17, 18, 20 and 78</td>
</tr>
<tr>
<td>III.5. The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company’s bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).</td>
<td>n.a.</td>
<td>17 and 18</td>
</tr>
<tr>
<td>III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.</td>
<td>Adopted</td>
<td>21</td>
</tr>
<tr>
<td>III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.</td>
<td>n.a.</td>
<td>15</td>
</tr>
<tr>
<td>III.8. The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.</td>
<td>Adopted</td>
<td>35 e 38</td>
</tr>
</tbody>
</table>
## Recommendations of the IPCG code

### III.9.
Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.

**Adopted**

**Points of chapter 5 - Corporate Governance**

21, 29 e 66

### III.10.
Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company’s activity.

**Adopted**

54

### III.11.
The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.

**Adopted**

38, 50 to 52 (see also for point 52 subchapter 2.7. Description of the risk management process of chapter 2.7. Risk management, pages 56 to 61 of this report)

### III.12.
The supervisory body should provide its view on the work plans and resources of the internal auditing services, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest and the detection of potential irregularities.

**Adopted**

37, 38, 50, 51 and 55

## IV. Executive management

### Principle IV.A.
As way of increasing the efficiency and the quality of the managing body’s performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company’s objectives and aiming to contribute towards the company’s sustainable development.

### Principle IV.B.
In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.

### IV.1.
The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.

**Adopted**

26

### IV.2.
The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; (ii) the organisation and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.

**Adopted**

21

### IV.3.
In matters of risk assumption, the managing body should set objectives and look after their accomplishment.

**Adopted**

21, 50 and 52 (see also for point 52 subchapter 2.7. Description of the risk management process of chapter 2.7. Risk management, pages 56 to 61 of this report)

### IV.4.
The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company’s objectives, as set by the managing body.

**Adopted**

38, 50 to 52 (see also for point 52 subchapter 2.7. Description of the risk management process of chapter 2.7. Risk management, pages 56 to 61 of this report)
V. Evaluation of performance, remuneration and appointment

V.1. Annual evaluation of performance

Principle
The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.

V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company’s strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company’s other bodies and committees.

Adopted 211, 214, 24, 29.2, 66, 70 and 71

V.1.2. The supervisory body should supervise the company’s management, especially, by annually assessing the accomplishment of the company’s strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company’s other bodies and committees.

Adopted 24, 35 and 38

V.2. Remuneration

Principle
The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member’s interests with those of the company’s shareholders — taking into account the wealth effectively created by the company, its financial situation and the market’s — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.

V.2.1. The remuneration should be set by a committee, the composition of which should ensure its independence from management.

Adopted 66 and 67

V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company’s remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.

Adopted 69 to 74

V.2.3. The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19 June, should additionally contain the following:

i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company’s remuneration policy, including how it contributes to the company’s performance in the long run, and information about how the performance requirements were applied;

ii. remunerations from companies that belong to the same group as the company;

iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date;

iv. information on the possibility to request the reimbursement of variable remuneration;

v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;

vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.

Adopted 69 to 75, 77 and 79

Adopted 78

Adopted 69 and 72

Adopted 69 and 77

Adopted 69 and 80
Recommendations of the IPCG code

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<td>V.2.4.</td>
<td>For each term of office, the remuneration committee should also approve the directors’ pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.</td>
<td>n.a.</td>
<td>76 and 80</td>
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<td>V.2.5.</td>
<td>In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company’s boards and committees or, if such presence has been requested by the shareholders.</td>
<td>Adopted</td>
<td>69</td>
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<td>V.2.6.</td>
<td>Within the company’s budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee’s duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.</td>
<td>Adopted</td>
<td>67</td>
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<td>V.3. Remuneration of the Directors</td>
<td>The directors should receive compensation:</td>
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<tr>
<td>Principio</td>
<td>i. suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company; ii. that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and iii. that rewards performance.</td>
<td></td>
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<tr>
<td>V.3.1.</td>
<td>Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.</td>
<td>Adopted</td>
<td>69, 70 and 71</td>
</tr>
<tr>
<td>V.3.2.</td>
<td>A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company’s internal regulation.</td>
<td>Adopted</td>
<td>72</td>
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<td>V.3.4.</td>
<td>When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.</td>
<td>n.a.</td>
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<td>V.3.5.</td>
<td>The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.</td>
<td>n.a.</td>
<td>69 and 70</td>
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<tr>
<td>V.3.6.</td>
<td>The company should be provided with suitable legal instruments so that the termination of a director’s time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.</td>
<td>Adopted</td>
<td>83</td>
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<tr>
<td>V.4. Appointments</td>
<td>Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company’s governing bodies, and of the executive staff, should be suited to the functions carried out.</td>
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</tr>
<tr>
<td>Principle</td>
<td>i. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company’s governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.</td>
<td>Adopted</td>
<td>19, 21.4 and 29.2</td>
</tr>
<tr>
<td>V.4.1.</td>
<td>The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company’s size.</td>
<td>Adopted</td>
<td>21.4 and 29.2</td>
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<tr>
<td>V.4.3.</td>
<td>This nomination committee includes a majority of nonexecutive, independent members.</td>
<td>Adopted</td>
<td>29.2</td>
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### Recommendations of the IPCG code

| V.4.4. | The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity. | Adopted | 214 and 29.2 |

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<td>Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company’s activity.</td>
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<td><strong>VI.1.</strong></td>
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<td>The managing body should debate and approve the company’s strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.</td>
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<td><strong>VI.2.</strong></td>
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<tr>
<td>Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.</td>
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<td><strong>VI.3.</strong></td>
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<tr>
<td>The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.</td>
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<td>The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.</td>
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<td><strong>VII.2. Statutory audit of accounts and supervision</strong></td>
</tr>
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<td>The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company’s statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor, with rules regarding independence imposed by law and professional regulations.</td>
</tr>
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</table>
## Recommendations of the IPCG code

| VII.2.1. | Through the use of internal regulations, the supervisory body should define:  
| i. the criteria and the process of selection of the statutory auditor;  
| ii. the methodology of communication between the company and the statutory auditor;  
| iii. the monitoring procedures destined to ensure the independence of the statutory auditor;  
| iv. the services, besides those of accounting, which may not be provided by the statutory auditor. | Adopted | 37 and 38 |
| VII.2.2. | The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company. | Adopted | 38 |
| VII.2.3. | The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause. | Adopted | 38 and 45 |
| VII.2.4. | The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body. | Adopted | 38 |
| VII.2.5. | The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties. | Adopted | 38 |
Comply or Explain

Recommendation II.4

“The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.”

Although the Company does not offer participation by telematic means in the general meetings to its shareholders, suitable means are implemented for the active and unimpaired participation of all its shareholders in these meetings. This involves, namely, the possibility of the shareholders also being able to vote by correspondence or electronic vote, with materially equivalent effects to participation by telematic means.

Notwithstanding this possibility, which is established in the Company’s Articles of Association since its privatisation, and according to what has been practice in the Company’s last general meetings, voting by electronic means has never been exercised. Some shareholders voted by correspondence in the first general meetings held after privatisation, but this type of participation has not been used recently.

Without prejudice to the future implementation of telematic means for participation in general meetings, CTT considers that the costs of implementing a solution of this nature could very well be disproportionate to the actual participation through these means by the shareholders, taking into account their clear preference for participation in person or through representation under the legal terms, as revealed by the practice in the last general meetings.

For this reason, the Company considers that the means currently provided for shareholder participation in the general meetings are adequate, namely through electronic vote, in line with the principles of good corporate governance and materially equivalent to compliance with this Recommendation.

Recommendation III.4

“Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:

i. having carried out functions in any of the company’s bodies for more than twelve years, either on a consecutive or non-consecutive basis;

ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;

iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;

iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director’s duties;

v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings; or

vi. having been a qualified holder or representative of a shareholder of qualifying holding.”

Although there is no total coincidence of criteria for assessing the independence of non-executive members of the Board of Directors, between, on the one hand, CMVM Regulation 4/2013 (Point 18.1 of Annex I to said Regulation) which, in the case of the members of the Board of Directors who are also members of the Audit Committee, refers to the Portuguese Companies Code, and, on the other hand, the IPCG Code which generally refers to independence requirements without express reference to the regime of the Portuguese Companies Code as regards the members of the Audit Committee, the Company fully complies with Recommendation III.4 of the IPCG Code to the extent that, in accordance with the criteria defined for the purposes of this Recommendation, 54% of all its directors are independent, this percentage being 87.5% when measured solely in terms of its non executive Directors.
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<td>Report the markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) The Organisation also operates abroad in locally established companies in Spain and Mozambique. Although in both countries the provision of services is at the level of Express Mail of items and merchandise, in Spain the customers are especially classified in the area of private customers and in Mozambique there is a large proportion of public sector customers</td>
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<td>Describe the organization’s supply chain The supply chain whose businesses were conducted by Procurement in 2018 is 87% composed of national suppliers or with representation in Portugal and 13% of foreign suppliers. The group of suppliers with the highest percentage of awarded value is that of Transport with 34% of the awarded value, followed by IT/Communications with 25% and Facilities and Buildings with 11%. These values were calculated based on the cases awarded in 2018, and do not take into account renewals</td>
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<td>171, 201</td>
<td></td>
</tr>
<tr>
<td>G-51</td>
<td>Process adopted for determining remuneration</td>
<td>171, 201</td>
<td></td>
</tr>
<tr>
<td>Indicator</td>
<td>Description</td>
<td>Page(s)</td>
<td>ODS (sustainable development goals)</td>
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</tr>
<tr>
<td>G-53</td>
<td>How stakeholders’ views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable</td>
<td>194</td>
<td>ODS 16</td>
</tr>
<tr>
<td>G-56</td>
<td>Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics</td>
<td>172</td>
<td>ODS 16</td>
</tr>
<tr>
<td>G-57</td>
<td>Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines</td>
<td>172</td>
<td>ODS 16</td>
</tr>
<tr>
<td>G-58</td>
<td>Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines</td>
<td>172</td>
<td>ODS 16</td>
</tr>
</tbody>
</table>

**Economic performance (consolidated data)**

Management approach, targets, performance, policies and framework

EC1 Direct economic value generated and distributed – ODS 8

EC2 Financial implications and other risks and opportunities for the organization’s activities due to climate change – ODS 13

EC3 Coverage of the organization’s defined benefit plan obligations –

**EC4** Financial assistance received from Government

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax benefits</td>
<td>1,960,760 (1)</td>
<td>1,782,360</td>
</tr>
<tr>
<td>Tax credits</td>
<td>452,822</td>
<td>444,943</td>
</tr>
<tr>
<td>Total</td>
<td>2,413,582</td>
<td>2,227,303</td>
</tr>
</tbody>
</table>

(1) Includes €140,000 due to the tax benefit of Banco CTT related to the conventional remuneration of the share capital.

**Market Presence**

EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation

*At the end of 2018, the lowest salary paid by CTT was 612 euros for men and 612 euros for women, corresponding to ratios of 1.06 and 1.06 respectively in relation to the national minimum wage (580 euros)*

**Note:** Excluding data of CORRE and Tourline

**Indirect Economic Impacts**

EC7 Development and impact of infrastructure investments and services provided –

EC8 Significant indirect economic impacts, including the extent of impacts –

Práticas de Compra
<table>
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<tr>
<th>Indicator</th>
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<th>Page(s)</th>
<th>ODS (sustainable development goals)</th>
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</thead>
<tbody>
<tr>
<td><strong>EC9</strong></td>
<td>Proportion of spending on local suppliers at significant locations of operation</td>
<td>-</td>
<td>ODS 12</td>
</tr>
<tr>
<td></td>
<td>87% of the purchases were awarded to national suppliers or with representation in Portugal and 13% to international suppliers. The concept of “local” should be understood as “national” Negotiation and Procurement is managed in a centralised form, with all the company’s procurement needs being consolidated regardless of the origin of the need and location of the provision of the service or supply. Location criteria are not used for purposes of selection of suppliers, unless this proves necessary from the operational point of view, which is justified by practices of equal opportunities arising not only from the company’s own choice but in certain circumstances of the rules of public procurement. However, as CTT is a company with a presence throughout the entire Portuguese territory, many outsourced services have a relevant impact on the local economy due to being provided with local resources (e.g. cleaning services, fuel, maintenance)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Labour**

Management approach, targets, performance, policies and framework

| LA1 | Total number and rates of new employee hires and employee turnover by age group, gender and region | - | ODS 5 ODS 8 |
| LA2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | - | ODS 8 |
| LA3 | Return to work and retention rates after parental leave, by gender | - | ODS 5 ODS 8 |

**Labour/Management Relations**

Minimum number of prior notice in relation to operational changes, including if this procedure is specified in collective agreements

| LA4 | Notice to enforce operational changes is given 30 days in advance There are other notice periods according to the situation in question, all described in the Company Agreement | - |

**Hygiene and Safety**

Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes

<p>| LA5 | The prior requirements for the establishment of occupational health and safety committees have been fulfilled. However, these committees are not yet operational as there is no employee representatives have yet been elected. Elections are expected to be organized at the workplaces by the ERCT Every six months, the company asks its employees to complete a questionnaire about occupational health and safety at their workplaces |
| LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | - | ODS 3 |</p>
<table>
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</thead>
<tbody>
<tr>
<td>LA7</td>
<td>Workers with high incidence or high risk of disease related to their occupation</td>
<td>-</td>
<td>ODS 3</td>
</tr>
</tbody>
</table>
| LA8       | Health and safety topics covered in formal agreements with trade unions  
No other is known apart from those foreseen in the regulation of social work – ROS and in the Company Agreement – AE2015. The new ROS of CTT maintains a high level of protection, with greater balance in the division of costs between the Company and the beneficiaries, and promoting a more rational use of the benefits. To this end, the contribution towards benefits in the system has increased, by higher monthly levies and co-payments payable in routine acts, keeping the encompassing nature of the system and strengthening some social support measures | -       | ODS 8                              |
|            | Training                                                                                                                                                                                                                                                                                                                                 |         |                                    |
| LA9       | Average hours of training per year per employee by gender, and by employee category                                                                                                                                                                                                                        | -       | ODS 4 ODS 5                        |
| LA10      | Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings  
*Proposed Outplacement Programme to Support Transition and Change*                                                                                                                                                                 | -       | ODS 4 ODS 8                        |
| LA11      | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category                                                                                                                                                                                                  | -       | ODS 5                              |
|            | Diversity and Equal Opportunities                                                                                                                                                                                                                                                                                                                                  |         |                                    |
| LA12      | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of                                                                                                                                                                         | 159. 161 | ODS 5 ODS 8                        |
|            | Equal Remuneration for Women and Men                                                                                                                                                                                                                                                                                                                                |         |                                    |
| LA13      | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation                                                                                                                                                                                       | -       | ODS 5 ODS 8 ODS 10                |
|            | Supplier Labour Practices Assessment                                                                                                                                                                                                                                                                                                                              |         |                                    |
| LA14      | Percentage of new suppliers that were screened based on labour practices criteria  
*In 2018, of the 166 new suppliers of CTT, SA, 106 (63.9%) were selected based on criteria associated to labour practices. In the case of Mailtec, 80% of the 5 new suppliers were selected in accordance with these practices*  | -       | ODS 8 ODS 16                       |
<p>|            | Labour Practices Grievance Mechanism                                                                                                                                                                                                                                                                                                                               |         |                                    |
| LA16      | Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms                                                                                                                                                                                          | -       | ODS 16                             |
|            | Human Rights                                                                                                                                                                                                                                                                                                                                                      |         |                                    |</p>
<table>
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<th>Indicator</th>
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</thead>
<tbody>
<tr>
<td>HR1</td>
<td>Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. The number of contracts considered significant stood at 337 (95.8%), in which all include clauses relative to compliance with legislation and good practices on matters of human rights</td>
<td>-</td>
<td>ODS 10, ODS 12</td>
</tr>
<tr>
<td>HR2</td>
<td>Total hours of training on human rights policies and procedures relative to aspects of human rights that are relevant to operations, including the percentage of employees trained. 6,936 workers received 14,326 hours of training on human rights policies, representing 54.4% of the national total number of workers</td>
<td>-</td>
<td>ODS 4</td>
</tr>
</tbody>
</table>

### Non-discrimination

| HR3       | Total number of incidents of discrimination and corrective actions taken. No cases of discrimination occurred. | - | |

### Freedom of Association and Collective Bargaining

| HR4       | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights. There is no risk. This is consigned in the Portuguese Constitution and in the Company Agreement | - | ODS 10 |

### Child Labour

| HR5       | Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour. Based on the Company Agreement, there are no impediments to the free exercise of the right to freedom of association or to collective bargaining. Supply agreement negotiations include the signing of a declaration of principles by suppliers whereby they state their commitment towards social responsibility, as expressed in clause n) “Observe all principles and procedures concerning the right to freedom of association, forced labour, child labour and equality defined in ILO’s (International Labour Organization) Fundamental Conventions” | - | ODS 16 |

### Forced or Compulsory Labour

| HR6       | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour. All forms of child labour are prohibited by CTT. See HR5 | - | ODS 16 |

### Supplier Human Rights Assessment

<p>| HR10      | Percentage of new suppliers that were screened using human rights criteria. 70% of new suppliers were screened using human rights criteria. | - | ODS 16 |</p>
<table>
<thead>
<tr>
<th>Indicator</th>
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<th>ODS (sustainable development goals)</th>
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<tbody>
<tr>
<td>HR11</td>
<td>Significant actual and potential negative human rights impacts on the supply chain and actions taken in this respect. There is no plan of audits to suppliers in order to specifically assess compliance with this point. However, as noted above, the award of products and services is formally subordinated to compliance with the principles and procedures relative to human rights defined in the Universal Declaration of Human Rights. Any breach in this matter, whether due to indirect knowledge or observance during the monitoring visits made by the procurement team, shall be acted upon immediately and may constitute fair grounds for contractual rescission.</td>
<td>-</td>
<td>ODS 12</td>
</tr>
<tr>
<td>SO1</td>
<td>Percentage of operations with implemented local community engagement, impact assessments, and development programmes</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>SO2</td>
<td>Operations with significant actual and potential negative impacts on local communities</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>SO3</td>
<td>Total number and percentage of operations assessed for risks related to corruption and the significant risks detected</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>SO4</td>
<td>Communication and training on anti-corruption policies and procedures. Regarding the total and percentage number of business partners that were informed of anti-corruption policies and procedures adopted by the organisation, CTT informs the suppliers of the Code of Ethics and the Responsible Procurement Policy during the procurement process. We consider that the business partners that know it are those that sign the statement which includes mention of these two documents of CTT. Of the 669 suppliers to whom we awarded purchases, 654 signed the statement, i.e. 97.7%.</td>
<td>-</td>
<td>ODS 4 ODS 16</td>
</tr>
<tr>
<td>SO5</td>
<td>Confirmed cases of corruption and actions taken</td>
<td>-</td>
<td>ODS 16</td>
</tr>
<tr>
<td>SO6</td>
<td>Total value of political contributions by country and recipient/beneficiary. No contributions were made</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>SO7</td>
<td>Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes</td>
<td>-</td>
<td>ODS 16</td>
</tr>
<tr>
<td>SO8</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>SO9</td>
<td>Percentage of new suppliers that were screened using criteria for impacts on society. 70% of the new suppliers were selected in accordance with these criteria, with 277 having been submitted to assessments of impacts on society.</td>
<td>-</td>
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<tr>
<td>SO10</td>
<td>Significant actual and potential negative impacts on society in the supply chain and actions taken. No significant, real or potential negative impacts on society were detected in the supplier chain.</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>SO11</td>
<td>Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms.</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>PR1</td>
<td>Percentage of significant product and service categories for which health and safety impacts are assessed for improvement. The appraisal and selection of retail products for sale at CTT post offices is based on criteria such as the recognition of the partner, its environmental practices and product certification, in order to assure compliance with the legislated health and safety rules relative to merchandising products, especially those intended for use by children, as is the case of toys.</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>PR2</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes. No cases were recorded of non-compliance relative to health and safety caused by products or services.</td>
<td>-</td>
<td>ODS 16</td>
</tr>
<tr>
<td>PR3</td>
<td>Type of product and service information required by the organization’s procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements. This year, 18 buildings were recorded in the integrated registration system of the Portuguese Environment Agency (APA) and CTT now participates in the Sociedade Ponto Verde integrated system for management of the waste of the non-reusable packaging placed by CTT on the market.</td>
<td>-</td>
<td>ODS 12</td>
</tr>
<tr>
<td>PR4</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>PR5</td>
<td>Results of surveys measuring customer satisfaction.</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>PR6</td>
<td>Sale of banned or disputed products. CTT does not sell this type of products.</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>PR7</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. A determination of Banco de Portugal relative to Banco CTT, without any fine or penalty, relative to a Mortgage Loan announcement in a press release, without the respective representative example.</td>
<td>-</td>
<td></td>
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<tr>
<td>Indicator</td>
<td>Description</td>
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<td>ODS (sustainable development goals)</td>
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</tr>
<tr>
<td><strong>Customer Privacy</strong></td>
<td>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. With respect to mail, items that have gone astray, delays and occasional anomalies in delivery figure as the main causes of customer claims, with no claims having been received which might be associated to breach of customer privacy, namely the unlawful interception of letter mail.</td>
<td>-</td>
<td>ODS 16</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td>Management approach, targets, performance, policies and framework.</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Materials</strong></td>
<td>Materials used by weight or volume.</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td>Energy consumption within the organization.</td>
<td>-</td>
<td>ODS 7 ODS 12</td>
</tr>
<tr>
<td><strong>EN3</strong></td>
<td>Energy consumption outside the organization. Value calculated through the emission factors derived from energy suppliers.</td>
<td>-</td>
<td>ODS 7 ODS 12 ODS 9 ODS 13</td>
</tr>
<tr>
<td><strong>EN4</strong></td>
<td>Energy intensity.</td>
<td>-</td>
<td>ODS 7 ODS 12 ODS 9 ODS 13</td>
</tr>
<tr>
<td><strong>EN5</strong></td>
<td>Reduction of energy consumption.</td>
<td>-</td>
<td>ODS 7 ODS 9 ODS 12 ODS 13</td>
</tr>
<tr>
<td><strong>EN6</strong></td>
<td>Reductions in energy requirements of products and services.</td>
<td>-</td>
<td>ODS 7 ODS 9 ODS 12 ODS 13</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td>Total water withdrawal by source.</td>
<td>-</td>
<td>ODS 6</td>
</tr>
<tr>
<td><strong>EN8</strong></td>
<td>Water sources significantly affected by withdrawal of water. In view of the nature of the company’s productive processes, the consumption of water by CTT is fairly low, in relative terms. Water is essentially used for human consumption, cleaning and irrigation of green areas.</td>
<td>-</td>
<td>ODS 6</td>
</tr>
<tr>
<td><strong>EN9</strong></td>
<td>Percentage and total volume of water recycled and reused.</td>
<td>-</td>
<td>ODS 6</td>
</tr>
<tr>
<td>Indicator</td>
<td>Description</td>
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</tr>
<tr>
<td>EN11</td>
<td>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas All CTT premises are located in urban and/or industrial areas Regarding land use, the impact on biodiversity is associated to the size and location of the real estate properties, situated in urban and industrial areas, where there is no knowledge to suggest that CTT develops activity or operates facilities inside protected zones or areas with a high biodiversity index</td>
<td>-</td>
<td>ODS 15</td>
</tr>
<tr>
<td>EN12</td>
<td>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas CTT is involved in partnerships/projects with public and private entities acting in favour of biodiversity and promotes in-house and public awareness-raising actions on the topic</td>
<td>-</td>
<td>ODS 15</td>
</tr>
<tr>
<td>EN13</td>
<td>Habitats protected or restored</td>
<td>-</td>
<td>ODS 13</td>
</tr>
<tr>
<td>EN15</td>
<td>Direct greenhouse gas (GHG) emissions (scope 1)</td>
<td>-</td>
<td>ODS 12</td>
</tr>
<tr>
<td>EN16</td>
<td>Energy indirect greenhouse gas (GHG) emissions (scope 2)</td>
<td>-</td>
<td>ODS 12</td>
</tr>
<tr>
<td>EN17</td>
<td>Energy indirect greenhouse gas (GHG) emissions (scope 3)</td>
<td>-</td>
<td>ODS 13</td>
</tr>
<tr>
<td>EN18</td>
<td>Greenhouse gas (GHG) emissions intensity</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>EN19</td>
<td>Reduction of greenhouse gas (GHG) emissions</td>
<td>-</td>
<td>ODS 11</td>
</tr>
<tr>
<td>EN20</td>
<td>Emissions of ozone-depleting substances (ODS) There were no emissions of this type</td>
<td>-</td>
<td>ODS 13</td>
</tr>
<tr>
<td>EN21</td>
<td>NOx, SOx and other significant air emissions</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Effluents and Waste</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EN22</td>
<td>Total water discharge by quality and destination Discharged into a municipal collector only at one facility of the Centre region</td>
<td>-</td>
<td>ODS 6</td>
</tr>
<tr>
<td>EN23</td>
<td>Total weight of waste by type and disposal method</td>
<td>-</td>
<td>ODS 12</td>
</tr>
<tr>
<td>EN24</td>
<td>Total number and volume of significant spills Eight spills occurred at the South production and logistics centres, which can be placed in this context. However, they had no significant impact</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Products and Services</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>EN27</td>
<td>Extent of impact mitigation of environmental impacts of products and services The focus on ecologically friendly consumption has concentrated not only on reducing the environmental impact associated to the use of resources but also on the selection of suppliers through the inclusion of environmental criteria in tender procedures.</td>
<td>-</td>
<td>ODS 11</td>
</tr>
<tr>
<td>Indicator</td>
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</tr>
<tr>
<td>EN28</td>
<td>Percentage of products sold and their packaging materials that are reclaimed by category</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>EN29</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations. <em>CTT was not the object of any lawsuits in the context of unfair competition and anti-trust conduct with application of significant fines or non-monetary penalties, derived from non-compliance with environmental or corporate laws and regulations.</em></td>
<td>-</td>
<td>ODS 16</td>
</tr>
</tbody>
</table>

**Compliance**

**Transport**

| EN30 | Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce. *In relation to external noise, although considered an area of low relevance to the business, noise emissions are monitored periodically in accordance with the regulations in force on this matter, with the obtained results being within the applicable legal parameters.* | -       |                                     |

**Overall**

| EN31 | Total environmental protection expenditures and investments by type | -       | ODS 7, ODS 9, ODS 11, ODS 12, ODS 13, ODS 17 |

**Supplier Environmental Assessment**

| EN32 | Percentage of new suppliers that were screened using environmental criteria. *In 2018, environmental criteria were used in 96.7% of pre-contractual procedures, and contracts concluded with environmental criteria represented 98.3% of the total.* | -       | ODS 8, ODS 12, ODS 13, ODS 17 |

| EN33 | Significant actual and potential negative environmental impacts in the supply chain and actions taken. *CTT has a Policy of Responsible Procurement, aimed at promoting the improvement of the environmental and social aspects of the value chain, through the involvement and accountability of its suppliers. This Policy includes the following features: the Policy is publicly available at www.ctt.pt; it covers the fields of Health, Safety, Environment, Working Conditions, Ethics and Business Continuity; it is integrated in the tender documents; includes a rescission clause due to non-compliance; it is applicable to all suppliers.* | -       | ODS 6, ODS 8, ODS 9, ODS 11, ODS 13, ODS 15, ODS 17 |

**Environmental Grievance Mechanism**

| EN34 | Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms. *No complaints were detected in this context.* | -       |                                     |

(Source: GRI 4 (2013) “Sustainability Reporting Guidelines”)